

**MINISTRY OF COAL  
PRODUCTION AND DISTRIBUTION  
OF COAL**

**ESTIMATES COMMITTEE  
1995-96**

**FIFTY-SEVENTH REPORT**

**TENTH LOK SABHA**

**LOK SABHA SECRETARIAT  
NEW DELHI**

LC  
7222SR  
57, 2

**FIFTY-SEVENTH REPORT**  
**ESTIMATES COMMITTEE**  
**(1995-96)**

**(TENTH LOK SABHA)**  
**MINISTRY OF COAL**

**PRODUCTION AND DISTRIBUTION OF COAL**



*Presented to Lok Sabha on 12th March, 1996*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*March, 1996/Phalguna, 1917 (Saka)*

**E.C. No. 1361**

*Price: Rs. 36/-*

PARLIAMENT LIBRARY  
Central Govt. Publications  
Acc. No RC 93815.....  
Date.....

LL  
35172225R  
N5.57;2

© 1996 BY LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eighth Edition) and printed by the Manager, Photo Litho Unit, Government of India Press, Minto Road, New Delhi.

**Corrigenda to 57th Report of  
Estimated Committee (1995-96)**

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(vii)	9	segment	segment
15	11	185.50	183.50
23	7	almost	almost
29	5	tems	terms
31	2	marger	merger
51	26	Hosue	House
53	3	Having	Having
64	last line	unde	under
81	20	to	of
86	26	implemennting	implementing
88	18	the lapse only	the lapse is highly
		deplorable	deplorable
89	6(from below)	and	end
90	24	things	hinge
91	11	has not careful	has not been careful
		having	in having
91	4(from below)	The deplore	They deplore
92	9	chargein	chagrín
92	12	submitted	submit
94	18	therefore the	therefore of the
102	26	thsi	This
105	29	shold	should



# CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE .....	(iii)
INTRODUCTION .....	(v)
<b>CHAPTER I</b>	
<b>GENERAL</b>	
(A) Introductory	1
(B) Organisation	1
(C) Coal Reserves	2
(D) Exploration	3
(E) Observations/Recommendations	4
<b>CHAPTER II</b>	
<b>EXPLOITATION</b>	
(A) Historical Background	6
(B) Commissioning of Coal Mines	8
(C) Systemic Improvements	9
(D) Observations/Recommendations	10
<b>CHAPTER III</b>	
<b>PRODUCTION OF COAL</b>	
(A) Demand of Coal	13
(B) Assessment of Demand	14
(C) Production Capabilities	14
(D) Augmentation of Production	19
(E) Productivity	19
(F) Production, Despatch and Stocks	24
(G) Production Cost and Pricing System	24
(H) Decontrol of Coal Prices	27
(I) Manpower	27
(J) Over-Reporting of Production	31
(K) Accountability	38
(L) Coal Washeries	43
(M) Pilferage of Coal	46
(N) Observations/Recommendations	48
<b>CHAPTER IV</b>	
<b>DISTRIBUTION OF COAL</b>	
(A) Classification of Coal	62
(B) Core Sector	64
(C) Non-Core Sector	64
(D) Distribution Policy	64
(E) Computerisation	65
(F) Diversion/Resale of Coal	66

(ii)

	<b>PAGE</b>
(G) Distribution Network	67
(H) Mode of Transportation of Coal	67
(I) Supply to Power Sector	68
(J) Outstanding Sales Dues	70
(K) Observations/Recommendations	72
<b>APPENDICES</b>	<b>77</b>

**COMPOSITION OF THE ESTIMATES COMMITTEE  
(1995-96)**

**Shri S.B. Sidnal — Chairman**

**MEMBERS**

2. Shri N.S. Chaudhari
3. Shri R.T. Chaudhary
4. Shri Anadi Charan Das
5. Shri S.C. Dikshit
6. Shri R. Jeevarathinam
7. Shri Balin Kuli
8. Shri Suraj Mandal
9. Shri K.M. Mathew
10. Shri Anand Ratna Maurya
11. Shri B.P. Mehta
12. Shri C.P. Mudalagiriappa
13. Shri Ajoy Mukhopadhyay
14. Shri P.G. Narayanan
15. Shri Rameshwar Patidar
16. Shri Hari Kewal Prasad
17. Shri B.L. Sharma Prem
18. Shri S. Raychaudhuri
19. Shri A. Venkata Reddy
20. Shri D.M. Sadul
21. Shri Chattrapal Singh
22. Shri Chinmayanand Swami
23. Kum. Frida Topno
24. Shri B.K. Tripathy
25. Shri S. Vaghela
26. Shri B.L. Verma
27. Maj. Gen. R.G. Williams
28. Shri D. P. Yadav

(iv)

29. Shri Ram Sharan Yadav

@30. V a c a n t

**SECRETARIAT**

- |                            |                             |
|----------------------------|-----------------------------|
| 1. Dr. A.K. Pandey         | <i>Additional Secretary</i> |
| 2. Smt. Roli Srivastava    | <i>Joint Secretary</i>      |
| 3. Shri K.L. Narang        | <i>Deputy Secretary</i>     |
| 4. Shri Raj Shekhar Sharma | <i>Under Secretary</i>      |
| 5. Shri P.C. Koul          | <i>Committee Officer</i>    |

---

@ Dr. Krupasindhu Bhoi ceased to be Member of the Estimates Committee w.e.f. 9.5.1995 consequent upon his resignation from the Committee.

## INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Fifty-Seventh Report on the Ministry of Coal—Production and Distribution of Coal.

2. The Committee considered the replies given by the Ministry of Coal to questionnaires issued on the subject from time to time. The Estimates Committee (1994-95 and 1995-96) took the evidence of the representatives of Ministry of Coal and Coal India Limited (CIL) on 2nd December, 1994, 7th April, 1995 and 13th June, 1995. The Committee wish to express their thanks to the officers of the Ministry of Coal and CIL for placing before them the information desired in connection with the examination of the subject.

3. The Report was considered and adopted by the Committee at their sitting held on 11th March, 1996.

4. The Report is divided into four chapters—each devoted to specific aspects. The Committee have, *inter-alia* made the following important recommendations

- (a) The Committee have felt that with the limited life span of the oil reserves of the world, coal reserves, which would definitely outlive oil reserves, will assume still more strategic importance in the coming years as a readily available source of energy. They have, therefore, recommended that production of coal should be guided more by the conservation angle than merely from the angle of exploitation for the sake of fulfilling targets.
- (b) Having noted the lackadaisical performance of the Ministry even after the process of two stage clearance has been adopted from 1989-90 onwards, out of 29 projects costing Rs. 20 crores and above 10 projects have been delayed by periods ranging between one to four years. The Committee have recommended that knee-jerk type of planning by the Ministry should give way to a systematic work culture where experiences, bitter or otherwise should form the basis of further planning. Mistakes/lapses/shortcomings tend to compound when put under the carpet.
- (c) The Committee have noted that despite existence of sufficient provisions for ensuring accountability at all levels in the Governmental functioning, cases where these have been invoked are few and far between. They have, therefore, recommended that when developmental projects are enjoying a major chunk of

country resources people who are entrusted with the responsibility of planning and implementing them should be made accountable to each rupee and each minute overspent or wasted by them. They have also directed the Ministry to work out modalities in this regard with Ministry of Finance and the Department of Programme Implementation. A judicious blend of reward and punishment would in the view of the Committee go a long way in improving the management of the implementation process.

- (d) The Committee have observed that the coal industry has in the past catered to the entire requirement of the demand of coal in the country. However, the demands imposed on it as a matter of rule do not materialise in full since most of time these are grossly over-pitched. Such inflated assessment of demand for coal is not in the national interest. As coal is produced in accordance with the demands made and is usually stored in open, lesser off take than projected demand lead to storage losses. Secondly and more importantly avoidable exploitation of this precious mineral which in its wake also causes environmental and other problems, is resorted to in order to meet the demands which finally do not materialise. They have therefore, recommended that hence forth the demand assessment should be made carefully on a more scientific basis so as not to burden the coal industry with over-pitched figures as also to avoid man-power and storage losses.
- (e) The Committee have noted that there is no logic to justify a huge inventory of coal stocks which is at present three months of average annual production at pitheads of Coal Companies. While systematic and measured, need based production concept is being followed the world over the Indian Coal industry is unnecessarily burdening itself with a massive inventory worth several hundred crores despite being fully aware that even the projected demands do not materialise after all. The Committee have, therefore, recommended that the level of coal stocks at pitheads should be accurately assessed Company-wise, and reported back to the Committee. The pithead stock inventory should be reduced to two months of average annual production within a period of two years.
- (f) The Committee have noted that strangely enough there is no information available with the Ministry in regard to the workforce at the time of nationalisation of BCCL, ECL and CCL, though a total of 4,87,615 employees were on the roll of these companies as on 1st April, 1975 (i.e. the date of formation of CIL as the holding company) which is about two years after nationalisation was effected. They have therefore not agreed with the Ministry's contention about 'it inheriting a seven lakh force in the coal industry on nationalisation'. They have, therefore, recommended

(vii)

that not only be cogent, scientific and reliable data-base be developed by the Ministry on manpower and surplus employees but a time bound crash action plan be also devised to take care of this problem in a realistic and pragmatic manner so as to make coal production on economically viable proposition.

