C.P.U. No. 912

22

TWENTY SECOND REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)

(FOURTEENTH LOK SABHA)

COAL INDIA LIMITED

MINISTRY OF COAL

(Action Taken by the Government on the recommendations contained in the 15th Report of the Committee on Public Undertakings (14th Lok Sabha) on Coal India Limited)

Presented to Lok Sabha on 28.11.2007

Laid in Rajya Sabha on 28.11.2007

LOK SABHA SECRETARIAT
NEW DELHI

November, 2007 / Agrahayana 1929(S)

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(2007-2008)

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Shri Rupchand Pal

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Secretariat

1.	Shri S.K. Sharma	Additional Secretary
2.	Shri J.P. Sharma	Joint Secretary
3.	Smt. Anita Jain	Director
4.	Shri Ajay Kumar	Deputy Secretary - II
5.	Shri Girdhari Lal	Senior Executive Assistant

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty Second Report on Action Taken by the Government on the recommendations contained in the Fifteenth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on Coal India Limited.

2. The Fifteenth Report of the Committee on Public Undertakings (2006-2007) was presented to Lok Sabha on 11th December, 2006. Action Taken Replies of the Government to the recommendations contained in the Report were received on 7.5.2007. The Committee on Public Undertakings considered and adopted this Report at their sittings held on 11 October, 2007. The Minutes of the sitting are given in Appendix – I.

3. An analysis of the action taken by the Government on the recommendations contained in the 15th Report (2006-07) of the Committee is given in Appendix -II

New Delhi:
11 October, 2007
Aswina, 1929(S)

RUPCHAND PAL,
Chairman,
Committee on Public Undertakings

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fifteenth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2006-2007) on Coal India Limited which was presented to Lok Sabha on 11th December, 2006

2. Action Taken notes have been received from Government in respect of all the 21 recommendations contained in the Report. These have been categorized as follows :

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

Sl. Nos. 2,7, 9,12,14, and 17 (Total 6)

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

Sl. Nos. 3, 4,5,8,10,16 and 21 (Total 7)

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

Sl. Nos. 1, 6 and 19 (Total 3)

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

Sl.Nos. 11,13,15,18, and 20 (Total 5)

3. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

RECOMMENDATION (Sl. No. 1)

4. Regarding vacancies on the Board of Directors of CIL and its subsidiaries, the Committee in their 15th Report recommended as follows:

As per the prescribed composition of the Board of Directors of the CIL, there is a provision of three Non-official Directors. The Committee however, note that there have been no Non-official Directors on CIL's Board for the last 4 years beginning from 2002-03. Similarly, few posts of non-official Directors are also lying vacant in the subsidiaries of CIL. Regarding the reasons for these vacancies, the Committee have been informed that the appointment of Non-official Directors is done on the basis of recommendations made by Public Enterprise Selection' Board (PESB) through Department of Public Enterprises (DPE) by way of selection amongst public men, technocrats, management experts, consultants and professional managers in industry and trade with high degree of proven ability. The Committee have also been informed that DPE have recently recommended a list of names, company-wise, for appointment as non-official Directors on the Board of Directors of CIL and its eight subsidiaries (5 each for Coal India Limited, Eastern Coalfields Limited, Bharat Coking Coal Limited, Central Coalfields Limited, Northern Coalfields Limited, Western Coalfields Limited and Coal Mines Planning and Development Institute Limited and 4 each for South Eastern Coalfields Limited and Mahanadi Coalfields Limited). Thus, action to induct the non-official Directors on the Boards of CIL and its subsidiaries has reportedly been initiated. The Committee have been further apprised that vacancies of non-official Directors in the Board has not substantially affected the decisions work of the Board of Directors. The Committee wonder as to how the functions sought to be performed by the non-official Directors are being actually managed in the CIL and its subsidiaries in their absence. Further, no information has been brought to the notice of the Committee which may suggest that any serious efforts have been made/are being made by the Government to fill up the vacant post during the last four years.

The Committee are not at all satisfied with the above-mentioned reply of the Ministry. In the opinion of the Committee, by not filling up the vacant posts of non-official Directors for four years, the Board has been deprived of the services of persons who are expert in the field of management, industry and trade. The Committee express their displeasure over the lackadaisical attitude of the Government in filling up the vacancies of non-official Directors whose significance in running the organization require no special mention. The Committee, therefore, strongly recommends that all out efforts must be made by the Government for filling up the remaining vacancies of non-official Directors on the Boards of CIL and its subsidiaries without any further loss of time. The Committee further recommend that a mechanism should be put in place wherein a specific time limit is prescribed for filling up the vacancies for each category of posts on Board of Directors and action must be initiated in advance for filling up the forthcoming vacancies which are generally known in advance.

5. In their action taken reply to the recommendation of the Committee, the Government have stated as follows :

Department of Public Enterprises vide their OM dated 13.12.2005 recommended a list of names, company-wise, for appointment as non-official Directors on the Board of Directors of CIL and its eight subsidiaries (5 each for Coal India Limited, Eastern Coalfields Limited, Bharat Coking Coal Limited, Central Coalfields Limited, Northern Coalfields Limited, Western Coalfields

Limited and Coal Mines Planning and Development Institute Limited and 4 each for South Eastern Coalfields Limited and Mahanadi Coalfields Limited). Although the process for appointment of the persons recommended by DPE was initiated immediately it could not be completed within one year. It took time in obtaining the declarations from the recommended persons since the current addresses of many nominees were not available. After obtaining the required declarations and approval of the Minister of State (Coal), a proposal for appointment of non-official part-time Directors on the Board of Directors of Coal India Limited and its subsidiaries was submitted to the Deptt. of Personnel and Training. The DoPT, however, have returned the proposal stating that the recommendations made by DPE on 13.12.2005 are valid only for a year and as such need to be revalidated.

The Deptt. of Public Enterprises have, therefore, been requested to revalidate the names recommended by DPE vide their aforesaid OM and also to recommend two new names for appointment on ECL Board in place of those who have declined the offer. The DPE vide their OM dated 28.02.2007 have informed that the matter of revalidation has been referred by them to PESB for their consideration. As soon as a revalidated panel is received from DPE, a revised proposal would be submitted to the DoP&T for obtaining approval of ACC and subsequent induction of non-official Directors on the various boards of CIL and its subsidiaries. The matter is being pursued for early appointment of non-official Directors.

Once non-official Directors are inducted this time on the boards of CIL and its subsidiaries, advance action would, thereafter, be initiated for filling up the forthcoming vacancies well before the completion of their tenure.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

COMMENTS OF THE COMMITTEE

6. The Committee while taking a serious note of the unfilled posts of non-official Directors on CIL's Board lying vacant for the last four years as well as some similar posts lying vacant in subsidiaries of CIL, made the following recommendations in their Original Report: -

(i) All out efforts must be made by the Government for filling up the remaining vacancies of non-official Directors on the Boards of CIL and its subsidiaries without any further loss of time.

(ii) A mechanism should be put in place wherein a specific time limit is prescribed for filling up the vacancies for each category of posts on Board of Directors and;

(iii) Action must be initiated in advance for filling up the forthcoming vacancies which are generally known in advance.

In this regard, the Committee note from the action taken reply of the Ministry that the process for appointment of persons recommended by Department of Public Enterprises (DPE) could not be completed within the time limit of one year prescribed by the Department of Personal and Training (DoPT). The Company has tried to justify their failure by stating that it took time in obtaining the declarations from the recommended persons as their addresses were not available. Accordingly, the proposal of the company was returned by DoPT stating that the said recommendations made by Department of Public Enterprises were valid only for one year and need to be revalidated by them. Presently, the DPE has been requested by the Company to revalidate the names recommended by them earlier.

The Committee are surprised to note that for merely obtaining declarations from the persons recommended by DPE, the company took more than a year's time. The Committee are not at all convinced with trivial and flimsy ground advanced by Company that as the current addresses of many recommended persons were not available, the declaration could not be obtained in time. The Committee while expressing their displeasure over the existing state of affairs in dealing with the important issue of timely filling up of the vacant posts on the Board of Directors of CIL and its subsidiaries find that the whole appointment process has been dealt with

lackadaisically by the Government and the management. The Committee strongly believe that had the management exercised prudently and with some degree of foresightedness, the appointment process of non-official directors could have been completed within time. But due to sheer slackness and unprofessionalism as evident from the above, the posts of non-official directors which have been lying vacant since 2002-2003 could not be filled up even by now. The Committee, therefore, while, strongly deprecating the sloppy stand of the management in pursuing the appointment process with the Government desire that besides initiating all possible efforts for filling up the vacant posts immediately, responsibility must be fixed on the persons concerned for their failure to deliver the goods.

As regards recommendation of the Committee for prescribing a time limit for filling up the vacant posts of each category of directors, the Committee find that no mention at all has been made in the action taken note of the Government. The Committee take a strong exception to this disinterested attitude of the Government towards their recommendation and wish to point out that it was dili dallying stance on the part of the management/Government which had prompted the Committee to come out with the said recommendation. The Committee, therefore, reiterate their recommendation that a mechanism specifying the time limit within which the whole exercise of appointments of each category of director posts should be completed, be evolved without any further loss of time.

RECOMMENDATION (Sl. No. 2)

7. Regarding restructuring of the CIL, the Committee in their original report had inter-alia recommended as under: -

The Committee note that CIL was incorporated in November, 1975 after nationalization of the coal industry and thereafter to bring most of the coal mines under one umbrella. The administered prices, opening up of marginal projects coupled with huge manpower base and small uneconomic mines which CIL inherited at the time of nationalization resulted in continued ill health of CIL. These facts coupled with poor quality of indigenous equipment and spare parts, low utilization of Heavy Earth Moving Machinery, Social problems relating to land acquisition and rehabilitation, poor work culture, administrative constraints etc. have inhibited growth of CIL in truly becoming a globally competitive company.

In this regard, the Committee note that an expert committee constituted by the Planning Commission to formulate an Integrated coal Policy in 1995 under the Chairmanship of Shri K.S.R. Chari, former Secretary (Coal), in its report had inter-alia recommended that holding company approach of CIL be given a fresh look and each subsidiary of CIL be given the status of an independent company. Subsequently, another Expert Committee under the Chairmanship of Shri T.L. Shanker was constituted by the Ministry of Coal in November, 2004 for the purpose of reviewing the functioning of coal Sector in the country. One of the terms of reference of this Committee was restructuring of CIL to make it a world class company. Though Part-II of the report of this committee is still awaited, the Expert Committee in Part-I of their report has inter-alia recommended that greater delegation of authority must accompany greater accountability and responsibility. CIL could be granted the status of Navratna company whereby it need not come to Government for approval of projects. Subsidiaries of CIL could be granted the status of Miniratna companies whereby proposals exceeding Rs. 500 crore would need government approval. The boards of above companies should be restructured with the induction of independent non-governmental Directors.

In the above context, the Committee note that CIL is the largest coal company in the world and have the potential to become globally competitive with abundant coal resources in its leasehold areas, well developed marketing network and availability of surplus resources for investment. The Committee, therefore, feel that the Government must address the issue of restructuring CIL with more functional autonomy so that the company can meet the challenges of the competitive world by making it a world class company. The committee also note that proposal of CIL for claiming Navratna Status for it and Miniratna Status for its subsidiaries is currently under consideration of the Government. The Committee recommend that Government should process this matter expeditiously and ensure that the company is able to meet all the guidelines laid down by the Department of Public Enterprises (DPE) in this regard.

8. The Government while furnishing their action taken reply on the above recommendation stated as under: -

A proposal to confer the status of Navratna on Coal India Ltd. was submitted by the Ministry of Coal to the Department of Public enterprises (DPE), the Nodal Department in this regard. DPE has made certain observations and sought additional information. CIL has been requested to furnish the requisite information in the prescribed proforma as per the advice of the Department of Public Enterprises. Thereafter, the proposal will be re-submitted to DPE for decision. In the meanwhile CIL and four of its subsidiary Companies namely Mahanadi Coalfields Limited, Northern Coalfields Limited, South Eastern Coalfields Limited and Western Coalfields Limited have been given Mini Ratna Category – I status by the Government.

Regarding re-structuring of Coal India Ltd., the Expert Committee constituted in this regard is yet to submit its report.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

COMMENTS OF THE COMMITTEE

9. The Committee had recommended that Navratna Status be conferred on Coal India Limited. The Government in their action taken reply has stated that a proposal to confer the status of Navratna on CIL was submitted by them to the Department of Public Enterprises (DPE) who has made certain observations and sought additional information. In this connection, the Committee would like to observe that the Government has constituted an Expert Committee headed by Shri T.L. Shanker to draw up a road map for coal sector and only after the report of the Expert Committee is received and considered, the Government may formulate a National Integrated Coal Policy. In the meanwhile, the Committee feel that Navratna Status be conferred on CIL without any further delay so as to facilitate its functioning in a globally competitive environment.

RECOMMENDATION (Sl. No. 6)

10. With regard to performance of underground mining operations, the Committee had in their 15th Report recommended as under:-

The Committee note that in India, the coal mining is done by two methods namely the shaft mining generally called 'Underground mining' and the strip mining known as 'Open cast mining'. The Open cast mining is much more advantageous to underground mining in terms of the net output as well as the cost of production. This is indicated by the fact that output per Manshift (OMS) for open cast mine is 7.18 as compared to underground mining which is just 0.69. In this regard, the Committee observe that most of the underground mining operations in Coal India Limited are incurring losses. There are only 38 mines out of 284 underground mines of Coal India Ltd., which are yielding profit. Most of the 500 underground mines that Coal India Limited inherited at the time of its establishment were basically small units. The infrastructure available with these mines is very old and most of such mines do not have any scope for improving their evacuation facilities, which is a must for improving production/ productivity. According to CIL, all these mines though incurring heavy loses could not be closed because of difficulties in redeployment of surplus manpower and strong opposition from trade unions. Any improvement in augmentation of evacuation capacity in these mines and other related infrastructure to implement modernization of operations would require considerable investment. Further, since many of the loss making are also mining inferior grade coal, it would not be economically viable to invest for such modernization programmes.

In view of the above, stated position, the Committee feel that an in-depth analysis of all the underground mines should be undertaken to identify the possibilities of improving productivity from such mines by way of modernization, wherever feasible. Further, to cope up with the heavy loss making underground mines where the improvement in productivity by way of modernization is not possible, the Government may explore the possibility of closing down such mines and using the resources-both manpower as well as mechanical so made available, for improving the economics of other mines where economic turnaround is possible.

11. The Ministry of Coal in their action taken reply on the above recommendation have stated as follows:

It has been long felt that an in-depth study is required to be carried out to identify the mines technically suitable for introduction of mass production technologies in underground mines of CIL command areas/mines to enhance the underground coal production and productivity. Accordingly, an exercise has been carried out by the Committee constituted by CMD, CMPDI on 21.11.2005 on the directive of Ministry of Coal.

The Committee prepared an "Approach Note" on mechanization of underground mines/ projects of CIL and its subsidiaries, based on international best practices vis-à-vis Indian geo-mining conditions.

The scope of assignment of the Committee was:

I. To identify areas/coal seams in existing mines/ projects and green field projects for application of mass production underground technology along with specific enabling condition in coalfields if any.
II. To examine and recommend suitable organizational structure for enhancing production & productivity from UG Mines project.

The Committee has since completed the study and the conclusion of study drawn by the committee as stated in its interim report is as under:

Presently, out of 393 operating UG mines in CIL, 25 existing mines and 17 ongoing projects have respectively been identified for introduction of Mass production Technologies (MPT). Similarly, in case of Green-field mining projects, 16 projects are identified which have the potential to operate with MPT. Thus, mass production technology can be introduced in 58 underground mines/projects of CIL provided the constraints outlined in the report against each mine/project of each subsidiary company of CIL are dealt with.

Apart from the above, in the meeting taken by the Hon'ble Minister of State for Coal on 11.01.2007 with CMDs of all companies, CIL has been directed to increase the underground production to a level of 75 million tones in the terminal year of Eleventh Plan. Accordingly, a detailed study is being undertaken to identify other projects and related activities to attain this goal.

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<u>COMMENTS OF THE COMMITTEE</u>

12. The Committee in their recommendation had observed that most of the underground mines of CIL were incurring losses due to inherent poor infrastructure and inadequate evacuation facilities. The Committee had also noted that any improvement in augmentation of evacuation capacity in these mines and other related infrastructure through modernization programme would require considerable investment. The Committee had, therefore, in their original Report recommended that (i) an in-depth analysis of all the underground mines should be undertaken to identify the

possibilities of improving productivity wherever feasible and (ii) to cope up with the heavy loss making underground mines where improvement in productivity by way of modernization is not possible, the Government may explore the possibility of closing down such mines and using the resources, both manpower as well as mechanical so made available, for improving the economics of other mines where economic turnaround is possible.

In this regard, the Committee note from the action taken reply of the Government that in order to make an in-depth study to identify the mines technically suitable for introduction of mass production technologies in underground mines of CIL command area/mines, the committee constituted by CMD, CMPDIL on the directive of Ministry of Coal have identified 58 underground mines/ projects of CIL out of 393. Though, 58 out of 393 mines have been identified for introduction of mass technology, nothing has been commented upon about the remaining 235 uneconomical mines and their fate. With regard to remaining unviable and uneconomical mines, the Committee desire that the Government should carryout a unit-wise further study with a view to exploring the possibilities of converting such mines into economically viable.

The Coal India Limited also needs to urgently address the issue of growing dumping that is causing impediments to normal livelihood of locals. The huge dumped earth material, etc. should be used for filling already evacuated mines as is the usual accepted practice.

RECOMMENDATION (Sl No. 11)

13. Realizing the urgent need for new formulation for allocation of coal blocks through competitive bidding, the Committee had recommended as under: -

The Committee note that prior to 1976, the coal mining activities in the country were governed by Coal Mines (Nationalization) Act, 1973 and it was restricted to public sector only. Subsequently, by various amendments in the said Act carried out in 1976, 1993 and 1996, private companies engaged in the production of Iron & Steel, generation of power, working of coal, cement production etc. were also permitted to participate in the coal mining sector by way of captive mining. The underlying idea was that allotment of captive coal blocks would help in augmenting the production of these basic inputs to the economy besides contributing to the Central and State Government exchequers by way of revenue from taxes, royalty etc. As per the existing mechanism, the allocation of coal blocks to private parties is done through the mechanism of an inter-ministerial inter-governmental body called the Screening Committee. The Screening Committee is chaired by the Secretary (Coal) and has representation from Ministry of Steel, Ministry of Power, Ministry of Industry and Commerce, Ministry of Railways, Coal India Limited, CMPDIL and the concerned State Governments. The application is received from the applicant in the Ministry of Coal along with its enclosures and is then sent to the concerned administrative Ministry for their scrutiny and recommendations. It is also sent to CIL/CMPDIL for their scrutiny and recommendations. In the Screening Committee, the applicant is given an opportunity to present his case before the full Screening Committee. In this regard, the Committee note that a large number of applications for allocation of coal blocks for captive mining are pending in the Ministry of Coal. Considering this large number of applications per block, the allocation through the existing mechanism has become a difficult task. To overcome this problem, the Committee note that a new formulation namely competitive bidding process of selection has been proposed which would be more objective and transparent. To implement this new process, an amendment to Coal Mines (Nationalization) Act 1973 has been considered necessary which is under consideration of the Government and is likely to take some time. As such the Government have decided to continue for the time being with the existing mechanism. The Committee further note that another option to introduce competitive bidding by amending the Mines & Minerals (Development and Regulation) Act 1957 that could be applicable to all minerals covered under the said Act, including coal and lignite, is also under consideration of the Government. The proposed formulation has been referred to Ministry of Law and Justice for their legal opinion. A final view will reportedly be taken only after the views of the Ministry of Law and Justice are obtained.

The Committee, therefore, observe that though the private participation in the Coal Sector has been permitted by the Government by way of captive mining, the desired objectives have not been fully achieved in view of the cumbersome process involved in the allocation of the coal blocks. In view of the huge backlog of the applications from private participants, the need of the hour is the expeditious implementation of the competitive bidding process of selection. The Committee, therefore, recommend that coordinated efforts must be made by the Government to remove the impediments involved in the introduction of the competitive bidding by carrying out expeditiously the requisite proposed amendments in the Coal Mines (Nationalisation) Act 1973 or the Mines & Minerals (Development & Regulation) Act, 1957, whichever is deemed more appropriate. The Committee recommend that this matter needs to be finalized by the Government in a time bound manner keeping in view its national importance. In order to implement the proposal expeditiously, the Committee recommend that the follow- up action with regard to drafting/ amending of relevant rules may also be taken up simultaneously.

14. The Government in their action taken reply on the above mentioned recommendation stated as follows: -

Energy Coordination Committee in its meeting held on 17th August, 2005 had taken decision that Coal blocks for captive mining may be auctioned through competitive bidding. At present, the allocation is decided on the basis of recommendations made by the Screening Committee.

A proposal for allocation of coal blocks under competitive bidding was prepared in the Ministry of Coal. This was referred to Department of Legal Affairs for their opinion. Department of Legal Affairs has endorsed the view that an amendment in the Coal Minies (Nationalisation) Act, 1973 would be necessary. Accordingly a draft amendent Bill for amending the Coal Mines (Nationalisation) Act, 1973 was prepared.

The matter was discussed in the meeting taken by the Principal Secretary to the PM and in pursuance of the minutes of the meeting, a formulation to amend the MMDR Act 1957 to provide for competitive bidding process of allocation in respect of all the minerals including coal and lignite was referred to the Ministry of Mines for their view. The Ministry of Mines has advised in their response that the Coal Ministry could revise the formulation only to include coal and lignite as in respect of other minerals they will consider the same separately after the report of the High Level Committee on Mineral Policy is received. Accordingly, a revised formulation was referred to the Ministry of Law and Justice for their advice on 3.7.2006. Opinion of Ministry of Law & Justice was received 28.7.2006. Further clarification was sought from Ministry of Law and Justice vide note of Secretary (C) on 17.08.2006. Ministry of Law again advised, Ministry of Coal to initiate suitable measures for amendment of the Mines and Minerals (Development and Regulation) Act, 1957.

This issue was again discussed in the meeting taken by Principal Secretary to the Prime Minister on 22.09.2006. Accordingly a draft Cabinet Note along with all relevant documents was sent to Ministry of Mines on 29.09.2006 and Ministry of Mines was requested to formulate proposal for approval of Cabinet. Draft Cabinet Note as prepared by the Ministry of Mines was vetted by the Ministry of Coal and returned back to Ministry of Mines on 11th November, 2006. Proposal has already been sent to Cabinet by the Ministry of Mines for consideration. At present the issue has been referred to a Group of Ministers for a decision.

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COMMENTS OF THE COMMITTEE

15. The issue of allocation of coal blocks through more transparent and effective process needs to be finalized by the Government. The Committee note from the action taken reply of the Government that this issue is presently being sorted out amongst the Ministry of Coal, Ministry of Mines, Ministry of Law and also the Prime Minister' Office. The Committee desire that this issue needs to be decided at the earliest. The Committee feel that the present practice of allocation of coal blocks on subjective consideration lack transparency and accountability and has been adversely affecting the coal sector.

RECOMMENDATION (Sl. No. 13)

16. With regard to the Coal Mines Nationalization Amendment Bill 1993, the Committee had recommended as follows: -

The Committee note that since nationalization of coal mines in 1973, the coal sector is dominated by the public sector. The present legal framework permits private sector participation in coal mining to a very limited extent through the route of captive mining. The lack of any competition has been a major factor that has constrained the growth of coal industry. As per the Economic Survey (2005 – 06), in the coal sector, lack of private competition and market orientation has stifled growth which has affected the power sector most. In this regard, the Committee note that in line with the recommendations of the Committee constituted by the Planning Commission, under the Chairmanship of Shri K.S.R. Chari, former Coal Secretary in 1995, the Government decided to open the Coal Sector for private participation. Accordingly, a Coal Mine Nationalisation Amendment Bill was introduced in the Rajya Sabha in the year 2000. The main objective of this Bill was to allow the companies registered in India to mine coal and lignite without the existing restriction of captive consumption as well as to engage in exploration of coal and lignite resources in the country. In this regard, the Committee note that as per the deliberations in the various meetings between the trade unions and the government, it was decided that the matter for processing of the Bill further in Parliament shall be decided only after having discussions with the Trade Unions. A Group of Ministers (GOM) was constituted in this connection. After change of the Government at the Centre, the GOM is required to be reconstituted. As per the latest information made available to the Committee, the matter of reconstitution of the Group of Ministers is being pursued with the Cabinet Secretariat. The Committee, therefore, feel that the objective sought to be achieved by the Coal Mines Nationalization Amendment Bill is still pending. This important issue needs a serious consideration by the Government keeping in view the future interest of the proper development of coal sector in India. The Committee, therefore, recommend that Cabinet Secretariat should take up the matter of constituting the GOM on top priority so that the contentious issues may be resolved with the Trade Unions expeditiously.

17. The Ministry of Coal in their action taken reply on the above mentioned recommendation has submitted as under: -

The Central Government decided to amend the Coal Mines (Nationalization) Act, 1973 to allow Indian companies both in the public and private sectors to mine coal in the country without the existing restriction of captive mining and to be engaged in exploration of coal in the country. Accordingly a Bill, namely, the Coal Mines (Nationalisation) Amendment Bill, 2000, was introduced in the Rajya Sabha on 24.4.2000 .

The Bill was referred to the Standing Committee on Industry on 27.4.2000 and then to the Standing Committee on Energy on 22.11.2000 for examination and report. The Committee, after having extensive and wide-ranging discussions and consultations with the State Governments, Trade Unions/Officers' Associations, apex Chambers of Trade and Commerce, and Central Ministries submitted its report which was tabled in both the Houses of Parliament on 31.08.2001. The Committee recommended that the Bill be passed to facilitate Indian private companies to explore and mine coal and lignite without the existing restriction of captive mining.

Due to stiff resistance from the trade unions, the Bill could not be processed further. The matter was considered by the Energy Co-ordination Committee, (ECC) headed by the Prime Minister. The Energy Coordination Committee has taken a view that the Bill should be moved for consideration only after a consensus is arrived at. ECC has asked that efforts should be done in this regard. Planning Commission has been asked to prepare a Paper on this subject.

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COMMENTS OF THE COMMITTEE

18. The Committee had strongly recommended that the contentious issue pertaining to the amendment in the Coal Mines Nationalization Amendment Bill be resolved with the Trade Unions expeditiously. The Government in their action taken note has stated that Energy Coordination Committee headed by the Prime Minister has taken a view that the Bill should be moved for consideration only after a consensus with the Trade Unions is arrived at. In this regard, the Committee appreciate the Government's view that no step should be taken by the Government which may weaken the public sector status of CIL. The Committee desire that the Government should not proceed further in the matter till a consensus is arrived at regarding any amendment of the Coal Mines Nationalization

Amendment Bill 1993 which the Trade Unions have been resisting tooth and nail.

RECOMMENDATION (Sl. No. 19)

19. Stressing the need for review of royalty structure, the Committee had in their original report had recommended as under:-

The Committee note that there is a persistent demand of various coal producing States for revision of the royalty structure. Keeping in view the considerable improvement in the profit of Coal Companies over a period of time, the Committee feel that the demands for review of royalty structure of the concerned States needs to be addressed in the light of the recommendations of the11th and 12th Finance Commission and the recommendations of the Sarkaria Commission."

20. The Ministry in their action taken reply on the above recommendation has stated as follows:-

Royalty on coal and lignite is payable under Section 9(1) of the Mines and Minerals (Development and Regulation) Act. Section 9(3) of the MMDR Act, 1957 empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years and there is no compulsion on the Central Government to revise royalty every three years."

The royalty rates in respect of coal were last revised on 16.08.2002 and the royalty rate in respect of lignite was revised on 15.03.2001.

Ministry of Coal constituted a Committee under the Chairmanship of the Additional Secretary (Coal) on 02.06.2005 to examine the issue of revision of royalty rates on coal. The Committee after detailed deliberations with all stake holders submitted its report on 14.07.2006.

In the mean time, it was observed that many State Governments have resorted to levying cess/other taxes on coal in addition to royalty. In order to discuss this issue, a meeting was convened on 10.10.2006 under the Chairmanship of Secretary (Coal) with the representatives of coal producing States.