- (g) The Committee have opined that in the present era of liberalisation when market forces are deciding the fates of all sectors of trade and industry, keeping the coal industry in the shackles of price regulation is not justified. The free market economy being propagated now-a-days also requires removing of such regulations which are not in commercial interest of the producer industry. They have therefore recommended decontrol of prices of coal without any further delay. The Committee have however, stressed that the decontrol of prices should also be accompanied by improvement in productivity of the coal industry, drastic reduction in overhead costs and an effective strategy to reduce the vastly surplus man power, so that any effect of the price increase due to decontrol of prices are not passed on to the small consumers particularly the low per capita income segment who are the majority of the population in the country having limited purchasing power.
- (h) The Committee have found that over-reporting of coal production is a deep rooted malaise conclusively proved at least in the case of BCCL. Several enquiry Committees have given recommendations of far reaching import to curb over-reporting. The Panigrahi Committee Report came almost a decade back and the Sinha Committee Report was submitted in 1990. Through its deliberate inaction in these many years, the Ministry has allowed not only the malaise of over-reporting to fester but by not taking any action against the delinquent officials, it sent a signal of being a silent spectator to this sordid episode. Thus, millions of tonnes of coal was produced but only on paper; officials at senior levels managed to secure accolades and promotions though wholly undeserving; and the juniors were content with cash incentives and other perks without even straining a muscle. The Committee have therefore expressed their strong displeasure at the conduct of the Ministry.
- (i) The Committee think that the coal stock over-reporting can have a diametrically opposite dimension as well. It is quite possible that the so-called inflated production is the real production and the shortages have occurred due to siphoning-off of massive quantities of Coal. They have therefore recommend to the Government that the entire matter be handed over to the Central Bureau of Investigation for a detailed investigation into all its ramifications and the guilty should be meted out strictest possible punishment under the law of the land.

- (j) The Committee have been surprised to know that the Conduct, Discipline and Appeal Rules, 1978 of CIL do not contain any provisions for initiating disciplinary proceedings against retired employees. This in view of the Committee is nothing but a licence for persons on verge of retirement to indulge in irregularities/malpractices being comfortable in the knowledge that the impending retirement would mean freedom from all accountability. They have therefore recommended that suitable provisions in regard to ensuring accountability of retired employees for irregularities committed while in service should immediately be incorporated in the said Rules.
- (k) The Committee have noted the situation created by the huge unpaid dues of coal industry. While on one hand the pricing and distribution of coal are under statutory control on the other the coal industry is also compelled to keep on feeding defaulting power utilities under the pretext of power generation being considered a key-input for economic growth. Such excessive, enforced regime has all but stifled the commercial instincts of the coal industry. They have therefore recommended that while there should be no let-up in the payment system being followed for current procurement, a mechanism should also be worked out to ensure that the outstanding dues are also liquidated in a time bound manner and not exceeding the next twelve quarters at the most. They have also recommended that the matter of realisation of outstanding dues from the ailing State Electricity Boards and Power Utilities should be taken up at the highest level in the Governments.

5. The Committee would like to express their thanks to the Estimates Committee (1994-95) for taking evidence on the subject and obtaining valuable information thereon. The composition of the Committee is given at Appendix I.

6. For facility of reference the recommendations/conclusions of the Committee have been printed in thick type in the body of the Report and have also been reproduced in consolidated form in the Appendix II of the Report.

NEW DELHI;  
March 11, 1996  

---

Phalguna 21, 1917 (S)

S.B. SIDNAL,  
Chairman,  
Estimates Committee.



## CHAPTER I

### GENERAL

#### *Introductory*

Coal, more precious to economics than even gold, has been fuelling the fires of industrial growth for the last more than two and a half centuries. Be it the steam engine of Robert L. Stevenson or the juggernauts of developed and not so developed countries, no movement is comprehensible without the calories provided by coal.

1.2 In the Indian context, it is the Ministry of Coal which is responsible for development and exploitation of coal and lignite reserves in the country. The Ministry in this regard derives sustenance from Government of India (Allocation of Business) Rules, 1961 which allocate all matters relating to production, supply, distribution and pricing of coal to its jurisdiction.

1.3 Coal Industry since long in the private sector was brought under direct control of the Government for the first time when Management of all Coking Coal Mines except the captive mines of two Steel companies in the private sector was taken over by the Government through promulgation of 'The Coking Coal Mines (Emergency Provisions) Ordinance' on 16 October, 1971. These mines were subsequently nationalised on 1 May, 1972. In the second stage management of 711 coal mines was also taken-over by the Government w.e.f. 31 January, 1973 and they were nationalised on 1 May, 1973.

#### *Organisation*

1.4 While at the macro-level the coal industry is administered and managed by the Ministry of Coal, the field level operations are carried out by Coal India Limited (CIL), which is a Public Sector Undertaking under the Ministry of Coal. CIL has the following eight subsidiaries under its umbrella:—

- (i) Bharat Coking Coal Limited, Dhanbad (Bihar)
- (ii) Central Coalfields Limited, Ranchi (Bihar)
- (iii) Central Mine Planning and Design Institute Limited, Ranchi (Bihar)
- (iv) Eastern Coalfields Limited, Sanctoria (West Bengal)
- (v) Mahanadi Coalfields Limited, Sambalpur (Orissa)
- (vi) Northern Coalfields Limited, Singrauli (Madhya Pradesh)

(vii) South Eastern Coalfields Limited, Bilaspur (Madhya Pradesh)

(viii) Western Coalfields Limited, Nagpur (Maharashtra)

1.5 Elaborating on the role and functions of CIL and its subsidiaries the Annual Report for the year 1994-95 of the Ministry states that CIL with its headquarters at Calcutta is the Holding Company in respect of these subsidiaries. It is also the apex body in coal industry and is responsible for laying down the policy guidelines and co-ordination work of subsidiaries. It also does the investment, planning, manpower management, purchase of heavy machneries, financial budgeting, etc. on behalf of all its subsidiaries. While seven of the subsidiaries of the Coal India Limited are producing companies directly engaged in raising and distribution of coal, the Central Mine Planning and Design Institute Limited is the planning, designing and engineering company in the coal sector under CIL whose function is to render expert service, on consultancy basis, on mineral exploration, planning and designing of coal projects, coal beneficiation, coal utilisation, environmental management, etc. and to transfer foreign technology for assimilation in Indian conditions.

#### *Coal Reserves*

1.6 The Geological Survey of India (GSI), an autonomous organisation under the Ministry of Mines was responsible for conducting regional exploration for locating coal deposits in different parts of the country on continuous basis. On being asked about the results of the exploration being conducted by the GSI, the Ministry informed through a written reply that a cumulative total of 200.03 billion tonnes of coal reserves had been estimated in the country as on 1.1.1995. Break up of the reserves was as follows:—

Proven	68.60 billion tonnes
Indicated	89.75 "
Inferred	41.68 "
Total	200.03 "

1.7 When asked as to how long these reserves were supposed to last, the representative of Ministry informed during evidence held on 2nd December, 1994:—

"The proved reserve is 68 billion tonnes..... We have proved so much that in the coming ten years, we can go on adding to our mines without any difficulty. In fact, we are projecting to have a quantum jump by the end of the next ten years from now because we are anticipating a very huge demand emergence after ten years because of lot of investment coming in the power sector. We are trying to gear up investments and we are trying to plan new mines and things like that. This is our broad perspective for the next ten years. The reserve will last for 500 years definitely."

1.8 The detailed classification of these reserves in various categories is given in the table that follows:—

(in Million Tonnes)				
Type of Coal	Proved	Indicated	Inferred	Total
Gondwana Coals	68282.77	89624.25	41234.95	199141.97
Tertiary Coals	314.83	129.75	442.44	887.02
Total	68597.60	89754.00	41677.39	200028.99
Cocking				
Prime Coking	4236.45	1063.55		5300.00
Medium Coking	10267.61	11183.59	1028.06	22479.26
Blendable/ Semi-Coking	568.83	1101.65	483.55	2154.03
Sub-Total (Coking)	15072.89	13348.79	1511.61	29933.29
Non-Coking	53524.71	76405.21	40165.78	170095.70
Total Coking*and Non-Coking	68597.60	89754.00	41677.39	200028.99

\*Does not include tertiary coals of North-Eastern Region.