Based on the report of the Committee on royalty, a Note for the CCEA has been prepared and circulated to the concerned Ministries/Deptts. on 02.02.2007 for their comments.

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COMMENTS OF THE COMMITTEE

21. In their original report, the Committee while taking note of the persistent demand of various coal producing States for revision of the royalty structure vis-à-vis the considerable improvement in the profit of coal companies over a period of time had strongly felt that the demands for review of royalty structure must be addressed in the light of the recommendations of the 11th and 12th Finance Commission and recommendations of the Sarkaria Commission.

In this regard, the Committee note from the action taken reply of the Government that Ministry of Coal had constituted a Committee under the chairmanship of Additional Secretary (Coal) on 2nd June, 2005 to examine the issue of revision of royalty rates on coal. The Committee is stated to have submitted its report on 14.07.2006. Further, it has been stated that based on the report of the Committee on royalty, a note for the CCEA has been prepared and circulated to the concerned Ministries/Department on 2nd February, 2007 for their comments.

The Committee feel that the demand of the coal producing States for revision of the royalty structure is genuine and needs to be addressed urgently. The Committee, therefore, desire that whole process of obtaining comments from the concerned Ministries/Departments should be completed in a time bound manner so that the genuine demand of coal producing States for revision of royalty structure could be met

expeditiously. The Committee would like to be apprised of the action taken by the Government in this regard.

RECOMMENDATION (Sl. No. 20)

22. Expressing a serious concern over the subsidence problem in many coalfields, the Committee recommended as follows: -

The Committee note that in many coalfields, particularly near the Raniganj Area of West Bengal, there are many unstable locations where the cases of subsidence have been reported. The Committee feel that there is an urgent need to initiate early and appropriate steps to assess the danger being posed to residential areas adjacent to the mining areas where people suffer from a sense of insecurity and uncertainty in the wake of reports about continued subsidence. The Committee further feel that a long-term view of this enormous problem is urgently required to be undertaken.

20. In response to the recommendation of the Committee, the Government through their action taken note has submitted as under: -

Efforts to deal with the problem of subsidence and fire in Raniganj Coalfield have been going on since long. The magnitude of the problem in the Raniganj Coalfield of ECL is mainly related to subsidence due to unplanned and unsystematic exploitation of coal in the past and compounded by further injudicious growth of habitation over subsidence prone areas.

A high powered committee chaired by Secretary (Coal was constituted by GoI in December 1996 to go in to details of problem of subsidence and fire in Raniganj coalfield. As per direction of the committee CMPDI prepared a Master Plan in February 1999. Subsequently a Master plan was updated in 2004 for dealing with fire, subsidence and rehabilitation of people residing in unsafe Areas of Raniganj coalfield of ECL. Similar Master Plan was also prepared for Jharia Coalfield Area of BCCL. These Master Plans were again updated in August, 2006 and total period 20 years was reduced to 10 years and all the subsidence schemes were converted to Rehabilitation schemes. The updated Master Plan 2006 is under process for approval of the Government.

Also in accordance to the directives of high powered committee in 1996, the following stabilization and rehabilitation schemes have been undertaken. The rehabilitation scheme, demographic survey and other related jobs of rehabilitation has been entrusted to the Asansol Durgapur Development Authority (ADDA), a State Government Agency on behalf of West Bengal.

<u>Stabilization scheme</u>: Two schemes (Arun Talkies & Kumar Bazar) has been completed under Coal Conservation and Development Advisory Committee

(CCDA) funding. Three other Environmental Measures and Subsidence Control (EMSC) schemes (Barachak, Porasband & Bhatdoba) have been completed. Six EMSC schemes (Fatehpur, Gowla Basti, Polasban, Potteryu, Haripur and Sanctoria) are ongoing and progressing. Three new schemes (Jeebanpara, Narsamda & Bharatchak) have been approved and drilling work is in progress.

Rehabilitation scheme: Rehabilitation of 4 unstable locations and Sanctoria village has been entrusted to ADDA. The jobs like Demographic survey, Land record verification, Assessment of valuation of schemes completed. Selection of the proposed rehabilitation sites are in progress.

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COMMENTS OF THE COMMITTEE

23. The Committee had recommended to draw a long-term plan to deal with the problem of subsidence of coalfields particularly near the Raniganj area of West Bengal. In their action taken note, the Government has stated that subsidence in Raniganj area is due to unplanned and unsystematic exploitation of coal in the past and compounded by further injudicious growth of habitation over subsidence prone areas. It has further been stated that an Updated Master Plan 2006 has been contemplated under which various schemes relating to stabilization and rehabilitation are under progress. In this regard, the Committee believe that in view of the magnitude of the problem in Raniganj area of Eastern Coalfields LImited, the Government should immediately take up the national problem of handling and management of the incidence of subsidence through appropriate measures including stabilization and rehabilitation schemes and a comprehensive master plan with appropriate technology and support of resources. The Committee would like to hear from the Government

about the details of the measures, the Government might have undertaken to address this serious problem of subsidence.

CHAPTER –II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION (Sl. No. 2)

RESTRUCTURING OF COAL INDIA LIMITED

The Committee note that CIL was incorporated in November, 1975 after nationalization of the coal industry and thereafter to bring most of the coal mines under one umbrella. The administered prices, opening up of marginal projects coupled with huge manpower base and small uneconomic mines which CIL inherited at the time of nationalization resulted in continued ill health of CIL. These facts coupled with poor quality of indigenous equipment and spare parts, low utilization of Heavy Earth Moving Machinery, Social problems relating to land acquisition and rehabilitation, poor work culture, administrative constraints etc. have inhibited growth of CIL in truly becoming a globally competitive company.

In this regard, the Committee note that an expert committee constituted by the Planning Commission to formulate an Integrated coal Policy in 1995 under the Chairmanship of Shri K.S.R. Chari, former Secretary (Coal), in its report had inter-alia recommended that holding company approach of CIL be given a fresh look and each subsidiary of CIL be given the status of an independent company. Subsequently, another Expert Committee under the Chairmanship of Shri T.L. Shanker was constituted by the Ministry of Coal in November, 2004 for the purpose of reviewing the functioning of coal Sector in the country. One of the terms of reference of this Committee was restructuring of CIL to make it a world class company. Though Part-II of the report of this committee is still awaited, the Expert Committee in Part-I of their report has inter-alia recommended that greater delegation of authority must accompany greater accountability and responsibility. CIL could be granted the status of Navratna company whereby it need not come to Government for approval of projects. Subsidiaries of CIL could be granted the status of Miniratna companies whereby proposals exceeding Rs. 500 crore would need government approval. The boards of above companies should be restructured with the induction of independent non-governmental Directors.

In the above context, the Committee note that CIL is the largest coal company in the world and have the potential to become globally competitive with abundant coal resources in its leasehold areas, well developed marketing network and availability of surplus resources for investment. The Committee, therefore, feel that the Government must address the issue of restructuring CIL with more functional autonomy so that the company can meet the challenges of the competitive world by making it a world class company. The committee also note that proposal of CIL for claiming Navratna Status for it and Miniratna Status for its subsidiaries is currently under consideration of the Government. The Committee recommend that Government should process this matter expeditiously and ensure that the company is able to meet all the guidelines laid down by the Department of Public Enterprises (DPE) in this regard.

Reply of the Government

A proposal to confer the status of Navratna on Coal India Ltd. was submitted by the Ministry of Coal to the Department of Public enterprises (DPE), the Nodal Department in this regard. DPE has made certain observations and sought additional information. CIL has been requested to furnish the requisite information in the prescribed proforma as per the advice of the Department of Public Enterprises. Thereafter, the proposal will be re-submitted to DPE for decision. In the meanwhile CIL and four of its subsidiary Companies namely Mahanadi Coalfields Limited, Northern Coalfields Limited, South Eastern Coalfields Limited and Western Coalfields Limited have been given Mini Ratna Category – I status by the Government.

Regarding re-structuring of Coal India Ltd., the Expert Committee constituted in this regard is yet to submit its report.

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COMMENTS OF THE COMMITTEE

Please see paragraph no. 9

RECOMMENDATION (Sl. No. 5)

CLEAN COAL TECHNOLOGIES

The Committee note that as per one of the recommendations of the Expert Committee (T.L. Shanker Committee) set up by the Ministry of Coal in 2004 to review the functioning of the coal sector, the country needs to take various measures for reducing the pollution impact of coal use by developing and adopting all appropriate clean coal technologies including carbon sequestration. In pursuance of this recommendation, the Committee note that the Government of India and CIL have initiated action with cooperation of Indo-U.S. Working Group, Indo- US Coal Working Group held on 4th and 5th April, 2006, it was decided for establishment of Coal Bed Methane (CBM)/Coal Mine Methane(CMM) clearing house in association with United States Environmental Protection Agency and the same is under advance stage of consideration. Further, detailed work plan on many identified topics have also been signed. These include coal beneficiation, waste coal utilization, coal fine recovery, coal gasification, etc. The Committee further note that Coal India Ltd. has signed

MoUs with ONGC and GAIL on coal gasification and coal liquefaction projects. The CIL is trying to get technologies for further progress in these areas with the help of bilateral cooperation and multilateral cooperation. The Committee feel that development and adoption of clean coal technologies are promising areas for future from the point of view of environmental protection as well as generation of extra energy. This would also enable to utilize deep-seated coal for energy generation and meeting the energy requirements. The Committee, therefore, recommend that continuous efforts must be made for evolvement and putting into use the plans of clean coal technologies in a time bound manner.

Reply of the Government

1) Establishment of a Clearing House in India

Ministry of Coal (MoC) in Nov'06 has signed an Memorandum of Understanding (MoU) between Government of India & United States Environmental Protection Agency (USEPA) regarding establishment of CBM / CMM Clearing House in India. Under this MoU, MoC is the lead agency. The clearing house is to be established at CMPDI, Ranchi.

The cooperation agreement between MoC and USEPA is under finalization. Meanwhile necessary arrangements for establishment of clearing house are under way.

2) Underground Coal Gasification (UCG)

MoU between CIL and Oil & Natural Gas Corporation (ONGC) for pursuing pilot scale studies on Underground Coal Gasification (UCG) has been signed. For selection of suitable block for pilot scale studies, data package for five prospective blocks were prepared and submitted to ONGC. The data packages were evaluated by Soviet Consultants appointed by ONGC and they have suggested for generation of additional data in one of the block for further studies. Remaining blocks were not found suitable. Work has been taken up for generation of additional data, as per requirement.

Underground Coal Gasification (UCG) has been identified as possible area of collaboration in the 3rd US-Indo Working Group meeting held in Apri'06,. As discussed in the Joint Working Group meeting, a workshop was organized in November'06 to focus on criteria for identification of suitable site for UCG.

Necessary follow up is under way.

3) Clean Coal Technologies

The following preliminary draft proposals on the areas identified for consideration under 'Indo-US Energy Dialogue: Coal Working Group

Work Plan' have been prepared and e-mailed to the US side on 30th December 2006 for necessary input / improvements from their side.

a. Cost-effective technology for beneficiation and recovery of fine coal
b. Efficient beneficiation technology for low volatile coking coal of lower seams – V/VI/VII/VIII of Jharia Coalfields, BCCL
c. Developing a coal cleaning plant simulator

The US lead has confirmed the receipt of the above proposal on the 31st December 2006. However, their input and comments on the proposal is still awaited.

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RECOMMENDATION (Sl. No. 7)

NEED FOR INTRODUCING STATE-OF-ART TECHNOLOGY FOR UNDERGROUND MINING

The Committee note that underground mining has always been an area of major concern on account of lack of appropriate technology in respect of geo-mining conditions prevailing in the deeper seated coal deposits. Track records of indigenous manufactures of underground mining equipment has also been poor. This has inhibited the desired growth of underground coal production. However, efforts have been made by the CIL to mechanize the underground mining operations with introduction of Intermediate Technology i.e. Side Discharge Loader/ Load Haul Dumper (SDL/LHD) in a number of mines, as a replacement of manual mining. As a result, the total underground production has increased from 38% in 1998-99 to 61.5% in 2004-05. This mechanization process has also reduced the exposure of workers to mining hazards in underground mines. Further, in few selected underground mines, another highly mechanized Longwall Technology is also in use. However, as per the information furnished to the Committee, this technology has not been very successful in the country as the performance of this technology has been below expectations in view of the involvement of multiple complex factors like inadequate geo-technical assessment, under rated equipment, inadequate infrastructure links, poor spare part management, poor back-up services by overseas suppliers etc. The Committee has been informed that in order to improve production and productivity of underground mines, introduction of intermediate Technology using SDL and LHD has been taken up on a large scale. Further, a recently introduced technology namely ‘Continuous Miner Technology’ has come up with successful results. Accordingly, this technology has been proposed to be introduced in some more mines of CIL where suitable geo-mining conditions exist.

From the above, the Committee feel that introduction of latest technology is the need of the hour as it is linked not only to the enhancement of coal production from the underground mines but also to the safety of the mine workers. The Committee, therefore, recommend that CIL should make continuous efforts for introducing improved technologies including international proven technologies from foreign companies in more and more underground mines, wherever feasible. For this purpose, suitable time schedules be chalked out within which the whole exercise is to be carried out.

The Ministry in their action taken reply on the above recommendation has stated as follows: -

This issue has already been addressed in reply to Recommendation No. 6. Some additional information are as under:

Action Plan to achieve targets – Existing mines/Completed and ongoing projects

- Mechanized Drilling and roof bolting being introduced replacing manual system.
- SDL/LHD/Continuous Miner being introduced in existing mines suitably.
- Introduction of latest technology to reduce time required for driving incline and sinking of shaft.
- Closing down unsafe and unviable mines and redeployment of workforce.

Action Plan to achieve targets – New Projects

- Shifting focus from manual mining to mechanization
- New mines being planned for high productive (2-10 mt capacity) Long wall mine
- Inviting Joint Venture partners/Mining contractors of world repute for opening large UG mines.
- Work on a risk/gain-sharing basis.
- This can bring substantial value add to CIL including:
    - Better operating practices resulting in lower mining cost
    - Sharing risk of operation with experts
    - Saving of capital investment requirement.

Continuous Miner (CM) technology and Powered Support Longwall (PSLW) technology are internationally proven state-of-the-art technologies for mining coal from underground mines.

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RECOMMENDATION (Sl. No. 9)

INTEGRATED COAL RESOURCES INFORMATION SYSTEM (ICRIS)

The Committee note that Coal Mines Project and Development Institute Limited (CMPDIL) has taken up a Government of India funded project on development of an Integrated Coal Resources Information System (ICRIS) for estimation of mines/block wise coal reserves etc. as per United Nations Framework Classification (UNFC) guidelines in X Plan. The Committee have been informed that on completion of this project, an updated integrated mines/ block wise coal reserves data base will be created to facilitate perspective planning for coal development. The Committee have been informed that for ICRIC which is scheduled to be completed by October, 2009, procurement of hardware and software is in an advance stage. Further, the process of collection of collieries maps, bringing colliery survey reference points to National Grid and capturing of borehole and descriptive data of first lot of 122 Geological reports in Computer Media is also in progress. The Committee are of the view that creation of an updated integrated mine/block wise coal reserves data base would certainly facilitate perspective planning of coal development in the country. The Committee, therefore, recommend that ICRIS project should by provided all support (financial and technical) by the Government so that it may be completed within the stipulated timeframe.

Reply of the Government

ICRIS Project is under implementation by establishing nine Data Centres at 9 different locations (7 Regional Institutes of CMPDI and one each at Singareni Collieries Company Ltd. (SCCL), Kothagudem and CMPDI(HQ), Ranchi and the work is continuing from all locations.

About 50% of the Borehole Data Geological Reports (GRs) of 630 coal blocks) have been captured into the magnetic media from the GRs so far. The Map Data Capture has also started recently and 150 maps have been handed over to the vendor for digitisation / vectorisation.

Approval of the proposal for engagement of 16 additional geologists on contract for two years for ICRIS job would be considered by CIL Board shortly. All efforts will be made to complete this programme in a stipulated time frame.

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RECOMMENDATION (Sl. No. 12)

EXTENDING CONSULTANCY ROLE OF CMPDIL FOR PRIVATE PLAYERS

The Committee note that with the opening of coal mining sector to private companies for the purpose of captive mining, more and more private companies are coming forward seeking allocation of coal blocks. Such private participation is likely to attain further momentum after the introduction of the proposed process of allocation by competitive bidding. The question which obviously arise is whether such private companies possess the requisite expertise in the field of coal mining as it is a highly technical area. In this regard, the Committee have been informed that currently a company without necessary expertise in Coal mining can source mining expertise from the market or it enters into a joint venture (JV) with a mining company holding 26% equity in it under special dispensation allowed under the existing guidelines. Towards this end, the Committee are of the view that Central Mine Planning and Design Institute Limited (CMPDIL), an engineering, design and exploration subsidiary company of Coal India Limited, can play a crucial role in providing necessary expertise to the private allocates of captive blocks on commercial considerations. The Ministry of Coal has also found it a desirable solution. The Committee, therefore, recommend that the Government should explore the feasibility of extending the consultancy role of CMPDIL to private players for promoting the commercial interests of coal mining industry as well as the commercial interests of CIL.

Reply of the Government

CMPDI is already providing Consultancy Services to the captive coal block allocatees on mutually agreed commercial terms & conditions.

Some of the esteemed clients are M/s Tata Steel Ltd., Chhattisgarh Mineral Development Corporation Ltd., Chhattisgarh State Electricity Board, National Thermal Power Corporation Ltd., National Aluminum Company Ltd., Rashtriya Ispat Nigam Ltd. The Indian Iron & Steel Company Ltd., Neyveli Lignite Corporation Ltd. The Singareni Collieries Company Ltd. etc.

Currently (as on 1st January, 2007), CMPDI is preparing 2 no. of mining plans, 4 no. of Feasibility Reports / Detailed Project Reports, 2 no. of EMPs for various captive coal block allocatees.

In future also CMPDI shall be providing consultancy services to captive coal block allocatees as and when they approach CMPDI for such services, depending upon the spare capacity available with CMPDI at the time.

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RECOMMENDATION (Sl. No. 14)

COAL VIDESH LIMITED

The Committee note that presently there is a demand supply gap in respect of metallurgical and low ash thermal grade coal in view of their limited domestic reserves. With the objective of enhancing energy security of the country, CIL is contemplating to invest in prospective coal mining opportunities abroad. In this regard, presently, the Coal India Limited has set up a separate Coal Videsh Department with a view to pursue matters for acquisition of coal property abroad. Even the Ministry of Coal has reportedly constituted a dedicated group of experts mandating to explore possibility of acquiring coal equities abroad. The Committee note that a proposal for setting up a new subsidiary of Coal India Limited namely Coal Videsh Limited which would accrete overseas reserves and participate in import of coking and high grade non-coking coal to meet the domestic deficit has already been considered by the Ministry of Coal. Now, a draft Cabinet note for consideration of the Cabinet has been prepared and which have been circulated to the concerned Ministries / Departments for their comments. The said Cabinet note would be finalized accordingly. Taking into consideration the importance of the issue, the Committee recommend that the Government should take an early decision on this proposal. In the opinion of the Committee, the setting up of Coal Videsh Limited as an entity to deal exclusively with the overseas coal acquisition projects will definitely impart cutting edge over the present scattered arrangement. Towards this end, the Committee also desire that Coal India Limited should explore the possibility of entering into Joint Ventures with leading companies for acquiring coal mines abroad.

Reply of the Government

The initiatives for taking forward CIL's proposed foreign venture arm "Coal Videsh" is presently pursued by a multi-disciplinary team working under Coal Videsh Department at CIL headquarters, Kolkata. Efforts are being made to explore opportunities for securing coal mines/properties by holding discussions with relevant Govt. agencies and coal companies operating in various destination countries such as Australia, Indonesia, Canada, Mozambique, Zimbabwe etc. It is proposed to hold road shows in some of the above stated countries to identify suitable companies for partnership as an entry strategy. Certain opportunities have been identified for which due diligence will be undertaken. A panel of Investment Bankers has been created to assist CIL for scouting, identification and evaluation of opportunities abroad.

Coal India Ltd has separately submitted a proposal for setting up a new subsidiary by the name of Coal Videsh Limited to mine and acquire coal properties abroad. The proposal was considered in this Ministry. A draft Note for CCEA was prepared and views of concerned Ministries/Deptts. were obtained thereon. The Ministry of Finance has not supported this proposal. Their contention is that :-

a) The domestic reserves are adequate to take care of most of the countries needs, though there are issues of quality and price of the indigenous coal.

b) The real bottleneck is the legal and structural rigidity in the coal sector. Setting up of CVL will in no way address these problems,

c) Private/public sector users could be encouraged to acquire interests overseas by way of backward linkage rather than a State owned company being set up, as the latter is likely to result in high cost operations/transactions.

CIL has been requested to suggest alternative ways.

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RECOMMENDATION (Sl No. 17)

SAFETY OF MINE WORKERS

The Committee note that safety in mines is governed by the Coal Mines Act, 1952 and the Rules and Regulations framed thereunder. Mines Rules, 1955, the Coal Mines Regulations, 1957, and Mines Rescue Rules, 1985 are some of the major statutory provisions related to the safety of mine workers. The Committee have been further informed that mining operations in the coal mines of Coal India Limited are conducted in accordance with the above-mentioned statutes relating to Coal Mine Safety which is monitored by the Directorate General of Mines Safety (DGMS) under the Ministry of Labour. The Committee feel that the safety of mines workers is one of the major areas of concern in the coal mining industry. The number of fatal accidents in CIL during the years 2002 to 2004 has been 189 resulting in 200 casualties besides more than 1000 serious injuries. The Committee note that the major factors responsible for fatal accidents in coal mines are roof / side falls ; movements of trucks and dumpers; use of machinery etc. according to CIL, since the rocks in earth crust are not homogeneous or uniform, their behavior is not known and as such, the falling of the roof and sides of excavations made below the ground can not be eliminated entirely. In this regard, the Committee has been apprised that CIL has taken a number of protective measures to enhance safety of mine workers. Such as thrust on roof bolting / roof stitching, training and re-training of workmen, continued mechanization of loading and roof bolting operations and introduction of modern technologies besides involving trade union in safety matters by way of their representation in various safety committees.

In order to ensure safety of mine workers and also to protect the coalfields, the Committee recommend that the following safety measures be undertaken by the CIL / Government :

(i) More emphasis be laid on training programmes for mine workers on various aspects of mining such as geo-mining conditions, familiarization with new mining technologies as and when introduced, operating various mine related equipments etc. besides making mandatory for the mine workers to undergo such training programmes.

(ii) Introducing modern mining technologies in more and more mines so as to reduce the manual working to the barest minimum.

(iii) Ensuring that the recommendation of the DGMS on various mine safety aspects are implemented within the prescribed time-limit in letter and spirit.

(iv) Stringent punitive action be prescribed for those persons who are found responsible for cause of accident due to any negligence or dereliction of duties on their part.

Reply of the Government

(i) Mandatory Regular Basic and Refresher Training is imparted to all categories of workmen under the Mines Vocational Training Rules, 1966. In addition to the above statutory training the following training is also imparted :-

- Special training for new mining technologies and operation of new equipment by experts and from the equipment manufacturers
- Special training in Roof-Bolting is imparted to all workmen and supervisors engaged in roof-support.
- Supervisors and Support personnel are imparted training/re-fresher training in roof-support.
- Persons engaged in operation and maintenance of underground mining machinery like Side-Discharge Loaders (SDLs), Load-Haul-Dumpers (LHDs), Continuous Miners, Longwall face machinery, are imparted training by the representatives of the equipment manufacturers as well as by companies officials.
- Training in operation of Heavy Earth Moving Machinery is imparted at specialized training centers like Central Excavation Training Institutes in various subsidiaries.
- Training/refresher training is imparted to Workmen's Inspectors and Safety Committee Members.

(ii) CIL inherited large number of small underground mines after nationalization. Layouts of such mine do not permit high level of mechanization.

Presently about 86 % of total production is coming from opencast mines, which are mostly mechanized mines. However 45.82 M.Te ((14%) of coal is coming from underground mines. These underground mines are mostly worked by Board and Pillar method.

Since large-scale mechanization is not possible in existing mines, some of the operations in these mines have been /are being mechanized. Elimination of manual loading by deployment of SDL/LHD/Continuous Miner is one of such areas of operation. At present 829 nos. of SDL and 217 nos. of LHD are on roll in CIL mines contributing 65 % of total underground production.

In addition to this 6 Long wall faces are in operation contributing 2 % of total under ground production.

Table below shows the status of trend of increase in production from mechanized underground mines during the year 2004-05 to 2011-12.

In Million Tonnes

2004-05	2005-06	2006-07 (Target)	2007-08 (Projected)	2011-12 (Projected)
32	32	35	37	47

Coal India is shifting its focus from manual mining to mechanization by introducing advance technology and thereby deploying less manpower which ultimately will result in enhancement of safety.

However, total mechanization is not possible in existing mines, steps are taken to mechanize some of its operations as listed below which will help in reducing accidents

1) .Face Mechanization:

a. Support: Roof is being supported by using Roof Bolts, thus, exposure of work person to green roof eliminated.

Out of total 502 Development districts & Depillaring District Roof bolting is used in 366 Development mines and 130 depillaring mines. Resin Bolting is used in 7 mines at present and proposed for 1 mine.

b. Manual Loading: Replaced by mechanized loading by introduction of SDL/LHD/Continuous Miner.

2) Man Riding Systems: To eliminate the fatigue of work person for traveling a long distance to the work place man riding systems are being introduced.

3) Environmental Tele-monitoring Systems : Computerised Continuous Environmental Tele-monitoring Systems have been installed in 13 highly gassy/fiery mines for continuous monitoring of the environment

belowground to give advance intimation of build-up of inflammable gases or heating. Such systems shall be installed in more mines in future.

4) Instrumentation for monitoring Roof Behaviour : Instrumentation for monitoring roof behaviour (Tell-tale Systems) have been installed in some mines with poor roof conditions. Action is in progress for further R&D in association with research/educational institutes in this regard.

Status of increase of Production from Mechanized OC (In Million Tonnes)

04-05	05-06	06-07 (Target)	07-08 (Projected))	11-12 (Projected)
275.73	296.84	315.02	336.99	465.95

(iii) Every effort is taken to comply with the recommendations of the DGMS within the prescribed time. In case the actions necessary for securing compliance with the recommendations of the DGMS cannot be completed within the time prescribed by the DGMS extension of time is sought with proper justification.
The DGMS is empowered to prohibit employment of such persons whose presence is not required for securing compliance with the recommendations or to prohibit extraction of mineral if its recommendations are not complied within the prescribed time.

However, CIL and its subsidiary companies are making every effort to comply with the recommendations of DGMS within the prescribed time.

(iv) The DGMS is empowered to prosecute persons held responsible for violation of statutes leading to an accident as per the Mines Act, 1952. The quantum of punishment for various offences has been laid down in the Mines Act. Additionally CIL/subsidiaries punishes those held responsible for accidents in enquiries conducted by the Internal Safety Organisation.

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CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

RECOMMENDATION (Sl. No. 3)

AUGMENTATION OF COAL PRODUCTION :

The Committee note that over the years, the production of coal in the country has been increasing continuously. However, in view of the ever increasing demand of coal, the demand and supply gap has continued to widen. From the information furnished, the Committee note that as against the demand projections of 473.18 million tones (Mt) and 676.00 Mt during the X Plan and XI Plan periods, supply of coal from indigenous sources [Coal India Limited (CIL), Singareni Collieries Company Limited (SCCL) and others] is estimated to be 421.50 Mt. and 593 Mt. respectively, leaving thereby significant gap between the demand and the supply. To meet the burgeoning demand of coal, the CIL has formulated a time-bound enhanced production programme. The targets for coal production in terminal year of X Plan i.e. 2006-07 has been enhanced by 13 Mt from earlier level of 350 Mt. The production programme during XI Plan period has also been enhanced so as to reach a level of 508 Mt by terminal year of XI Plan i.e. 2011-12 which incorporates an incremental production of 63 Mt over earlier projection of 445 Mt.