### Exploration

1.9 On being asked as to what was the role of the exploration agencies associated with the Ministry of Coal if the GSI was conducting exploration of Coal reserves in the country, the Ministry stated that the GSI had been conducting regional exploration for locating coal deposits in different parts of the country on a continuous basis. On the basis of geological reports released by GSI every year, potential blocks were demarcated and detailed exploration taken up by Central Mine Planning and Design Institute Limited (CMPDIL) in conjunction with Mineral Exploration Corporation Limited (MECL) and other drilling agencies keeping in view the region-wise demand for the various Plan periods. Detailed drilling forms the basis for drawing up feasibility studies and detailed project reports for coal mining projects, etc.

CMPDIL had carried out detailed coal exploration in a large number of coal fields falling within the command area of Coal India Ltd. Since 1973-74 exploration had been completed in 592 blocks and a total of 65,000 MT (approx.) of coal reserves had been established.

1.10 The salient features of the drilling performance of the various exploration agencies during Seventh Plan and subsequent years in the Eighth Plan had been as follows:—

**CMPDIL:** Drill productivity increased from 195 m/drill/month in 1984-85 to 281 m/drill/month in 1989-90; 297 m/drill/month in 1991-92 and 317 m/drill/month in 1993-94 and 331m/drill/month in 1994-95.

**MECL:** Improvement in drill productivity was from 142 m/drill/month in 1984-85 to 183 m/drill/month in 1989-90. Thereafter it declined to 128 m/drill/month in 1991-92 it was 162 m/drill/month in 1993-94 and 154m/drill/month in 1994-95.

**STATE GOVTS.:** Drill productivity was 44 m/drill/month in 1984-85, 100 m/drill/month in 1989-90; 77 m/drill/month in 1991-92, 84 m/drill/month in 1993-94 and 91 m/drill/month in 1994-95.

**PVT. PARTIES:** Drill productivity declined from 81 m/drill/month in 1984-85 to 23 m/drill/month in 1989-90. It was 39 m/drill/month in 1991-92; 68 m/drill/month in 1993-94 and 41m/drill/month in 1994-95.

#### *Observations / Recommendations*

1.11 The Committee note that coal industry was nationalised in the early seventies due to the incalculable importance of this precious mineral in the economy and development of the country. Thus as on date the development and exploitation of the coal reserves in the country is the preserve of Ministry of Coal. The Ministry effects ground level administration and management of the coal industry through Coal India Limited (CIL), a public sector undertaking and its eight subsidiaries.

1.12 It is also heartening to note that the coal reserves of the country, as per the current estimation are going to last at least another half a millennium.

1.13 Coal being the life-line of the country, energising its economy, industry, homes and hearths, power plants, etc.. The Committee feel that with the limited life span of the oil reserves of the world, coal reserves, which would definitely outlive oil reserves, will assume still more strategic importance in the coming years as a readily available source of energy.

1.14 Secondly, and more importantly a nation's life far outspans periods like half a millennium.

1.15 Therefore, the Committee consider that production of coal should be guided more by the conservation angle than merely from the angle of exploitation for the sake of fulfilling targets. More in this regard has been commented upon in the chapters ahead.

1.16' From the figures of drilling productivity of various agencies submitted by the Government, the Committee observe that barring CMPDIL, the performance of other agencies has remained more or less static of somewhat retrogressive. While drilling performance of CMPDIL

has shown progressive trend and has almost doubled during the last decade or so, the performance of MECL has shown an improvement of hardly 10% during the corresponding period. The performance of private parties has been further worse with the drill productivity going down by almost 50% from 81 m/drill/month in 1984-85 to 41m/drill/month in 1994-95.

1.17 The Committee further observe that since 1973-74 exploration has been completed in 592 blocks and a total of 65 billion tonnes (approx.) of coal reserves have been established till date.

1.18 The Committee therefore, desire that in view of the huge demand emergence being anticipated in the coming ten years not only should the exploration be completed in the remaining blocks in a time-bound manner but it should also be ensured that various drilling agencies are suitably geared up and equipped for the task.

## CHAPTER II

### EXPLOITATION

#### *Historical Background*

The history of coal mining in India dates back to as early as 1744, when Coal was first mined in the Raniganj Coalfield in West Bengal. However, coal production as late as upto two decades after independence was very low. The Ministry admitted that it was only after the crisis of early seventies that the Government was spurred to take a hard look at the Coal Sector.

2.2 Nationalisation of the Coal Industry was effected in phases in 1972 and 1973 in view of the importance of Coal as a primary source of energy in the national economy and the massive investment needed to meet the huge demand. Besides reducing the country's dependence on oil the primary goal of nationalisation of coal industry was to ensure a scientific exploration and exploitation of coal deposits with due attention to safety, conservation and environmental aspects, to accelerate the development process through substantial investment in nationalised coal companies so that sufficient indigenous coal could be produced.

#### *Leasing of Coal Mines*

2.3 During the course of examination of the subject the question of leasing of coal mines by the Central Government to various entities also came up for discussion. This matter is covered under Section 3(3) (a) of Coal Mines (Nationalisation) Amendment Act, 1976 which reads as follows:—

“(a) no person, other than—

(i) the Central Government or a Government, Company or a Corporation owned, managed or controlled by the Central Government, or

(ii) a person to whom a sub-lease, referred to in the proviso to clause (c), has been granted by any such Government, company or corporation, or

(iii) a company engaged in—

(1) the production of iron and steel,

(2) generation of power,

(3) washing of coal obtained from a mine, or

(4) such other end use as the Central Government may, by

notification specify, shall carry on coal mining operation, in India, in any form."

2.4. During the course of oral evidence of the Ministry held on 7th April, 1995, when the Committee desired to know as to whether the coal mines could be leased out to State Governments as well as under the above referred provisions of the Act, the representative of the Ministry stated:

"Sir, the Coal Mines (Nationalisation) Act provides that coal mining can be done by Central Government, a Government Company or a Corporation owned, managed or controlled by the Central Government."

2.5. When asked to clarify further about the eligibility of State Governments in seeking lease of coal mines, he stated:

"I mean Central Government as regard, Corporation, on the point of clarifying for Government Company, we have got it examined by the Law Ministry who said Government company could either by the State Government or a Central Government Company."

2.6. Since no satisfactory reply was forthcoming from the Ministry on the matter, it was asked to furnish the legal opinion of the Ministry of Law in this regard. A perusal of the original advice Ministry of Law indicates that "the Government Company mentioned in Section 3(3) should be qualified by the words 'owned, managed and controlled by the Central Government, Company to obtain a coal mining lease.'"

2.7. The matter however was again referred to Secretary, Department of Legal Affairs by Secretary, Ministry of Coal on 4th May, 1983 for reconsideration. Whereafter, the Law Ministry seems to have fallen in line with the requirements of Ministry of Coal by stating that "a Government Company appearing in the aforesaid provision of law covers any Government Company within the meaning of Section 617 of the Companies Act, 1956 and it is not qualified by the limiting phraseology 'owned, managed or controlled by the Central Government' which is appropriately applicable to the phrase 'Corporation' alone appearing in the aforesaid provision of Law."

2.8. The Ministry further informed that then Minister while introducing the relevant Bill in the Parliament on 17th June, 1976 stated:

“Where Central Government or Public Sector Undertakings are not interested in mining or there are certain areas, where they feel that they cannot undertake scientific mining subject to certain conditions which are stated in the Act it is possible to give a sub-lease to Private Parties also or the Corporation of the State Government.”

#### *Commissioning of Coal Mines*

2.9. The coal industry being time and capital intensive, the time taken from the planning to commissioning stage of a coal mining project according to the information submitted by the Ministry varied between 7 to 10 years for opencast projects and 10 to 15 years for underground projects.

2.10. When asked about the reasons for such a long gestation period in commissioning the coal mining project, the Ministry of Coal in a note informed that the time taken from planning to commissioning stage of coal mining projects is long due to various reasons mentioned below:

- (i) The time involved in feasibility study and mine planning which by itself is a comprehensive multi-disciplinary activity;
- (ii) The time taken in appraisal and scrutiny of the proposal for investment decisions at various levels depending on the capital cost of the project and the delegation of powers for sanctioning investments;
- (iii) Before any investment approval is given by the Government, forestry and environmental clearances are mandatory which also take time;
- (iv) Once a project is approved, activities involved are land acquisition, development of basic infrastructural facilities like access roads, electricity, water supply, housing, etc. At times, there are obstructions and resistance from the local population, as a result of which some of the activities get delayed;
- (v) Outside agencies who execute construction works like coal handling plants, railway sidings, washeries, housing colonies, etc. also contribute to the delays; and
- (vi) The amount of excavations work in opencast mines depends on geo-mining features like over-burden coal ratio, depth of seam (s), etc.

2.11. One of the major factors responsible for the inordinate delays in commissioning of coal mining projects was the delay in acquisition of land for the projects. When queried in regard to the type of difficulties Government had been facing at the time of acquisition of land for



commissioning of the coal mining projects, the Ministry informed that the difficulties generally being faced by Coal Companies in land acquisition were:

- (i) Enormous delay in processing the land acquisition proposals due to non-availability of up-dated land records of the Records of the Rights (ROR);
- (ii) Even for land for which acquisition processes had been completed, physical possession became difficult because of stiff resistance of the ex-land owners;
- (iii) In case of forest land, non-availability of suitable land for compensatory afforestation;
- (iv) Abnormal demand for employment, compensation and rehabilitation benefits by the land owners;
- (v) Delay in transfer of Government land and high prices demanded by the State Government for such land;
- (vi) Due to large scale encroachment upon Government land proposed to be transferred to Coal Companies, transfer becomes difficult and delayed;
- (vii) Different practices introduced by different State Governments for acquisition of land and absence of a uniform policy of action and methodology in this regard; and
- viii) Introduction of legislation by State Governments putting additional financial burden on the Coal Companies with respect to acquisition of land, grant of mining leases and extension of mining leases for working in the forest areas.

#### *Systemic Improvements*

2.12. When asked about the efforts being made to overcome difficulties pertaining to land acquisition, to reduce this time period and ensure timely completion of the coal mining projects, the Ministry in a note stated that from 1989-90 onwards, the process of two stage clearance had been adopted. In the first stage, Advance Action Plan was sanctioned for an amount upto Rs. 10 crores for undertaking preliminary activities like land acquisition, rehabilitation of population, development of basic infrastructure like access roads, water supply, power supply and other such requirements. Simultaneously action was taken for formulating detailed project reports, environmental management plan and documentation for obtaining forestry and environmental clearance, etc. Thus by the time the project was sanctioned, essential activities pertaining to land acquisition, rehabilitation and infrastructure development were already complete and substantial amount of time could be saved.

2.13. Further close liaison and interaction was being maintained with various State Government agencies for expediting land acquisition and

rehabilitation of affected population. Close monitoring of project implementation was also being done at various levels for expediting project completion.

2.14. To evaluate the performance of the Ministry in view of the remedial measures put in place, the Committee desired it to furnish the physical and financial parameters as originally envisaged and as ultimately achieved in respect of both types of mines i.e., opencast and underground, commissioned during the last four years. In response the Ministry stated that during last four years i.e. 1991-92 to 1994-95, 29 projects each costing Rs. 20 crores and above were declared completed in CIL and SCCL. Annexure-I contains details of these projects.

2.15. Out of these 29 projects, 22 projects have been sanctioned during or after 1989-90. 10 projects out of these 22 had been delayed by periods ranging between one to four years while 2 projects had been completed ahead of schedule.

### OBSERVATIONS/RECOMMENDATIONS

2.16 The Committee note that though coal mining has been taking place in India for more than two and a half centuries, it has gained momentum only during the last two odd decades or so. Consequently despite sufficient technological advancement and streamlining of procedural aspects the planning to commissioning stage of a coal mining project varies between 7 to 10 years for open cast projects and 10 to 15 years for underground projects. The abnormally long time taken for commissioning of these projects is due to various reasons including the long time taken in feasibility studies, mine planning, appraisal and scrutiny of the proposals for investment decisions, forestry and environmental clearances, land acquisitions, development of infrastructural facilities, delay by outside agencies, amount of excavation work and a maze of other related problems.

2.17 Amongst all the issues enumerated above the Committee understand that it is the land acquisition and related matters, which cause most delays in commissioning of coal mining projects. The problems being faced by the Government in this endeavour include difficulty in physical possession, due to stiff resistance of ex-land owners; non-availability of suitable land for compensatory afforestation where forest land has been acquired; abnormal demand for employment, compensation and rehabilitation benefits by the land owners; delays in transfer of land due to different practices introduced by various State Governments for acquisition of land; large scale encroachments; high prices demanded by State Governments for the land; introduction of legislations by State Governments putting additional burden on Coal Companies with respect to acquisition of land, grant of mining leases and extension of mining leases for working in forest areas.

2.18 It is also noted that to overcome difficulties being faced inland

acquisition and in order to ensure timely completion of coal mining projects the Ministry has from 1989-90 onwards adopted the process of two stage clearance. Besides keeping close liaison and interaction with various State Government agencies, close monitoring of projects is also being done for expediting the process.

2.19 The Committee appreciate the difficulties being faced by the Ministry in timely commissioning of coal mining projects. However, they feel that none of the problems/difficulties brought to their notice by the Government are insurmountable. Basically, it is the lack of anticipatory planning and foresight, which not only creates difficulties but also leads to a cascading effect on the entire implementation process.

2.20 It is an established fact that the Ministry and all the specialised agencies under its command do have institutional set up, as also institutional memory. And still, if they keep on facing similar set of problems and respond in the way they have done countless times earlier, then it means that the lessons of the past have not been learnt.

2.21 This view of the Committee is further corroborated by the lackadaisical performance of the Ministry even after the process of two stage clearance has been adopted from 1989-90 onwards. Out of 29 projects costing Rs. 20 crores and above that have been sanctioned during or after 1989-90, 10 projects have been delayed by periods ranging between one to four years.

2.22 The Committee are, therefore, of the view that since coal mining has to remain in continuum for centuries to come knee-jerk type of planning by the Ministry should give way to a systematic work culture where experiences, bitter or otherwise should form the basis of further planning. Mistakes/lapses/shortcomings tend to compound when put under the carpet.

2.23 They also desire that an in-depth analysis of the reasons for delays, project-wise, of all these projects be carried out and responsibility fixed accordingly.

2.24 The contention of the Ministry about close liaison and interaction with various State Government agencies as also its claim regarding close monitoring of projects at various levels also does not appear convincing to the Committee as they go by its performance at the field level.

2.25 The Committee, therefore, desire that the present system of two stage clearance be thoroughly reviewed to ascertain shortcomings which are hampering its effectiveness and necessary correctives are put in place without any loss of time. More so because the coming decade is definitely going to put the Ministry's capabilities to a serious test.

2.26 The Committee would even at the risk of sounding repetitive, delve upon a basic aspect pertaining to introduction of stricter accountability norms in the planning and implementation of developmental projects.

Despite existence of sufficient provisions for ensuring accountability at all levels in the Governmental functioning, it is common knowledge that cases where these have been invoked are few and far between.

2.27 In the opinion of the Committee, therefore, when developmental projects are enjoying a major chunk of country's resources people who are entrusted with the responsibility of planning and implementing them should be made accountable to each rupee and each minute overspent or wasted by them. The Committee would like the Ministry to work out modalities in this regard with Ministry of Finance and the Department of Programme Implementation. A judicious blend of reward and punishment would in the view of the Committee go a long way in improving the management of the implementation process.

2.28 The Committee would also like the Government to impress in no uncertain terms and at the highest level upon State Governments that a more co-operative interaction between their various agencies to jointly tap this precious mineral resources is imperative not only for integrated development but also for mutual benefit.

## CHAPTER III

### PRODUCTION OF COAL

#### *Demand of Coal*

The Ministry informed that the oil crisis of the early seventies brought coal once again in the limelight. It was more true in case of India, where coal is the principal energy resource available in the country. The pivotal role of coal in meeting the energy requirement of the country was emphasised in the Report of the Working Group on Energy Policy (1979). One of the recommendations of far reaching import of the Working Group was that 'coal is the most important indigenous fuel and its role would keep increasing steadily over the time. Planning and construction of coal mines should proceed on a steady basis without linking specific mines to specific consumer. There would therefore be the need to revise the procedures for decision making on investment and coal production and also coal using facilities, like the power plants, so that the latter may be based on the quantity and quality of coal that would be available during earlier decisions.' When asked as to what action it had taken in pursuance of this recommendation, the Ministry stated that the demand of coal was worked out by Planning Commission taking into account the growth of coal consuming industries. Based on this demand, availability of coal was matched regionwise/coalfield wise by Ministry of Coal/Coal Companies and accordingly planning and construction of coal mines was taken up also keeping in view the requirement of rail movement as well as coal quality. While in general the demand was linked to coalfield-wise production, specific mine-wise linkages were given in case of pithead consumers of large quantity of coal like NTPC power houses.