In this regard, the Committee note that the CIL has identified a total of 101 projects with 250.27 Mt. production capacity to be taken up during the X Plan period. Out of these, 64 projects with aggregate production capacity of 106.77 Mt have so far been sanctioned by the Government and the approval for balance projects is being pursued vigorously. The implementation of these projects have been taken up with utmost priority by the CIL, resulting in likely contribution of 72.48 Mt in 2006-07 from 51 projects and it is envisaged that a total of 67 projects out of 101 projects would contribute 89.51 Mt. during the terminal year of X Plan. The Committee find that though coal companies are making consistent efforts to increase the coal production, they have not been able to keep pace with the growing demand of coal in the country. As a result, the gap between supply and demand is continuously widening thereby forcing the country to depend on import to meet the coal requirements besides burdening the country’s exchequer. The Committee, therefore, recommend that not only the approval for the remaining projects should be accorded top priority but a mechanism should also be put in place for ensuring that all the identified projects are completed and commissioned as per schedule. In order to remove the mismatch between the demand and supply of coal in the country, the Committee strongly recommend that coordinated efforts must be made at the level of various concerned agencies to remove the bottlenecks causing delay in execution of various projects which have already been approved by the Government.

Reply of the Government

The coal demand is a function of growth of national economy irrespective of availability of coal from domestic source. The demand of coal has been increasing with the growth of national economy. The measures taken/being taken to bridge the gap between demand & supply by Coal India Limited as follows:

Coal India Limited has envisaged projects with an ultimate capacity of 241.395 Mty during the X Plan period. Out of these, 80 projects with aggregate coal production capacity of 165.985 Mty have been sanctioned and the approval for the remaining projects is being pursued vigorously. The implementation of these projects have been taken up on priority by CIL, resulting in likely contribution of 71.74 Mt. of coal in 2006-07 from 30 projects. Coal production from the remaining projects would start during the XI Plan period.

In addition to the above, 120 projects have been identified for implementation during the XI Plan with an capacity of about 120 Mty of coal and are likely to contribute to the tune of about 70 Mte of coal during the terminal year of XI Plan i. e. 2011-12.

The following mechanism has been put in place by Coal India Limited/Ministry of Coal for ensuring early completion/commissioning of identified projects as per schedule:-

- Projects are taken up for implementation after detailed examination of 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, creation of essential infrastructure facilities etc. before sanction of actual Project Report. This action is being taken to reduce delays in project implementation.
- Projects are monitored on monthly basis at the Area Level by General Manager / Chief General Manager and by Director (Projects) and CMDs of the concerned Subsidiaries at Corporate Level.
- Status of Projects are also reviewed by the respective Boards of the Subsidiaries.
- Mandatory Review of the Projects is carried out at Company Level when the expenditure of the Project exceeds 50% of the Sanctioned Capital to initiate appropriate action for timely completion of the project.
- Yearly Cost-Updating is done for all Projects and action for preparation of RCE and subsequent approval from Concerned Authority is taken accordingly. Projects costing more than Rs. 50 Crs. are also reviewed by Coal India Limited Board periodically for taking corrective measures.
- Status/Implementation of Projects costing Rs. 100 crores & above are reviewed by CIL Board and also by a High Powered Committee under the Chairmanship of Secretary (Coal).
- For expediting acquisition of land - both forest and non-forest – there is a system of regular interaction with the Ministry of Coal / Ministry of Environment and Forest / State Government / Local Authorities.

Pending forestry proposals are being pursued at the level of District Forest Officer & the State Forest Departments & finally with the Ministry of Environment and Forest for early release of the forest land. Ministry of Coal also holds meetings with the Ministry of Environment and Forest at regular intervals for close monitoring of pending projects.

- 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.

Progress reports in respect of Projects costing Rs. 100 Crs. and above are submitted to Department of Programme Implementation regularly.

Working Group on Coal and Lignite of XI Five Year Plan has projected total coal demand of 731.10 Mt. (coking-68.50 Mt., non-coking – 662.60 Mt.) in the terminal year of XI Five Year Plan i.e. 2011-12. The projected domestic availability of 680 Mt. comprises of 520.50 Mt. from CIL, 40.80 Mt. from SCCL and 118.70 Mt. from captive blocks and other sources. Out of this projected metallurgical coking coal supply is 27.65 Mt. and non-coking coal supply is 652.35 Mt. This works out a gap of 51.10 Mt. in 2011-12, which comprises of 40.85 Mt. of coking coal and 10.25 Mt. of thermal coal. The demand - supply gap is on account of inadequate reserves of coking and low ash non-coking coal reserves in the country.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

RECOMMENDATION (Sl. No. 4)

NEED TO IMPROVE EXTRACTABILITY OF COAL

As per the information furnished to the Committee, there are 92.55 billion tones of proved resources of coal (excluding North-Eastern Coalfields Region) available in the country. However, the resources which have been identified as extractable constitutes only about 34.76 billion tones. Thus, the extractable reserves are very meager as compared to the overall available resources. It is, therefore, evident that there is a great scope for conversion of proved resources into extractable reserves. In this direction, the Committee note that with a view to increase the percentage of extraction, a number of research and development projects have been undertaken by the CIL from time to time, including technological upgradation. These projects include the research projects funded by the Ministry of coal under Coal Science & Technology (S&T) Grant and the CIL Research and Development Projects. The Committee, however, note with concern that CIL has not been able to complete their sanctioned projects during 9th and 10th Plan as per schedule. The reasons for delay for non-completion of the R&D projects include delay in procurement of equipments, delay in getting statutory permission and obtaining environmental clearances etc. The Committee are of the view that extractability can improve only when it is ensured that all the R&D projects which are under implementation are completed by their scheduled dates. Keeping in view the importance of coal in the present energy requirement scenario, the whole issue needs serious consideration. The Committee, therefore, recommend that in order to ensure that all R&D projects are implemented on time and in cost effective manner, a cross monitoring mechanism to oversee the progress of implementation of these projects be established by the Coal Mines Project and Development Institute Limited (CMPDIL), Standing Scientific Research Committee (SSRC) of the Ministry of Coal and the CIL R&D Board. Further, an exclusive monitoring cell headed by the Coal Secretary and also the experts in the field, be established in the Ministry to collect and analyze the feedbacks received from the above mentioned monitoring agencies in implementation of the R&D Projects and providing the necessary governmental support/guidance wherever necessary.

Reply of the Government

The observations of the Committee have been noted. It is also informed that:

The implementing agencies of Research & Development (R&D) projects under Science & Technology (S&T) scheme of Ministry of Coal (MOC) submit quarterly progress reports, which include both physical and financial progress. Progress of the projects is also monitored by periodic visits to the implementing institutes by the officials of S&T Deptt of Central Mine Planning & Design Institute (CMPDI) to monitor / coordinate the implementation of projects. For R&D projects funded by CIL R&D Board, the implementation of on-going projects is reviewed by an Apex committee of CIL R&D Board.

There are three technical sub-committees of Standing Scientific Research Committee (SSRC) of MoC. The sub-committee meetings are held twice a year in which status of on-going projects is reviewed. The meetings of SSRC, headed by Secretary (Coal) are also held twice a year. The progress of on-going projects forms a part of the agenda of these meetings. The status of implementation of the projects is reviewed.

Research projects are approved for duration varying normally from 2 to 4 years. However, field experiments of innovative mining methods derived through research are sometimes delayed due to want of permission/environmental clearances etc from concerned statutory bodies. Extension of time for any of the projects is granted only after detailed deliberation by the concerned sub-committee of SSRC and is normally of specified duration along with updated activity plan.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

RECOMMENDATION (Sl. No. 8)

NEED FOR UPGRADING THE RAIL AND SURFACE TRANSPORT INFRASTRUCTURE FOR EVACUATION OF INCREASED COAL PRODUCTION.

The Committee note that the production of coal at a site is directly linked to the evacuation facilities available there in view of the limited storage capacity. In this regard, the Committee observe that one of the major difficulties being faced by CIL and its subsidiaries in dispatching coal to the consumers is the inadequacy of the existing infrastructure for evacuation of coal from the production point. The evacuation is primarily done by rail transport system. The Committee have been informed that Ministry of Railway's insistence on supplying wagons as per their own convenience has adversely affected continuation of production at coal companies for paucity of stacking space. Instead of supplying wagons to the coal companies which have the potential to load wagons, the wagons are supplied to those sites where the Railways could ensure higher freight earning with least difficulties. As a result, on one hand, some of the coal companies starve for wagons to ensure matching evacuation of coal and on the other, wagons remain idle in some other companies where the supplies are forced to be made without indent. This results in uneven stocks at consuming ends, particularly at power stations. The Committee also note that over the years, the CIL and its subsidiaries have made huge investments for updating infrastructure for augmenting wagon loading. However, while coal companies have been deploying more loading equipment to ensure faster loading, the Railways has been found to be lacking to develop matching infrastructure by not adding the desired rolling stock and hauling capacity to upgrade the evacuation facilities. In this regard, the Committee note that both CIL as well as Ministry of Coal have been pursuing the issue at different fora in the Ministry of Railways, up to the level of Chairman, Railway Board to impress upon the need for bringing improvement in infrastructure and suitable amendment in operating and commercial rules. However, the operational and commercial difficulties being faced by coal companies are yet to be addressed by Railways.

The Committee are, therefore, of the view that presently there is a mismatch between the production of coal at various coal companies vis-à-vis the availability of infrastructure to evacuate it. Since the issue of meeting the requirement of the coal from the indigenous resources is of paramount importance, it needs to be ensured that this objective is not defeated on account of transport networking problem. The Committee, therefore, strongly recommend that the operational and commercial difficulties which are being faced by the CIL and its subsidiaries must immediately be addressed by the Railways by developing the matching infrastructure in terms of rolling stock as well as hauling capacity besides sorting out the networking problems in consultation with the coal companies.

Another area of dispute between the coal companies and the Railways, which has come to the notice of the Committee, is the transportation of the low density coal. The bulk density is considerably less for superior grades/ washed variety of coals as compared to other varieties of coal. However, the Railways, have presently a uniform carrying capacity for wagons without giving any cognizance to significant variations in bulk density for various grades of coal. As a result of this, certain coalfields and coal washeries are facing difficulties in loading the wagons upto their carrying capacity ending up paying under loading charges while dispatching higher grades of non-coking coal and washed coking coal. The Committee, therefore, agree with the suggestion of CIL that exhaustive joint loadability tests by the Ministry of Railways and Coal companies are required to be undertaken for such coals individually in all coal fields to ascertain what should be the chargeable carrying capacities of different grades of coal, prior to bringing any change in the chargeable carrying capacity and recommend for implementation of the same. The Committee further recommend that the railways should notify the findings of the earlier trials conducted jointly by the railways and the coal companies for revising the loading capacity of Box-N wagons.

Reply of the Government

(i) Reply by the Ministry of Coal

Field-wise indents are being placed by Coal Companies. Coal Companies and Coal India Limited (CIL) maintain regular liaison with Railways from Divisional to Board level for getting supplies of wagons as per loading potential of each field.

Bottlenecks with regard to line capacity and availability of rolling stock have been coming in the way of full utilization of loading potential, resulting in accumulation of pithead stocks. Congestion in Bilaspur-Anuppur section has been affecting supplies of empties in Korba field. Both IB and Talcher fields of Mahanadi Coalfields Limited (MCL) and Karanpura field of Central Coalfields Limited (CCL) have not been receiving wagons as per indents.

Unloading constraints at power stations also affect turn round of rolling stock, which has been posing problems for Railways in supplying wagons to Coal Companies as per indent. Some of the power stations are equipped to handle particular types of wagons, which further reduces Railways' maneuverability in allocation of rakes for the evacuation of coal.

The issue of wagon supplies has also been taken up at ministerial level. In the inter-ministerial sub-group meeting taken by Joint Secretary, Ministry of Coal, optimization of available resources of Railways is regularly discussed. The issue of wagon supplies has also been discussed in the meetings taken by Secretary (Co-ordination), Cabinet Secretariat for infrastructure review. Though wagon supplies continue to be less than requirement, there has been steady improvement in supplies and CIL as a whole could register growth in wagon loading in comparison to the same period last year as may be seen from the table given below:

Figures in FWWs/Day

Period	2006-07	2005-06	% Growth
November	21992	21110	4.1
December	22837	22088	3.4
January	23677	22122	4.8
April-January	21461	20344	5.5

The issue of exhaustive joint load-ability tests by Ministry of Railways and Coal Companies had been raised by CIL with Railway Board and other inter-ministerial Committees/Groups. Railways have not yet notified findings of earlier joint load-ability tests. In the meeting of 22nd December'06 taken by Secretary (Co-ordination) for reviewing infrastructure constraints, a decision was taken that Ministries of Railways, Power and Coal would jointly conduct inspection of test rakes formed from Eastern Coalfields Limited (ECL)/Raniganj and Bharat Coking Coal Limited (BCCL)/Washed coal to determine whether the condition for loading imposed by the Railways is feasible and this is underway.

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O.M. No. 25011/11/2006-IF, dated 03.05.2007

(ii) Reply by the Ministry of Railways

The coal being made available by Coal Industry is being moved by rail to different consumers in the country according to their demand. Keeping in view the requirement of coal for power and cement sector in terms of quality and quantity of coal, the available capacity for production of coal and the available modes of transport i.e. rail, road, Merry Go Round (MGR), sea etc., linkages/targets are drawn out by Standing Linkage Committee (SLC) on long term and short term basis. These Committees are represented by representatives of Ministries of Power, Railways, Steel, Industry, Central Electricity Authority, and Coal India Ltd. under the Chairmanship of Ministry of Coal.

As per practice in vogue, the programmes are submitted by the consumers against which the offer / indents are placed by Coal Companies on the basis of availability of coal and transport feasibility at various coalfields. Against this offer, Railways allot and supply wagons at the railheads for loading coal by Coal Companies into the wagons within the permissible free time allowed. If the Coal Company is unable to load the rake supplied for loading within the permissible time, the rakes are treated as *Left Behind*. The concept of *Left Behind* has a direct bearing on the overall loading of the Indian Railways as it vitiates not only the wagon turn-round and thereby the availability of wagons for loading but also impinges on the net availability of supply of rakes in sidings which have capacity to load more than one rake per day.

Coal loading by rail is largely guided by the company-wise linkage decided by the Standing Linkage Committee (SLC), programs submitted by the coal companies, offers received from them by the Railways and the allotment given by the Railways against the received offer.