3.2 Since the reply of the Ministry did not throw any light on the investment aspect referred to in the recommendation of the Working Group during the course of the oral evidence of Secretary, Ministry of Coal, when asked, clarified on the matter as follows:

"As regards investment decisions will result in production. We take up mines after detailed geological investigations and we determine what is the reserve and how much coal can be produced annually. We normally would like to put a mine let us say for 30 years. The feasibility report is brought up and it is examined in an inter-ministerial group where different ministries are also associated. Thereafter, it is recommended to the Public Investment Board. The Public Investment Board goes into detail of all those aspects. Any proposal, if it is more than Rs. 50 crore investment, it has to go to

the Cabinet Committee of Economic Affairs for approval. This is the procedure. Within Rs. 50 crore, the Coal Company, CIL themselves can do. There are some advance actions to be taken because if we approve a project and lag behind, it would be a problem. This is our experience also that there are some problems relating to land acquisition etc. However, we have been given the powers that we can sanction an advance upto Rs. 10 crore to the coal company for getting into the preliminary activities of land acquisition and other related matters. This is the procedure which we are following for investment."

### *Assessment of Demand*

The phenomenal growth in the demand of coal by the consuming sectors in the country can be gauged from the following data:

(in million tonnes)

Year	Demand	
	Raw Coal	Middlings
1976-77	99.10	2.6
1979-80	116.58	2.5
1984-85	155.70	5.5
1989-90	222.00	4.7
1992-93	258.10	5.3

3.4 During the course of the evidence, when enquired as to how the demands of various sectors were assessed by the Ministry, the Secretary, Ministry of Coal stated as under:

"Sir, regarding the criteria of the sponsoring authorities, I would like to say that we have developed the criteria in consultation with several technical people. The present criteria govern the determination of what is needed for a particular company or a particular power station a particular cement factory. These criteria have already been published and circulated among the sponsoring authorities. For example in Power, we have determined that 0.7 kg. of coal is needed for producing one unit of electricity. So, the Central Electricity Authority which looks after all the power stations determines the capacity and also sees the coal demand. Similarly in cement, 0.25 tonnes of coal produces 1 tonne of cement."

### *Production Capabilities*

3.5 According to the Ministry, the factors relevant for deciding targets of production of coal are:

- (i) Demand of the consuming sectors on various coalfields;
- (ii) Production potential of the coalfields based on the aggregate mine production capacity; and

- (iii) Optimal minewise production mix depending on the quality requirement of consumers, utilisation of capacity of individual mines to maximise the return on investment.

3.6 In regard to the targets fixed in the light of the above-referred factors during the last seven years, the Ministry has furnished the following information:

	Target (in million tonnes)	
	Data	Provisional
	CIL	SCCL
1988-89	170.08	20.50
1989-90	185.50	21.50
1990-91	194.00	22.50
1991-92	203.00	20.50*
1992-93	210.00	23.40
1993-94	216.00	25.21
1994-95	223.00	25.60

\*The target was revised in view of the then prevailing law and order situation.

3.7 Asked if CIL had achieved the production targets during the years 1988-89 to 1992-93, the Ministry stated that while the target were achieved during 1988-89, 1991-92 and 1992-93. There were shortfalls during the remaining two years.

3.8 The Committee then desired to know as to whether it was possible to meet the demand of coal in the country with the present level of production. In response the Ministry stated that it was possible for CIL to meet the demand of consuming sectors with the level of production planned and coal inventory held by CIL. During 1992-93, against the estimated demand of 208.94 million tonnes on CIL, the production was 211.19 million tonnes and the level of coal stock as on 31.3.1993 was 50.40 million tonnes (provisional) i.e., 2.9 months of coal production. With the envisaged growth in production during the VIII Plan period and the coal stock at pithead, it would be possible to meet the demand during the VIII Plan period. However, in respect of coking coal, some amount of import of good quality coking coal by the steel sector was expected to continue for blending with the Indian coal principally for achieving the quality parameters required by the steel sector.

3.9 The Committee were further informed that the Ministry intended to increase the production of coal through the following major steps:

- (i) Emphasis on exploration of coal.
- (ii) Planning for re-organisation of existing mines.
- (iii) Implementation of the on-going projects.

- (iv) Greater thrust on improving productivity of manpower.
- (v) Mechanization of opencast mining wherever technoeconomically favourable.
- (vi) Mechanization of the underground operations in Bord & Pillar working with the help of Auger cum jumbo drill, SDL/LHD and mechanised roof bolting etc.
- (vii) Identifying new blocks for taking up new projects not only to contribute to additional production, but even to some extent to compensate the depleting coal reserves in the existing mines and completed projects.
- (viii) Identifying suitable modern technologies for restructuring the existing mines and completed projects, where possible.
- (ix) Adopting suitable modern technologies with collaboration from the concerned foreign agencies.
- (x) Improving the overall efficiency for maximising the production from the existing technologies.
- (xi) Identifying short gestation projects and taking up their construction on priority.
- (xii) Taking up required welfare measures towards maintaining cordial Industrial Relations.
- (xiii) Endeavouring to improve discipline at all the levels.
- (xiv) Keeping close rapport with the State Law Enforcing Authorities towards maintaining better law and order problems in the operational areas.
- (xv) Keeping close liaison with the State Revenue and Forest Departments for getting the land and lease matters required for the mines and projects, expedited.
- (xvi) Maintenance of steady power supply particularly in the mines located in Eastern Region.

3.10 As regards the total production of Coal *vis-a-vis* its demand in the country the Ministry informed that the total demand for coal in the country as assessed by Planning Commission during the year 1992-93 was 258.10 M.T. of coal and 5.30 M.T. of middlings. As against this the production of coal was 238.33 M.T. The total offtake of coal during the year 1992-93 was 241.69 M.T. of coal (including imported coal) and 2.47 M.T. of middlings. The total stock of coal at the end of 1992-93 was 51.60 M.T.

3.11 The Ministry of Coal and Planning Commission had jointly worked out coal demand for VIII Five Year Plan by the terminal year (1996-97) of VIII Plan, the estimated likely demand of coal would be of the order of 311.00 million tonnes of raw coal and 7.00 million tonnes of middlings. As



against the total coal production projection at 308 MT by 1996-97. However, the Ministry was not sure of this entire demand materialising.

3.12 The Committee desired to know as to why the Ministry was apprehensive about the demand not materialising in full. In reply Ministry stated that the total demand was worked out by the Planning Commission. This was done on the basis of demand indicated by various consuming sectors which was aggregated to arrive at total coal demand. Past experience showed that such demand estimates were grossly overpitched as actual offtake falls far short of the projected demand.

3.13 The same viewpoint was reiterated by the Secretary, Coal during the oral evidence on the subject matter held on 2nd December, 1994, when he stated:

“There is a gap between demand and production which we notice almost every year because demand is pitched very high, the entire demand does not materialise. This is a matter of concern since we are producing according to the demand. That is why we have asked for the corrective figures. We think that roughly about 253.60 million tonnes during the current year plus imports will be able to meet the demand. This is the broad picture.”

3.14 Asked whether this gap of 3 MT of coal between demand and production was to be met by imports, the Ministry stated that to reduce the ash percentage in coking coal supply to the steel plants, some quantity of imported low ash coking coal was expected to be blended in indigenous coal.

3.15 The Committee enquired whether the draw down of pit-head stock of CIL would be able to meet the gap of demand and production. In reply, the Ministry of Coal stated that in case the projected demand of 311.00 MT materialised the gap between demand and production will be met from draw down of pit-head stock, which were available at CIL's pit-heads. At the beginning of 8th Plan stock at pit-head was 47.8 MT which had further risen to 49.7 MT, with marginal liquidation of 0.43 MT in 1993-94. In the mid-term appraisal of 8th Plan, CIL proposed to liquidate 4 MT of stock in successive years.

3.16 When the Committee desired to know whether this fact was conveyed to the Planning Commission, the Ministry stated that the Planning Commission had undertaken mid-term review of demand, production priorities etc. Hence these projections were likely to be revised in the light thereof.

3.17 Asked subsequently as to whether the Planning Commission had revised the figures during the mid-term review the Ministry informed that during the mid-term appraisal of the 8th Plan in October, 1994, Planning Commission maintained the earlier total demand projection at the same

level of 311 MT of raw coal. However, some changes were made in individual sectors.

3.18 Sector-wise demand projections at the time of formulation of 8th Plan *vis-a-vis* assessed during the mid-term Appraisal are given below:

Major Sector	8th Plan original Projections for the year 1996-97	Assessed during Mid Term Appraisal for 1996-97
1. Steel & Coke ovens	42.0	41.00
2. Sponge Iron	2.00	3.20
3. Power Utilities	185.30 (4.70)	194.00 (5.00)
4. Power Captive	15.00 (2.10)	15.00
5. Railways	3.00	0.40
6. Cement	17.50	17.50
7. Fertilizer	4.00	4.70
8. Export	1.00	0.50
9. L.T.C. Soft Coke	4.00	4.00
10. Bricks Kilns & Others	33.20 (0.20)	26.70
11. Colliery Consumption	4.00	4.00
<b>Total:</b>	<b>311.00 (7.00)</b>	<b>311.00 (7.70)</b>

3.19 When enquired about the reasons for substantial increase in demand projections for Power Sector, the Committee were informed that the demand for the power having gone up, the priority for this sector had also gone up in terms of its share in the total coal consumption.