The company-wise program – offer – allotment –supply – left behind(L.B) position for the year 2005-06 and 2006-07 has been given at Annexure 'A'. The following points are worth taking note of:-

(a) For the year 2006-07, the loading programs of all coal companies except Bharat Cooking Coal Company Limited and Northern Coal Company Limited had been pegged at a much higher level than the previous year.
The overall growth in programs submitted by the coal companies to the Railways was 11.29%.

(b) The offer received from the coal companies, however, did not match the linkage. The overall offer was only 91% of the submitted programs. All coal companies except Northern Coal Company Limited offered less than their programs. Offer made by Central Coal Company Limited was only 72% of their programs.

(c) As compared to the previous year, offer was less by 14.68% in ECL, 14.16% in CCL and 2.35% in Bharat Cooking Coal Company Limited. The overall growth in offer was only 3.12%.

(d) Even in South Eastern Coal Company Limited and Mahanadi Coalfields Limited, which have constantly been reporting surplus coal stocks awaiting evacuation, the offers were less than the program. The loading in SECL was 93.39% of the offer and in MCL it was 90.06%.

(e) Loading in all other coal companies have been more than 95% of the offer. Taking into account the fact that the incidence of Left Behind(L.B) in all coal companies except Bharat Cooking Coal Company Limited and Mahanadi Coalfields Limited was more than last year, the loading potentials of Coal India Ltd. as a whole has been fully met.

(f) If the growth in offer vis-à-vis that in loading is compared, it is seen that the growth in loading has been more in almost all coal companies.

(g) This only proves the Railway's intent and capability in regard to meeting the demand of wagons by the coal companies.

The maintenance and upgradation of infrastructure of sidings is primarily the responsibility of the coal companies. The Railway infrastructure upgradation is being done on a continuous basis after evaluation of the potential traffic on various routes. It may also to be pointed out that the Eastern Dedicated Freight Corridor has been primarily sanctioned to move coal traffic from the coalfields of Eastern India to the Northern India Power Houses.

As far as loadability of wagons is concerned, Railways fixes the freight for transportation on the basis of "cost of service" and "value of service". Normally high-valued commodities are charged at higher classes and lower-valued and essential commodities are charged at comparatively lower classes. Charging at any particular class also takes into account loadability of the commodities in wagons.

Earlier, concept of minimum weight condition (MWC) was prevalent on Indian Railways. That MWC was almost nearer to the actual loadability of the commodity in wagons, simultaneously, lighter commodities were charged at comparatively higher classes. But differential charging by classifying different forms of commodities at different classes resulted into mis-declaration. It also led to confusion to customers and Railways both. Due to this, disputes and litigation had taken place. After a lot of deliberation, it was decided to dispense with the concept of MWC. After that charging is being done on the basis of permissible carrying capacity of a wagon (PCC).

The Railway receipt indicates the weight of a commodity loaded in a wagon as also weight for which freight is to be charged. This is based on the concept that freight has to be charged based on weight specified in the Central Government's notification which can be a specific figure in terms of tonnage, or the marked/ stenciled carrying capacity of wagon or the permissible carrying capacity which can be more than the marked carrying capacity. Thus, even in a hypothetical situation, if a consignor loads only one tonne in a particular type of wagon, he is charged the prescribed weight condition i.e. permissible carrying capacity of the wagon applicable for that commodity and for the particular type of wagon. The basic premise is that Railways charge a particular amount of freight for the specified commodity when loaded in a wagon.

A more or less similar yardstick is followed in respect of chargeable distance. For transportation of any commodity for less than 100 km, Railways have notified that the minimum distance for charge would be 100 Km. In addition, the chargeable distance for certain notified sections could be higher than their actual physical distance because of application of inflation in distance for charge. The 3rd parameter is classification of the commodity and this coupled with other two parameters of chargeable weight and chargeable distance determines the amount of freight to be charged.

It is a fact that all variants of coal cannot be loaded up to the same level in rail wagons. Coal like 'A' grade coal, washed coal etc, is difficult to load upto the prescribed PCC but the lower grade coal which comprise bulk of the coal transported by rail, can be loaded upto the prescribed PCC and even more in some wagons. This has been substantiated by the loadability trial conducted on different Zonal Railways. A recent trail shows average loadability of 'E' & 'F' grade coal in range of 67 to 72 tonnes, which is more than the PCC on CC+8 routes. Not only this, same grade / type of coal from different collieries and in different depth of the mines were found with different loadability. Washed coal from different washery was also found with different loadability. Therefore, it is difficult to fix different PCC for different variants of coal. Relying upon the averaging principle regarding loadability of coal, the maximum loadability was found for slack coal, which comprises about 90% of the total coal transported by rail. It has been taken as the PCC of the wagons, which is applicable uniformly to all variants of coal. If PCC is fixed on the basis of loadability of different type of coal, the classification of different type of coal will require to be fixed differently i.e. lower grade coal (having low calorific value) at lower class and high quality coal (high calorific value) at higher class. But differential classification for different varieties of coal was not considered to be practical and a uniform rate has been fixed for all varieties of coal.

Moreover, the issue of fixing different PCC on the basis of loadability of coal, or for that purpose any commodity, in itself, is a cumbersome process. Experience reveals that such exercises are never conducted to the satisfaction of customer as well as Railways.

Moreover, in case the actual weight of the commodity loaded in the wagon happens to be less than the permissible carrying capacity of the wagons for which the freight is charged, the freight for actual weight may be deemed to have been charged at a higher class of freight rate.

In view of the above facts, Railways do not agree for joint loadability trial of all variants of coal in all collieries / washeries for ascertaining loadability. The fixation of permissible carrying capacity for loading of coal on the basis of the principle explained above is quite reasonable.

(Ministry of Railways (Railway Board)'s O.M. No. 2006/RCC/206(COPU)/1 dated 18.06.2007)

RECOMMENDATION (Sl. No. 10)

RECOVERY OF OUTSTANDING DUES

The Committee note that as on 31st March 2005, the outstanding coal sales dues of the coal companies amounts to Rs. 3489 crores consisting of disputed dues amounting to Rs. 1596 crores and undisputed dues amounting to

Rs. 1893 crores. The reasons for such huge outstanding dues, as attributed by the CIL include-disputes raised by State Electricity Boards (SEBs), non-availability of funds with the SEBs/Other Power Utilities and the time lag between billing and payment.

As regards recovery of outstanding dues, the Committee note that Ministry of Coal and Ministry of Power jointly appointed umpires in 1995 to settle the disputed dues of SEBs/Power Utilities. The Committee, however, observe that this system did not prove very effective because due to absence of any prescribed time limit, the umpires took very long periods to pronounce awards. Even after a lapse of 10 years, the final award in respect of few disputes are still awaited. The Committee further note that in one case, even after pronouncement of the award in favour of Central Coalfields Ltd. (CCL) and Bharat Coking Coal Ltd. (BCCL) amounting to Rs. 428 crore, the amount is yet to be recovered from the concerned party viz. the Badarpur Thermal Power Station (BTPS). Another measure taken by the Government of India for settlement of outstanding dues is the Securitisation Scheme launched in 2001. This scheme has a provision for opening irrevocable Letter of Credit (LC) by the SEBs for payment of coal sale bills and payment of interest for delay in payment beyond a stipulated period. This scheme also provides for regulation in coal supply in case of non-payment within the stipulated period. The Committee note that while some of SEBs have already opened LC, others are being pursued for opening it.

From the above, the Committee conclude that presently, there is no effective mechanism available with the coal companies for recovery of their outstanding dues from various SEBs/Power Utilities. In the absence of any stringent provision for realization of arrears, the appointment of umpires or the securitization schemes etc. have not proved very effective in achieving the desired results. Though it may not be an appropriate idea to altogether stop supply of coal in case of non-payments by some SEBs/Power Utilities, the Committee are of the considered opinion that some coordination mechanism is required to be evolved involving the Ministry of Coal, Ministry of Power and respective State Governments to look into the issue of outstanding disputed payments due to CIL and its subsidiaries and to work out the solutions in an expeditious manner. Further, it may also be made mandatory under the securitization scheme for opening of LC by all the SEBs and other Power Utilities for availing supply of coal from coal companies.

Reply of the Government

State Electricity Boards and other major consumers of coal have been paying Coal India Limited(CIL) for the coal lifted by them. However, there are some outstanding dues. The total sum outstanding as on 31.12.2006 amounts to Rs. 3380.98 crores. Steps taken by the coal companies to recover the outstanding dues are as follows:

i) As per provision in the Securitisation Scheme, coal companies are insisting on State Electricity Boards (SEBs) for opening of Indian Revolving Letter of Credit (IRLC) for payment of bills raised against supply of coal. Some SEBs have already opened IRLC and the scheme is under operation successfully. Remaining SEBs are being requested to comform to this scheme.

ii) Securitization Scheme has provision for regulation of supply, in case of non payment of bills during the period stipulated therein. Further, under the provisions of the Securitization Scheme, coal companies are claiming interest in case of delay in payment beyond the schedule specified in the scheme.

iii) Coal companies are holding meetings periodically at different levels in case of any default in payment of bills and for settlement of disputes raised by SEBs and other consumers.

Umpires appointed by Central Govt. in 1995 to settle the long outstanding disputed dues of SEBs/Power Utilities have pronounced final awards. Total amount of award in favour of the coal companies amounts to Rs. 1191. 85 crores. Most SEBs/power Utilities except Uttar Pradesh State Electricity Board have accepted the award. UPSEB has filed a writ petition in Allahabad High Court against the Umpire’s award. The decision of umpire is only pending in respect of Punjab State Electricity Board (PSEB) & Gujarat Electricity Board (GEB). It is thus apparent that appointment of umpires for settlement of dues helps the Coal Companies in settlement and payment of outstanding dues to a large extent.

Agreement has also been made with power utilities for adjustment of coal Cell with Cess liability/power bill with State Governments like West Bengal Power Development Corporation (WBPDCL) and Chhattishgarh State Electricity Board (CSEB).

The Sub-Group constituted under the Chairmanship of Joint Secretary, Ministry of Coal also reviews the status of pending dues and advises the defaulting power utilities for expeditious settlement of the same. Standing Linkage Committee (Short Term) also implores defaulting power utilities for settlement of dues.

The total dues of CIL as on 31.12.2003 was 4725.35 crores which has come down to Rs. 3380.98 crores as on 31.12.2006 as a result of various efforts made by Coal India Limited/Ministry of Coal. Details of such consumers are given as follows. Thus the reduction of dues amounting to Rs. 1342.37 crores has been achieved during the last three years by Coal India Limited. As a result of the steps taken as mentioned above, the outstanding dues are gradually reducing.

(Rupees in crores)

Sl. No.	Name of the Consumers	Dues
	POWER	
1.	Bihar Sate Electricity Board (BSES)	196.58
2.	Jharkhand State Electricity Board (JSEB)	82.77
3.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited. (UPRVUNL)	93.40
4.	Punjab State Electricity Board (PSEB)	244.89
5.	Tamil Nadu Electricity Board TNEB	15.57
6.	Haryana Power Generation Corporation Limited (HPGCL)	25.17
7.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)	99.04
8.	Maharashtra State Electricity Board (MSEB)	151.45
9.	Madhya Pradesh Electricity Board (MPEB)	385.43
10.	Chhattisgarh Electricity Board (CSEB)	52.72
11.	Gujarat Urja Vikas Nigam Limited (GUVNL)	8.41
12.	West Bengal State Electricity Board (WBSEB)	1.29
13.	West Bengal Power Development Corporation Limited (WBPDCL)	133.90
14.	Andhra Pradesh Power Generation Corporation Limited (APGENCO)	8.06
15.	Karnataka Power Company Limited (KPCL)	12.62
16.	Durgapur Project Limited (DPL)	21.32
17.	Damodar Valley Corporation (DVC)	179.84
18.	Delhi Vidyut Board (DVB)	3.85
19.	Badarpur Thermal Power Station (BTPS)	334.48
20.	National Thermal Power Corporation (NTPC)	357.64
21.	Bharat Aluminium Company Ltd. (BALCO)	1.34
22.	Calcatta Electrict Supply Company (CESC)	5.59
23.	Ahmedabad Electricity Corporation(AEC)	2.46
24.	Bombay Suburban Electric Company(BSES)	1.47
25.	Disergarh Power Station Company (DPSC)	2.61
26.	Tenughat Vidyut Nigam Ltd. (TVNL)	103.64
27.	Orissa Power Generation Corporation (OPGC)	4.39
	Total Power	2529.93
	STEEL	
28.	Durgapur Steel Plant	132.22
29.	Rourkela Steel Plant	164.65
30.	Bokaro Steel Plant	145.79
31.	Bhilai Steel Plant (BOKARO)	276.47
32.	IISCO Steel Plant	11.66
33.	Indian Iron Steel Company	26.12
34.	Tata Iron Steel Company	0.99
35.	Rashtrya Ispat Nigam (VIZAG)	46.08
	TOTAL STEEL	803.98
36.	LOCO	4.80
37.	GOVT.	42.27
	TOTAL OTHERS	47.07
	GRAND TOTAL	3380.98

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

RECOMMENDATION (SI No. 16)

NEED TO CURB ILLEGAL MINING

The Committee note that as per the provisions of Mines and Minerals (Development and Regulations) Act, 1957, no mining operation can be undertaken except under a mining lease granted as per the provisions of the said Act and the rules framed thereunder. Therefore, mining of coal and lignite without obtaining the mining lease would amount to illegal mining. The Committee observe that most of the illegal mining activities are confined to the States of West Bengal and Jharkhand and is taking place mostly outside the leasehold areas of CIL and its subsidiaries. While the coal companies do take preventive and punitive action in respect of illegal mining in their leasehold areas, for non-leasehold areas, the State Authorities have to take action. The Committee have been informed that the Central Government is also seized of this problem by requesting, from time to time, various States which produce coal, to take vigorous steps to arrest illegal mining and the consequent accidents. Also, the Coal companies are constantly in touch with the district administration and other intelligence agencies to check the activities of coal mafia. The Committee observe that to prevent illegal mining and theft of coal, the West Bengal Government have formed Committees at the State level, District level, Sub divisional level and block levels with the members from the concerned subsidiaries. The decisions taken by these Committees are being implemented by the concerned subsidiaries with the help of Police and District Administration. Similarly, the Government of Jharkhand have formed Committees at Chief Secretary level to conduct monthly meetings for discussing measures to prevent illegal mining and theft of coal. On the part of the Central Government, the Committee have been informed that under the Chairmanship of the Minister of Coal, a Committee has been formed to look into the issues related to illegal mining of coal.