3.20 Asked whether this had necessitated revision of production targets and if so to what extent, the Ministry in a note stated that the Original production target for 1996-97 had been revised as given in the table below:—

Company	(in million tonnes)	
	8th Plan target original	Assessed Term Appraisal in October, 1994
Coal India Limited	270.00	263.60
Singareni Collieries Company Limited	33.00	30.20
TISCO/IISCO/DVC	5.00	6.20
	308.00	300.00

#### *Augmentation of Production*

3.21 103 Projects/schemes were identified for additional coal Production during the 8th Plan period and beyond. Some of these projects/schemes had already been approved. In addition, advance action plans for initial activities like land acquisition etc. for about 30 projects had also been sanctioned. The physical progress of these projects including expenditure was being reviewed at the time of formulation of Annual Plan.

3.22 The estimated production contribution from different groups of mines in CIL for 8th Plan Period as furnished by the Ministry is given below:—

Actual	(In. M.T.)				
	Projected				
	1992-93	1993-94	1994-95	1995-96	1996-97
Existing Mines	173.56	177.68	172.70	165.20	161.82
On-going Projects	37.65	38.42	50.45	69.56	87.88
New Projects	0.00	0.00	0.00	6.24	13.90
Total	211.22	216.10	223.15	241.00	263.60

3.23 When asked as to when the production was expected to commence in the new blocks and whether any time frame was laid down for the same the Ministry informed the Committee that work at some of the projects had started and these were at different stages of development. Every approved scheme had a definite time schedule.

#### *Productivity*

3.24 As regards the methodology being applied for identification of suitable technologies for on going and new projects, the Ministry stated

that the selection of a particular mining method or technology *inter-alia* depended upon factors like thickness and depth of the coal deposit, its geo-mining configuration and other techno-economic parameters.

3.25 A broad picture of mining technologies being adopted in on-going and new projects was as given below:

- |                        |  |
|------------------------|--|
| (i) Opencast mines     | <p>Draglines for overburden removal.</p> <p>Shovel and dumper combination for overburden removal as well as coal extraction.</p> <p>Crusher-conveyor system (recent introduction).</p> |
| (ii) Underground mines | <p>Traditional manual Bord &amp; Pillar.</p> <p>Mechanised power support longwall.</p> <p>Special methods like Gallery Blasting, Shield mining etc.</p>                                |

3.26 The Ministry's assessment of the present technologies adopted/used for production of coal in the Coalfield *vis-a-vis* technologies used by advanced countries like U.K., Australia, etc. and about the need for modernisation programme for growth of Mining Technology both for opencast mining and underground coal industry for enhancing coal production was that so far as underground mining was concerned, Indian Coal Industry was still working on traditional manual bord and pillar method mining. During last 15 years or so, mechanised longwall mining had been introduced in a number of mines in CIL and SCCL. Currently 15 longwall faces were operating, at the same time bord and pillar mining had been mechanised by introduction of Side Discharge Loaders (SDL) and Load Haul Dumpers (LHD) etc. Special mining methods like Gallery Blasting, Shield Mining etc. had also been introduced. All these introductions were however, at initial stages.

3.27 In advanced countries like U.K., Australia, Germany, USA and China, most of the underground mining was highly mechanised except in China where about one third of underground production was coming through their traditional manual methods of mining. Mechanised longwall mining was also common in all advanced coal producing countries.

3.28 However, in so far as the opencast mining was concerned India was using the same equipment configuration as were being used in advanced countries like Australia, USA and Russia. The only difference being in the equipment sizes which was largely dependent on the nature of the deposit, mine capacity, economics etc.

3.29 In regard to the query about any study being conducted by the Ministry of the manpower requirement per tonne production of coal as compared with the ratios extant in other countries, the Ministry has in its reply stated that no formal study report was available. However, Central Mine Planning and Design Institute had at times brought out comparison of productivity levels in various coal producing countries.

3.30 The following data was furnished about the available productivity figures (Output per Man Shift in tonnes) in respect of some of the major coal producing countries of the world:

Countries	Underground	Opencast	All Mines	Year
Australia (Queensland)	15.60	34.68	25.86	1992
China	—	—	1.33	1992
France	3.90	—	—	1990-91
Germany	5.20	—	—	1992
India (CIL)	0.55	4.00	1.52	1993-94
(SCCL)	0.71	4.30	1.05	1993-94
Poland	1.90	—	—	1990-91
United States	18.00	40.20	26.40	1992
U.K.	8.76	—	—	1993

3.31 When asked about the constraints being faced by the Ministry in modernisation of Coal industry so as to bring it at par with the productivity norms existing in other countries, the Committee were informed that the modernisation of mines is a continuous exercise and it had to be achieved through mechanisation of different operations. This depends on the geo-mining conditions, size of the deposit, grade of coal and its demand and other factors. Some of the constraints coming in the way of growth (both qualitative and quantitative) of coal industry were:—

- (i) Low productivity, particularly in underground mines, and surplus manpower.
- (ii) Large number of old small capacity and unviable mines, mostly underground which are not amenable to the requisite level of mechanisation.
- (iii) Sub-optimal equipment utilisation.
- (iv) Delay in land acquisition and associated problems.
- (v) Transport bottlenecks and inadequate coal evacuation infrastructure.
- (vi) Problems of quality, range and supply of indigenous mining equipment.
- (vii) Disinclination on the part of consumers to commit to take washed non-coking coal for power stations.

3.32 Also, the framework in which the nationalised coal industry had to operate made it difficult to modernise and grow on a long-term basis in a healthy manner.

3.33 Elaborating further, Secretary, Coal informed the Committee during oral evidence held on 13th June, 1995:

“Productivity is one of the key areas to which the coal industry has been asked to devote attention. There are two types of mines; underground mines and opencast mines. The figures have already been submitted to the Committee. You may observe that the productivity in Opencast mines is considerably more than the underground mines. The second point is that some of these are old mines which cannot be mechanized to the same extent as it happens in some of the advanced countries. Productivity is to be related to the level of mechanisation or to the extent of mechanisation which is there in Coal Industry. I will just give you a broad picture. Australia produces 250 million tonnes of coal and has got less than 20,000 people working in its mines. We produce about 265 million tonnes and we have got nearly seven lakhs of people. We are talking of productivity in terms of output per man-shift. You have to divide the total production of coal by the number of employees in the coal companies. It is a function of what is the mix of machine and man deployed in the coal-mining industry.

The other point that I would like to submit is that under our laws, contract labour is prohibited from being employed in mining operations and certain other operations. Whereas, in these countries, even in China, contract labour is being increasingly employed for certain operations in coal-mining. Some of our coal production figures compare much better than the overall figures which have been given. For example in the opencast mines in Piparwar, the output per man-shift is 20.60 tonnes whereas the average production is only four tonnes in the open-cast mines. This compares with 34.36 tonnes in Australia and 40 tonnes in the USA. This is the difference in mechanisation between our country and those countries.”

3.34 Supplementing his contention, a representative of the Ministry further clarified:

“Unlike the other countries in India, we have a large number of open-cast mines having low productivity and at the same time fairly large number of mines having high productivity also. When we say that Coal India's productivity in respect of opencast mines is four tonnes, it is an overall average figure of Coal India. There are opencast mines in Raniganj and Jharia where manual work is in vogue. The loading of coal is done by manual labour. The reason for that is that we have inherited a large number of workers

on nationalisation. We are utilising them for coal loading work. Further, in the Singrauli and Korba coalfields and Piparwar mines, which have been developed by us, high capacity equipment has been deployed. In the foreign countries with limited manpower, almost all operations are mechanised. At the same time, in favour of our mines the achievement of OMS is 20-25 tonnes which is almost the same which is achieved in the foreign countries. Further, we have to import all such equipment. It involves large investment also. We have inherited about seven lakh people. We are trying to balance the mechanisation in such a manner that we keep our people engaged, keep our investment low. At the same time, we are trying to have the overall economics in such a manner that we have the most economic production. We have also seen that our labour cost is much less. It is not always economical to go for very high productivity with very high investment. We are trying to balance between mechanical and manual operation and keep the Output per Man Shift (OMS) between about 4-8 tonnes."

3.35 During the course of the oral evidence when it was asked as to what was the Output per Man Shift (OMS) in the coal industry the witness stated:

"The Output per Man Shift (OMS) for ECL in the year 1993-94 is 0.54; in BCCL it is 0.81 and in CCL it is 1.40. These are details of overall mining, both underground and opencast mining. You were pleased to ask the position *vis-a-vis* Northern Coalfields. The productivity was 6.73 because it is opencast mining and mechanised mining. In South Eastern Coal Fields, Bilaspur the overall figure is 2.09. The figure of Mahanadi Coal Field is 4.61. These figures are for April to November, 1994."