From the above, the Committee note that though a number of measures taken at the Centre as well as State Governments levels, the same have not proved effective to check illegal mining. As it is a serious issue resulting in loss to the coal companies and endangering the lives of the innocent people, the Committee feel that some concrete steps are needed to be taken to prevent it. For this purpose, the Committee desire that specific areas of cooperation between the State Governmental Agencies, Coal companies and the Central Government need to be identified to effectively deal with the incidents of illegal mining. The role and responsibilities of each of these agencies also needs to be specified. Further, the implementation of specific technological innovations to effectively seal the abandoned mines from where the majority of illegal mining takes place be also considered.

Reply of the Government

Coal India Ltd. has been taking both preventive and punitive action in respect of illegal mining in their leasehold areas.

Illegal mining of coal is carried out stealthily and clandestinely in abandoned/closed/disused mines/non-working part of mines or from outcrop regions. However, law and order is a State subject. Hence, primarily, it is the responsibility of the State/District administration to take necessary deterrent action to stop/curb illegal mining of coal.

A Committee has been constituted under the Chairmanship of the Honourable Minister of State for Coal, to look into the issues related to illegal mining of coal. The Minister in-charge of mining and the leaders of opposition from the State of West Bengal and Jharkhand are also member of the Committee. To suggest measures to deal with technical, legal and safety related issues, the Committee has constituted a sub-group. The Sub-group has completed its exercise and is awaiting the completion of the other study.

Separately, a study has been instituted by engaging XLRI Jamshedpur and ISM Dhanbad to look into the socio-economic causes of illegal mining, extent of the problem, techno-economic measures required to tackle the menace of illegal mining etc.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

RECOMMENDATION (Sl. No. 21)

SETTING UP A MODERN NATIONAL INSTITUTE OF COAL TECHNOLOGY

In view of the rapid changes internationally taking place in coal technology, the Committee feel that there is a need to continuously train and update our technical people of different categories by setting up a Modern National Institute of Coal Technology with adequate infrastructure as a part of or in close relation with the Indian School of Mines, Dhanbad.

Reply of the Government

Coal India Limited trains their technical personnel of different categories to upgrade their skill. To develop skills of its personnel, the training and re-training are being conducted at the 26 training institutes of their eight subsidiary companies. The training institutes are all well equipped with adequate infrastructure. The training programme on coal technology is being conducted at Coal India Long wall & Mechanization Training Institute at Moonidih of Bharat Coking Coal Ltd. in collaboration with the British Coal Mining. Every year, on an average Coal India trains 9000 employees for up gradation of technical skills.

Therefore, it is felt that, there is no need to set up a separate Institute of Coal Technology for continuous training and updating of technical skills for the present.

Ministry of Coal
O.M. No. 25011/11/2006-IF, dated 03.05.2007

CHAPTER IV

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

RECOMMENDATION (Sl. No. 1)

FILLING UP OF VACANCIES ON THE BOARD OF DIRECTORS OF CIL AND ITS SUBSIDIARIES.

As per the prescribed composition of the Board of Directors of the CIL, there is a provision of three Non-official Directors. The Committee however, note that there have been no Non-official Directors on CIL's Board for the last 4 years beginning from 2002-03. Similarly, few posts of non-official Directors are also lying vacant in the subsidiaries of CIL. Regarding the reasons for these vacancies, the Committee have been informed that the appointment of Non-official Directors is done on the basis of recommendations made by Public Enterprise Selection' Board (PESB) through Department of Public Enterprises (DPE) by way of selection amongst public men, technocrats, management experts, consultants and professional managers in industry and trade with high degree of proven ability. The Committee have also been informed that DPE have recently recommended a list of names, company-wise, for appointment as non-official Directors on the Board of Directors of CIL and its eight subsidiaries (5 each for Coal India Limited, Eastern Coalfields Limited, Bharat Coking Coal Limited, Central Coalfields Limited, Northern Coalfields Limited, Western Coalfields Limited and Coal Mines Planning and Development Institute Limited and 4 each for South Eastern Coalfields Limited and Mahanadi Coalfields Limited). Thus, action to induct the non-official Directors on the Boards of CIL and its subsidiaries has reportedly been initiated. The Committee have been further apprised that vacancies of non-official Directors in the Board has not substantially affected the decisions work of the Board of Directors. The Committee wonder as to how the functions sought to be performed by the non-official Directors are being actually managed in the CIL and its subsidiaries in their absence. Further, no information has been brought to the notice of the Committee which may suggest that any serious efforts have been made/are being made by the Government to fill up the vacant post during the last four years.

The Committee are not at all satisfied with the above-mentioned reply of the Ministry. In the opinion of the Committee, by not filling up the vacant posts of non-official Directors for four years, the Board has been deprived of the services of persons who are expert in the field of management, industry and trade. The Committee express their displeasure over the lackadaisical attitude of the Government in filling up the vacancies of non-official Directors whose significance in running the organization require no special mention. The Committee, therefore, strongly recommends that all out efforts must be made by the Government for filling up the remaining vacancies of non-official Directors on the Boards of CIL and its subsidiaries without any further loss of time. The Committee further recommend that a mechanism should be put in place wherein a specific time limit is prescribed for filling up the vacancies for each category of posts on Board of Directors and action must be initiated in advance for filling up the forthcoming vacancies which are generally known in advance.

Reply of the Government

Department of Public Enterprises vide their OM dated 13.12.2005 recommended a list of names, company-wise, for appointment as non-official Directors on the Board of Directors of CIL and its eight subsidiaries (5 each for Coal India Limited, Eastern Coalfields Limited, Bharat Coking Coal Limited, Central Coalfields Limited, Northern Coalfields Limited, Western Coalfields Limited and Coal Mines Planning and Development Institute Limited and 4 each for South Eastern Coalfields Limited and Mahanadi Coalfields Limited). Although the process for appointment of the persons recommended by DPE was initiated immediately it could not be completed within one year. It took time in obtaining the declarations from the recommended persons since the current addresses of many nominees were not available. After obtaining the required declarations and approval of the Minister of State (Coal), a proposal for appointment of non-official part-time Directors on the Board of Directors of Coal India Limited and its subsidiaries was submitted to the Deptt. of Personnel and Training. The DoPT, however, have returned the proposal stating that the recommendations made by DPE on 13.12.2005 are valid only for a year and as such need to be revalidated.

The Deptt. of Public Enterprises have, therefore, been requested to revalidate the names recommended by DPE vide their aforesaid OM and also to recommend two new names for appointment on ECL Board in place of those who have declined the offer. The DPE vide their OM dated 28.02.2007 have informed that the matter of revalidation has been referred by them to PESB for their consideration. As soon as a revalidated panel is received from DPE, a revised proposal would be submitted to the DoP&T for obtaining approval of ACC and subsequent induction of non-official Directors on the various boards of CIL and its subsidiaries. The matter is being pursued for early appointment of non-official Directors.

Once non-official Directors are inducted this time on the boards of CIL and its subsidiaries, advance action would, thereafter, be initiated for filling up the forthcoming vacancies well before the completion of their tenure.

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COMMENTS OF THE COMMITTEE
Please see paragraph no. 6

RECOMMENDATION (Sl. No. 6)

PERFORMANCE OF UNDERGROUND MINING OPERATIONS

The Committee note that in India, the coal mining is done by two methods namely the shaft mining generally called 'Underground mining' and the strip mining known as 'Open cast mining'. The Open cast mining is much more advantageous to underground mining in terms of the net output as well as the cost of production. This is indicated by the fact that output per Manshift (OMS) for open cast mine is 7.18 as compared to underground mining which is just 0.69. In this regard, the Committee observe that most of the underground mining operations in Coal India Limited are incurring losses. There are only 38 mines out of 284 underground mines of Coal India Ltd., which are yielding profit. Most of the 500 underground mines that Coal India Limited inherited at the time of its establishment were basically small units. The infrastructure available with these mines is very old and most of such mines do not have any scope for improving their evacuation facilities which is a must for improving production/ productivity. According to CIL, all these mines though incurring heavy loses could not be closed because of difficulties in redeployment of surplus manpower and strong opposition from trade unions. Any improvement in augmentation of evacuation capacity in these mines and other related infrastructure to implement modernization of operations would require considerable investment. Further, since many of the loss making are also mining inferior grade coal, it would not be economically viable to invest for such modernization programmes.

In view of the above stated position, the Committee feel that an in-depth analysis of all the underground mines should be undertaken to identify the possibilities of improving productivity from such mines by way of modernization, wherever feasible. Further, to cope up with the heavy loss making underground mines where the improvement in productivity by way of modernization is not possible, the Government may explore the possibility of closing down such mines and using the resources-both manpower as well as mechanical so made available, for improving the economics of other mines where economic turnaround is possible.

Reply of the Government

It has been long felt that an in-depth study is required to be carried out to identify the mines technically suitable for introduction of mass production technologies in underground mines of CIL command areas/mines to enhance the underground coal production and productivity. Accordingly, an exercise has been carried out by the Committee constituted by CMD, CMPDI on 21.11.2005 on the directive of Ministry of Coal.

The Committee prepared an "Approach Note" on mechanization of underground mines/ projects of CIL and its subsidiaries, based on international best practices vis-à-vis Indian geo-mining conditions.

The scope of assignment of the Committee was:

III. To identify areas/coal seams in existing mines/ projects and green field projects for application of mass production underground technology along with spcific enabling condition in coalfields if any.
IV. To examine and recommend suitable organizational structure for enhancing production & productivity from UG Mines project.

The Committee has since completed the study and the conclusion of study drawn by the committee as stated in its interim report is as under:

Presently, out of 393 operating UG mines in CIL, 25 existing mines and 17 ongoing projects have respectively been identified for introduction of Mass production Technologies (MPT). Similarly, in case of Green-field mining projects, 16 projects are identified which have the potential to operate with MPT.

Thus, mass production technology can be introduced in 58 underground mines/projects of CIL provided the constraints outlined in the report against each mine/project of each subsidiary company of CIL are dealt with.

Apart from the above, in the meeting taken by the Hon'ble Minister of State for Coal on 11.01.2007 with CMDs of all companies, CIL has been directed to increase the underground production to a level of 75 million tones in the terminal year of Eleventh Plan. Accordingly, a detailed study is being undertaken to identify other projects and related activities to attain this goal.

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COMMENTS OF THE COMMITTEE

Please refer to para no. 12

RECOMMENDATION (Sl.No. 19)

NEED FOR REVIEW OF ROYALTY STRUCTURE

The Committee note that there is a persistent demand of various coal producing States for revision of the royalty structure. Keeping in view the considerable improvement in the profit of Coal Companies over a period of time, the Committee feel that the demands for review of royalty structure of the concerned States needs to be addressed in the light of the recommendations of the11th and 12th Finance Commission and the recommendations of the Sarkaria Commission.

Reply of the Government

Royalty on coal and lignite is payable under Section 9(1) of the Mines and Minerals (Development and Regulation) Act. Section 9(3) of the MMDR Act, 1957 empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years and there is no compulsion on the Central Government to revise royalty every three years.

The royalty rates in respect of coal were last revised on 16.08.2002 and the royalty rate in respect of lignite was revised on 15.03.2001.

Ministry of Coal constituted a Committee under the Chairmanship of the Additional Secretary (Coal) on 02.06.2005 to examine the issue of revision of royalty rates on coal. The Committee after detailed deliberations with all stake holders submitted its report on 14.07.2006.

In the mean time, it was observed that many State Governments have resorted to levying cess/other taxes on coal in addition to royalty. In order to discuss this issue, a meeting was convened on 10.10.2006 under the Chairmanship of Secretary (Coal) with the representatives of coal producing States.

Based on the report of the Committee on royalty, a Note for the CCEA has been prepared and circulated to the concerned Ministries/Deptts. on 02.02.2007 for their comments.

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Comments of the Committee

Please refer to Para No. 21 of Chapter I of the Report.

CHAPTER V

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

RECOMMENDATION (Sl No. 11)

ALLOCATION OF COAL BLOCKS THROUGH COMPETITIVE BIDDING

The Committee note that prior to 1976, the coal mining activities in the country were governed by Coal Mines (Nationalization) Act, 1973 and it was restricted to public sector only. Subsequently, by various amendments in the said Act carried out in 1976, 1993 and 1996, private companies engaged in the production of Iron & Steel, generation of power, working of coal, cement production etc. were also permitted to participate in the coal mining sector by way of captive mining. The underlying idea was that allotment of captive coal blocks would help in augmenting the production of these basic inputs to the economy besides contributing to the Central and State Government exchequers by way of revenue from taxes, royalty etc. As per the existing mechanism, the allocation of coal blocks to private parties is done through the mechanism of an inter-ministerial inter-governmental body called the Screening Committee. The Screening Committee is chaired by the Secretary (Coal) and has representation from Ministry of Steel, Ministry of Power, Ministry of Industry and Commerce, Ministry of Railways, Coal India Limited, CMPDIL and the concerned State Governments. The application is received from the applicant in the Ministry of Coal along with its enclosures and is then sent to the concerned administrative Ministry for their scrutiny and recommendations. It is also sent to CIL/CMPDIL for their scrutiny and recommendations. In the Screening Committee, the applicant is given an opportunity to present his case before the full Screening Committee. In this regard, the Committee note that a large number of applications for allocation of coal blocks for captive mining are pending in the Ministry of Coal. Considering this large number of applications per block, the allocation through the existing mechanism has become a difficult task. To overcome this problem, the Committee note that a new formulation namely competitive bidding process of selection has been proposed which would be more objective and transparent. To implement this new process, an amendment to Coal Mines (Nationalization) Act 1973 has been considered necessary which is under consideration of the Government and is likely to take some time. As such the Government have decided to continue for the time being with the existing mechanism. The Committee further note that another option to introduce competitive bidding by amending the Mines & Minerals (Development and Regulation) Act 1957 that could be applicable to all minerals covered under the said Act, including coal and lignite, is also under consideration of the Government. The proposed formulation has been referred to Ministry of Law and Justice for their legal opinion. A final view will reportedly be taken only after the views of the Ministry of Law and Justice are obtained.