3.36 The written information furnished by the Ministry to the Committee also revealed that the productivity in opencast mines had improved from 2.07 tonne in 1984-85 to 3.80 tonne in 1992-93. The underground OMS during the same period in CIL improved from 0.52 (1984-85) to 0.55 (1992-93).

3.37 Overall OMS improved from 0.87 tonne in 1984-85 to 1.46 tonne in 1992-93.

3.38 About the steps being taken to improve the productivity, the Ministry informed the Committee that these included:

- (i) Improved manpower planning including rationalisation/VRS for surplus manpower.
- (ii) Improvement in availability and utilisation of equipment.
- (iii) Introduction of modern technology where appropriate.

3.39 When asked as to what would be the impact of thrust given for increasing mechanisation in underground mining on the employment of the workers and whether it will lead to any retrenchment of workers or rationalisation of work force the Ministry stated that direct employment per tonne of coal produced would go down as the OMS would be higher than the conventional manual method. However, this would be more than offset by:

(1) Increase in coal production.

(2) Increase in employment in the downstream sectors.

3.40 Secondary and tertiary employment would also be generated. Rationalisation of workforce would be unavoidable if the coal industry had to become more efficient and competitive.

*Production, Despatch and Stocks*

3.41 The following table depicts the all India production and despatch of coal during the last 5 years:

(M. Tonnes)

Year	Production	Despatch	Stocks
1990-91	207.39	196.84	42.11
1991-92	224.74	214.98	47.89
1992-93	233.73	226.56	51.15
1993-94			
1994-95			

3.42 The Table given below gives the figures for production, despatch and stocks as reflected in the latest Annual Report of the Ministry:

(M. Tonnes)

Year	Production	Despatch	Stocks
1990-91	211.73	201.07	42.56
1991-92	229.28	218.86	48.58
1992-93	238.26	231.03	51.30
1993-94	246.04	242.73	—
1994-95	—	—	—

*Production Cost and Pricing System*

3.43 When the Committee enquired about the cost being incurred by the Government in production of coal, the Ministry informed the Committee in a note that for CIL, the average cost of production of coal was Rs. 335.25/tonne (Prov.) for 92-93 including Rs. 16.70/tonne (Prov.) for 92-93. For SCCL the average cost of production of coal was Rs. 491.98 for 92-93 including Rs. 64.23/tonne towards overhead charges. The average sale realisation was Rs. 434.35/tonne. The coal prices had since been revised w.e.f. 18.6.93.



3.44 About the subsequent years, it furnished the following statement:

	Average cost of Production		Average over-head cost		(Rs. per tonne) Average sales realisation	
	93-94	94-95 (Provi- sional)	93-94	94-95 (Provi- sional)	93-94	94-95 (Provi- sional)
CIL as a whole	364.35	386.75	19.93	20.42	400.12	409.80
SCCL	477.38	536.56	79.10	86.27	484.64	541.39

3.45 When asked as to what had been the losses incurred by SCCL prior to 18th June, 1993 the date from which the coal prices had been revised, the Ministry stated that the average sales realisation during 1992-93 in SCCL was Rs. 434.35 per tonne against the average cost of production of Rs. 491.99 per tonne.

3.46 Since the sale operations of SCCL are apparently a loss making proposition, the Committee wanted to know about the quantum of losses sustained in Coal operations in SCCL prior to Coal Price Revision on 18.06.1993. The following table was furnished in this regard:

Year	Production (LT)	Cost per tonne (Rs.)	Avg. selling price per tonne (Rs.)	Loss/tonne (Rs.)	Loss (Rs. crores)
1990-91	175.78	401.05	308.21	92.84	163.19
1991-92	196.18	452.94	348.41	104.53	205.07
1992-93	210.10	491.99	434.35	57.64	121.10

3.47 In this connection, the Committee enquired about the reasons for the average cost of coal production and overhead charges being much higher in SCCL as compared to those in CIL, in reply the Ministry stated that the average cost of production and overhead charges were higher in SCCL due to the following reasons:

- (i) **PRODUCTION MIX**—Production of coal from Underground and Opencast mines in SCCL is in the ratio of 60:40 as against 27:73 in CIL (Base 1992-93). So cost in SCCL is naturally higher than in CIL.

- (ii) **OB/COAL RATIO**—The SCCL has to tackle deeper deposits even in the Opencast Mines and in that the average stripping ratio is higher as compared to CIL. So the cost of coal per tonne gained from opencast technology is comparatively higher for SCCL.
- (iii) **DEBT/EQUITY**—SCCL is jointly owned by the Government of AP (51%) and Government of India (49%) as per the Tripartite Agreement between SCCL, Government of AP and Government of India. Due to lower equity contribution by both the Governments, the remaining Plan Outlay was financed by way of Long Term Borrowings from Government of India. As a result, SCCL suffered adverse Equity Debt Ratio of 1:2.79 against 1:1.15 of CIL (1992-93) Additional interest burden due to distorted debt equity was Rs. 47 crores during 1992-93, working out to Rs. 22 per tonne. This situation has been corrected during 1993-94 through a package of financial restructuring.
- (iv) **LOSS OF PRODUCTION**—Sporadic strikes and law and order problems especially from 1988-89 to 1991-92 resulted in loss of production as indicated below:

Year	Actual Production	Loss of Production
	(Million tonnes)	
1988-89	18.61	1.00
1989-90	17.81	2.50
1990-91	17.71	2.80
1991-92	20.58	1.35

3.48 The Ministry when asked about the manner in which the sale price in CIL and SCCL were being fixed, informed the Committee that the current pricing system for coal was based on a study conducted by Bureau of Industrial Cost & Prices (BICP) in 1986-87. After a study of representative mines, BICP recommended average price of Rs. 210 per tonne for CIL and Rs. 241.61 for SCCL based on normative cost determined on prices of inputs prevailing in 1987. BICP also prescribed a formula for revision in coal prices on normative basis to take care of escalation in price of inputs used for coal production.

3.49 The Government, it was further stated, has been revising coal prices periodically on the basis of the escalation formula.

### *Decontrol of Coal Prices*

3.50 On the issue of decontrol of prices of coal the Ministry averred in one of its written replies that the matter was under consideration. When probed further during the course of oral evidence held on 13th June, 1995, Secretary, Coal clarified:

"No decision has yet been taken. A lot of consultation is involved in this. I would humbly submit that in all important policy matters like this, it is difficult for me to indicate as to when a decision is likely to be taken. This thing arose out of a BICP recommendation that there should be a price deregulation of certain grades of coal. In our economy, in certain respects there has been control and regulation on prices but in certain areas it is not there. Because of the special character of the coal industry, there is a feeling amongst the users in other industries that a little more consideration should be given to it. I would, therefore, humbly submit that I do not find myself in a position to give a straight answer since it is a policy matter and a lot of consultation is involved in it."

3.51 When he was queried in regard to the desirability or otherwise of price decontrol, he further stated:

"As per the policy of Government, coal price is to be revised once in a year. But it so happened in the past that this revision in prices did not take place in time and the result was that the coal industry suffered a great deal in terms of realisation because arrear bills cannot be raised against the consumers. So, the coal industry felt that if the price is deregulated and they are encouraged by what Government did in respect of steel, cement and paper, it is good. The Coal Industry's view has been that since those who use coal, except in electricity generation because that tariff is regulated by Government and other users' end product is not regulated by price control, why this input should be regulated by price control. That is the logic which has gone into it. But the point is, source of coal is by and large either Singareni or Coal India Limited. A little bit more indepth consideration is called for as to how this is going to work."

### *Manpower*

3.52 In regard to the manpower engaged in Coal Industry, the Ministry stated that as on 31.12.94 strength of employees of Coal India Ltd. was 6,46,326 and in SCCL as on 31.12.94 number of employees was 1,14,402.

3.53 A lot of irregularities in appointment in Coal Industry in the aftermath of nationalisation like fraudulent age certificates, etc. had been reported to the Committee.

3.54 In fact when this subject was broached during the course of oral evidence of the representative of Ministry the then Secretary, Ministry of Coal admitted:

"You have very rightly stated the number of such persons. But so far as certificate is concerned, it would not be proper to blame the doctors only. The date of birth written in register by the persons concerned was accepted as true. Of course, it is correct. For instance, there is a man in Coal India Limited at Kanpur whose age seems to be 80 years, but as per entry in the register, he is just 50 years old. Likewise there are many other persons whose age has been determined on that very basis. Now if we open those cases you can well imagine the consequence. You see, about seven lakh people work with us and a lot of problems would arise in finding their correct ages. So it involves lot of work as we will have to launch a sort of commercial operation. We are discussing at the moment that this trend should not be allowed to continue. We have just launched a Voluntray Retirement Scheme under which 10,000 people can be retrenched, but there is a possibility that we may have to take them back.