The Committee, therefore, observe that though the private participation in the Coal Sector has been permitted by the Government by way of captive mining, the desired objectives have not been fully achieved in view of the cumbersome process involved in the allocation of the coal blocks. In view of the huge backlog of the applications from private participants, the need of the hour is the expeditious implementation of the competitive bidding process of selection. The Committee, therefore, recommend that coordinated efforts must be made by the Government to remove the impediments involved in the introduction of the competitive bidding by carrying out expeditiously the requisite proposed amendments in the Coal Mines (Nationalisation) Act 1973 or the Mines & Minerals (Development & Regulation) Act, 1957, whichever is deemed more appropriate. The Committee recommend that this matter needs to be finalized by the Government in a time bound manner keeping in view its national importance. In order to implement the proposal expeditiously, the Committee recommend that the follow- up action with regard to drafting/ amending of relevant rules may also be taken up simultaneously.

Reply of the Government

Energy Coordination Committee in its meeting held on 17th August, 2005 had taken decision that Coal blocks for captive mining may be auctioned through competitive bidding. At present, the allocation is decided on the basis of recommendations made by the Screening Committee.

A proposal for allocation of coal blocks under competitive bidding was prepared in the Ministry of Coal. This was referred to Department of Legal Affairs for their opinion. Department of Legal Affairs has endorsed the view that an amendment in the Coal Minies (Nationalisation) Act, 1973 would be necessary. Accordingly a draft amendent Bill for amending the Coal Mines (Nationalisation) Act, 1973 was prepared.

The matter was discussed in the meeting taken by the Principal Secretary to the PM and in pursuance of the minutes of the meeting, a formulation to amend the MMDR Act 1957 to provide for competitive bidding process of allocation in respect of all the minerals including coal and lignite was referred to the Ministry of Mines for their view. The Ministry of Mines has advised in their response that the Coal Ministry could revise the formulation only to include coal and lignite as in respect of other minerals they will consider the same separately after the report of the High Level Committee on Mineral Policy is received. Accordingly, a revised formulation was referred to the Ministry of Law and Justice for their advice on 3.7.2006. Opinion of Ministry of Law & Justice was received 28.7.2006. Further clarification was sought from Ministry of Law and Justice vide note of Secretary (C) on 17.08.2006. Ministry of Law again advised, Ministry of Coal to initiate suitable measures for amendment of the Mines and Minerals (Development and Regulation) Act, 1957.

This issue was again discussed in the meeting taken by Principal Secretary to the Prime Minister on 22.09.2006. Accordingly a draft Cabinet Note along with all relevant documents was sent to Ministry of Mines on 29.09.2006 and Ministry of Mines was requested to formulate proposal for approval of Cabinet. Draft Cabinet Note as prepared by the Ministry of Mines was vetted by the Ministry of Coal and returned back to Ministry of Mines on 11th November, 2006. Proposal has already been sent to Cabinet by the Ministry of Mines for consideration. At present the issue has been referred to a Group of Ministers for a decision.

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COMMENTS OF THE COMMITTEE

Please see paragraph 15 of Chapter I of the Report.

RECOMMENDATION (Sl. No. 13)

COAL MINES NATIONALISATION AMENDMENT BILL

The Committee note that since nationalization of coal mines in 1973, the coal sector is dominated by the public sector. The present legal framework permits private sector participation in coal mining to a very limited extent through the route of captive mining. The lack of any competition has been a major factor that has constrained the growth of coal industry. As per the Economic Survey (2005 – 06), in the coal sector, lack of private competition and market orientation has stifled growth which has affected the power sector most. In this regard, the Committee note that in line with the recommendations of the Committee constituted by the Planning Commission, under the Chairmanship of Shri K.S.R. Chari, former Coal Secretary in 1995, the Government decided to open the Coal Sector for private participation. Accordingly, a Coal Mine Nationalisation Amendment Bill was introduced in the Rajya Sabha in the year 2000. The main objective of this Bill was to allow the companies registered in India to mine coal and lignite without the existing restriction of captive consumption as well as to engage in exploration of coal and lignite resources in the country. In this regard, the Committee note that as per the deliberations in the various meetings between the trade unions and the government, it was decided that the matter for processing of the Bill further in Parliament shall be decided only after having discussions with the Trade Unions. A Group of Ministers (GOM) was constituted in this connection. After change of the Government at the Centre, the GOM is required to be reconstituted. As per the latest information made available to the

Committee, the matter of reconstitution of the Group of Ministers is being pursued with the Cabinet Secretariat. The Committee, therefore, feel that the objective sought to be achieved by the Coal Mines Nationalization Amendment Bill is still pending. This important issue needs a serious consideration by the Government keeping in view the future interest of the proper development of coal sector in India. The Committee, therefore, recommend that Cabinet Secretariat should take up the matter of constituting the GOM on top priority so that the contentious issues may be resolved with the Trade Unions expeditiously.

Reply of the Government

The Central Government decided to amend the Coal Mines (Nationalization) Act, 1973 to allow Indian companies both in the public and private sectors to mine coal in the country without the existing restriction of captive mining and to be engaged in exploration of coal in the country. Accordingly a Bill, namely, the Coal Mines (Nationalisation) Amendment Bill, 2000, was introduced in the Rajya Sabha on 24.4.2000 .

The Bill was referred to the Standing Committee on Industry on 27.4.2000 and then to the Standing Committee on Energy on 22.11.2000 for examination and report. The Committee, after having extensive and wide-ranging discussions and consultations with the State Governments, Trade Unions/Officers' Associations, apex Chambers of Trade and Commerce, and Central Ministries submitted its report which was tabled in both the Houses of Parliament on 31.08.2001. The Committee recommended that the Bill be passed to facilitate Indian private companies to explore and mine coal and lignite without the existing restriction of captive mining.

Due to stiff resistance from the trade unions, the Bill could not be processed further. The matter was considered by the Energy Co-ordination Committee, (ECC) headed by the Prime Minister. The Energy Coordination Committee has taken a view that the Bill should be moved for consideration only after a consensus is arrived at. ECC has asked that efforts should be done in this regard. Planning Commission has been asked to prepare a Paper on this subject.

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COMMENTS OF THE COMMITTEE

Please see paragraph 18 of Chapter I of the Report.

RECOMMENDATION (Sl. No. 15)

NEED FOR INTERNATIONAL FINANCIAL REPORTING SYSTEM (IFRS)

The Committee note that in order to participate in international bids for acquisition of coal property abroad, the accounts of Coal India Limited and its subsidiaries are required to be prepared under International Financial Reporting System (IFRS). Presently, the said accounts are prepared in line with Indian Accounting Standard and in compliance with the Companies Act, 1956. In this regard, the Committee note that the CIL Board has already taken a decision to prepare the accounts of CIL and its subsidiaries as per the International Financial Reporting standard and get it audited by Auditors of International repute. To this effect, the necessary guidelines have also been formulated and selection of the Auditors is in process. Keeping in view the fact that acquisition of coal equities abroad will continue to rise in the near future, the Committee recommend that the maintenance of accounts by the CIL and its subsidiaries be made IFRS compliant at the earliest possible. The Committee also desire that the selection of the concerned Auditors which reportedly is in progress, be also completed within a specific timeframe so that no delays occur in implementation of this system.

Reply of the Government

CIL floated a tender to appoint an Indian Chartered Accounting firm to audit the IFRS compliant consolidated accounts of CIL, which is yet to be finalised. The year of accounts to be audited under the scope of this tender is under review and may require to be amended. However, the progress in acquiring overseas coal assets has so far not been impacted by not having audited IFRS accounts of CIL.

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RECOMMENDATION (Sl. No. 18)

NEED FOR A NATIONAL INTEGRATED COAL POLICY

The Committee note that at present 50% of the total commercial energy needs in the country are met by coal and the scenario is likely to remain the same for another 20 years or so. The Committee feel that in order to promote the development and utilization of the coal resources in a planned manner, there is definitely a need for formulation of a National Integrated Coal Policy for meeting the present and future coal requirements of the country. The Committee observe that the country already has a nuclear policy as well as the electricity policy whereas a petroleum policy is being worked out. In this regard, the Committee note that for quite some time now, the Government is seized with preparation of a National Coal Policy. The Planning Commission in 1995 constituted a Committee on Integrated Coal Policy for adoption by the Government during the 9th and 10th plan periods. The Committee also note that this Committee after undertaking a review of the coal sector had made several landmark recommendations, some of which have also been reportedly implemented by the Government. The Committee are however, constrained to note that even though a number of recommendations were put forth by the Committee since then, an Integrated Coal Policy in a documented form have not so far been brought out. The Committee are not satisfied with the reply of the Ministry that though there is not a documented policy on coal, there is a policy framework through various enactments and orders which is being followed in the functioning of the coal sector. The Committee feel that a bunch of scattered enactments and administrative orders issued from time to time can not be a substitute for a well defined integrated Coal Policy serving as a road map for development of the coal sector in a planned manner. In this regard, the Committee note that recently a committee was constituted by the Planning Commission which has given its report on Integrated Energy Policy. The said report has dealt with energy security viewpoints of the country taking into account the nuclear energy prospect, thermal energy prospect and non-conventional energy prospect altogether. This report contains a chapter on coal also as to what is going to be the future scenario in respect of coal sector. The Committee feel that taking that chapter as one of the guiding principles, the Ministry of Coal must evolve a National Coal Policy for the coal sector which is the need of the hour. The Committee, therefore, strongly recommend that the Government must formulate an Integrated Coal Policy without any further loss of time.

Reply of the Government

An Expert Committee headed by Shri T.L. Sankar has been constituted to draw up a road map for coal sector. On submission of their report, this recommendation would be considered.

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RECOMMENDATION (Sl. No. 20)

SUBSIDENCE OF COALFIELDS

The Committee note that in many coalfields, particularly near the Raniganj Area of West Bengal, there are many unstable locations where the cases of subsidence have been reported. The Committee feel that there is an urgent need to initiate early and appropriate steps to assess the danger being posed to residential areas adjacent to the mining areas where people suffer from a sense of insecurity and uncertainty in the wake of reports about continued subsidence. The Committee further feel that a long-term view of this enormous problem is urgently required to be undertaken.

Reply of the Government

Efforts to deal with the problem of subsidence and fire in Raniganj Coalfield have been going on since long. The magnitude of the problem in the Raniganj Coalfield of ECL is mainly related to subsidence due to unplanned and unsystematic exploitation of coal in the past and compounded by further injudicious growth of habitation over subsidence prone areas.

A high powered committee chaired by Secretary (Coal was constituted by GoI in December 1996 to go in to details of problem of subsidence and fire in Raniganj coalfield. As per direction of the committee CMPDI prepared a Master Plan in February 1999. Subsequently a Master plan was updated in 2004 for dealing with fire, subsidence and rehabilitation of people residing in unsafe Areas of Raniganj coalfield of ECL. Similar Master Plan was also prepared for Jharia Coalfield Area of BCCL. These Master Plans were again updated in August, 2006 and total period 20 years was reduced to 10 years and all the subsidence schemes were converted to Rehabilitation schemes. The updated Master Plan 2006 is under process for approval of the Government.

Also in accordance to the directives of high powered committee in 1996, the following stabilization and rehabilitation schemes have been undertaken. The rehabilitation scheme, demographic survey and other related jobs of rehabilitation has been entrusted to the Asansol Durgapur Development Authority (ADDA), a State Government Agency on behalf of West Bengal.

Stabilization scheme: Two schemes (Arun Talkies & Kumar Bazar) has been completed under Coal Conservation and Development Advisory Committee (CCDA) funding. Three other Environmental Measures and Subsidence Control (EMSC) schemes (Barachak, Porasband & Bhatdoba) have been completed. Six EMSC schemes (Fatehpur, Gowla Basti, Polasban, Potteryu, Haripur and Sanctoria) are ongoing and progressing. Three new schemes (Jeebanpara, Narsamda & Bharatchak) have been approved and drilling work is in progress.

Rehabilitation scheme: Rehabilitation of 4 unstable locations and Sanctoria village has been entrusted to ADDA. The jobs like Demographic survey, Land record verification, Assessment of valuation of schemes completed. Selection of the proposed rehabilitation sites are in progress.

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COMMENTS OF THE COMMITTEE

Please see paragraph 23 of Chapter I of the Report.

New Delhi:
11 October, 2007
Aswina, 1929(S)

RUPCHAND PAL,
Chairman,
Committee on Public Undertakings

Appendix-I

MINUTES OF THE 9th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 11th OCTOBER 2007

The Committee sat from 1100 hrs to 1130 hrs.

Chairman

Shri Rupchand Pal

Members, Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Francis K. George
4. Dr. Vallabhbhai Kathiria
5. Dr. Rameshwar Oraon
6. Shri Shriniwas Patil
7. Kunwar Jitin Prasada

Members, Rajya Sabha

8. Shri K. Chandran Pillai
9. Shri Dinesh Trivedi

Secretariat

1.	Shri J.P. Sharma	Joint Secretary
2.	Smt. Anita Jain	Director
3.	Shri N. C. Gupta	Deputy Secretary
4.	Shri Ajay Kumar	Deputy Secretary-II

2. The Committee took up for consideration the draft Action Taken Report on the recommendations contained in the 15th Report of the Committee on Public Undertakings pertaining to Coal India Limited. The Committee made some modifications in comments made on recommendation no. 6 regarding performance of underground mining operations. The Committee also added comments to recommendation no. 11 regarding allocation of coal blocks through competitive bidding. The committee, thereafter, adopted the report.

3. The Committee authorized the Chairman to finalise the Report for presentation.

APPENDIX II

(Vide para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations/observations contained in the Fifteenth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on “Coal India Limited”.

I	Total number of recommendations	21
II	Recommendations that have been accepted by the Government [vide recommendations at Sl. Nos. 2,7, 9,12,14, and 17	
	Percentage of total	28.57 %
III	Recommendation which the Committee do not desire to pursue in view of Government’s replies [vide recommendation at Sl. Nos. 3, 4,5,8,10,16 and 21	
	Percentage of total	33.33 %
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 1, 6 and 19	
	Percentage of total	14.29 %
V	Recommendations in respect of which final replies of Government are still awaited Sl.Nos. 11,13,15,18, and 20	
	Percentage of total	23.81 %