We have to be cautious. So we are actually trying to put these 10,000 people with a voluntary package. We are spending about Rs. 120 crore on that so that we do not increase the number. We will reduce the overall employment number and if we reduce the number our productivity will go up."

3.55 The Ministry was, therefore, asked as to what was the workforce in ECL, CCL and BCCL at the time of their nationalisation. In response the Ministry stated that the details in regard to the workforce at the time of nationalisation in ECL, BCCL and CCL were not available. However, following details regarding the manpower of these companies, as on 1.4.75 (i.e. date of formation of CIL as the holding company) were furnished by the Government:

ECL	185061
BCCL	192142
CCL	110412

3.56 Asked further as to how many employees were retrenched at the time of nationalisation, how many of those retrenched were re-employed through Court verdicts or intervention of labour unions and what were the age profiles of employees retrenched at the time of nationalisation and subsequently re-employed it was stated that at the time of take over and subsequent nationalisation of coal mines in 1972 and 1973 no workman was retrenched. However, back door induction of workman had taken place by manipulating various records of coal mines, and services of such of the persons who had fraudulently entered into employment had been

dispensed with after a review by Screening Committees constituted at the Area/Corporate levels with the Trade Union representatives and only such of the persons who were found to be genuine were taken in employment. Some of the persons, who were not accepted as genuine workers by the Screening Committee were, however, taken back in employment in terms of awards of Central Government Industrial Tribunals or decisions of Courts. About the age profiles of such employees it was stated that these were not available.

3.57 It was reported in Press that the Government proposed to close down 18 loss making coal mines being operated by the CIL in next couple of years leaving over 15,000 employees in the lurch. This proposal had been ostensibly made to either reduce the losses or make certain companies of CIL profitable. When the Ministry was asked to clarify its position in this regard they stated that according to CIL 18 uneconomic mines (03 in BCCL, 11 in BCCL and 04 in CCL) had been identified for closure. These mines were unable to improve their performance due to one or more reasons given below:—

- (i) Exhaustion of reserves;
- (ii) Presence of waterlogged abandoned working in the vicinity;
- (iii) Presence of underground fires;
- (iv) Collapse of workings; and
- (v) Adverse geo-mining conditions.

3.58 Out of these 18 mines, operations had since been stopped in three mines. Four mines had been merged/amalgamated with other mines in order to improve their operations. Mining operations in the remaining 11 mines were being continued for the present. However a decision on their closure may have to be taken by CIL in due course.

3.59 Asked about the number of workers rendered surplus due to reasons enumerated above, the Ministry stated that the number of workers rendered surplus owing to various reasons such as, closure of mines, technical reasons, exhaustion of reserves and mechanisation etc. had not been worked out by the coal companies. Identification of surplus manpower in ECL, CCL and BCCL was based on production and productivity targets for a particular year. As on 1.4.1994, the number of surplus workforce in ECL, BCCL and CCL was as under:

ECL	11022
BCCL	22478
CCL	1420

3.60 During the course of oral evidence the then Secretary, Coal when asked whether clause 4(a) of the Mines and Minerals (Regulation) Act could be enforced to do away with the surplus labour stated:

"We can always take various measures for doing away with the surplus labour. Firstly, when the vacancies occur after natural retirement, we do not fill up these vacancies. That is the only way of freezing employment and we are doing it. In the entire Coal India Limited, roughly 65 to 70 per cent of work force is producing 30 per cent of coal and 30 per cent of work force is producing 70 per cent of coal. This position is there in ECL and BCCL."

3.61 Asked specifically as to whether the above referred clause could be invoked in this regard, he further stated,

"Sir, I am coming to it. The second point of tackling excess work force is we are using the voluntary retirement scheme. We are giving good packages under this scheme. We put a target of 10,000 employees per year 5,000 each in ECL and BCCL. In BCCL roughly 22,500 people are surplus and in ECL 25,000 people are surplus. I must submit that these are tentative estimates. There may be more number of surplus. We will have to correlate it to productivity. We have submitted the details of underground and open cast mining and the productivity. The productivity is remaining constant because we have a very large work force. For one tonne of coal, when we require 2-3 people we have 20 people. We will have to do away with the surplus staff. We have to arrive at the details of excess staff on scientific basis. We are doing it manually now. When we combine high-teck. We will relate it all and arrive at correct figures."

3.62 When it was point out that while on one side he was referring to surplus staff, on the other he was saying that the work culture itself was not conducive to productivity, he stated:

"Sir, in a work place which can accommodate 5 people, when you employ 20 people, the work culture will be affected."

3.63 Queried further as to what were the other contributory factors, the witness informed the Committee.

"I want to say about shift utilisation. If the shift is for eight hours, eight hours work must be done. If more people are there, they will start doing gossiping and the work culture will be affected. The absenteeism will also be more."

3.64 When asked further as to in what manner the surplus employees were likely to be engaged, the Ministry stated that the manpower rendered

surplus on account of closure of mines due to technical reasons, exhaustion of reserves and mager to geo-mining conditions were re-deployed in the following maner:

- (i) Re-deployment of manpower within the company form surplus to shortage areas.
- (ii) Re-training of unskilled semi-skilled surplus manpower to meet the requirement of skilled manpower.
- (iii) Re-deployment through transfer from surplus companies to deficit companies.
- (iv) Reduction under voluntary retirement scheme.

3.65 When told to submit figures relating to work force adjusted through these measures the Ministry in a written reply submitted subsequently, stated as follows:

- (i) & (ii) Information is being collected.
- (iii) 401 (During 1994-95)
- (iv) 9407 (During 1994-95)

*Over-reporting of production*

3.66 The issue of Over-reporting in production of coal came up for discussion during the on-the-spot-visit of Study Group-I of Estimates Committee (1994-95) to BCCL Headquarters at Dhanbad during September, 1994.

3.67 It was brought to the notice of the Study Group that over-reporting was a very serious matter and already a Government Committee namely the Mishra Committee had gone into and given a Report. Subsequently when this issue was taken up during the evidence of the representatives of Ministry of Coal on 7th December, 1994 one of the witnesses informed the Committee,

"Mishra Committee is a more recent Committee, and the Mishra Committee Report has been submitted to the Government. The Government has advised Coal India Limited to take action against the persons concerned based on those recommendations, and action is being taken against those persons who were found to be responsible by that Committee. The Mishra Committee recommendations can be classified under two heads. One is about action to be taken against persons, against certain officials who were found delinquent; and the second one is regarding systems improvement.

Now, Sir, so far as the first set of recommendations are concerned, they are of individual nature and the view which had been taken in the Ministry was that because those *officers are already under enquiry*, those recommendations against specific

officers must be treated as confidential. That is the view which we have taken in parliament also in reply to *Parliamentary questions*. We took the view that this particular part of the Report consisting of action to be taken against individual officers *will prejudice the enquiry which has already been stated against the concerned officers if it is made public*. As regards the systems improvement, the major recommendations are as follows. The *Mishra Committee has recommended change in management ethos, separation of functions of Manager and agent*. They have also said that there should not be undue stress on physical targets. *The committee has identified parameters to be adopted in performance appraisal of Managers and agents and General Managers, and weightage to be given on individual parameters has also been identified*. There are several other recommendations."

3.68 When asked as to what prompted over-reporting of production, the witness clarified:

"The evaluation of performance of officers generally done on the basis of production reported. Now we are changing the basis for the evaluation. Earlier the evaluation of performance of the field officers was made only basically by one figure, i.e., how much the field officer has reported as produced. This is, it looks like, one of the main motive behind over-reporting the production figures."

Elaborating, he further stated:

"I am not trying to justify the over-reporting and if the over-reporting is going on then the action is to be taken. Firstly, the production is not weighted. Secondly, in open cast mining certain amount of stone and shell get into it by the open-cast method. When we have to report, we have to do it in terms of the trips made. We are supposed to segregate it and show it separately. In certain cases, this has not been done."

3.69 Keeping in mind the serious nature of the problem involved the Secretary of the Ministry was asked to submit a copy of the R.N. Mishra Committee Report to enable the Committee to make an objective assessment of this problem. He, however, stated:

"As regards Mishra Committee's Report, specific action against specific officers had been suggested and they are all matters of departmental proceedings and may also result in court proceedings. The officers who are being *proceeded against*, may take advantage of this Report if it is made public. they may say that since this Report has been made public their cases have been prejudiced. And that is why, we *submitted even before the Standing committee on Energy* that since actions are being initiated, this may not be asked for, because it will harm the purpose for which the Mishra Committee was appointed."



3.70 However, Chairman, Estimates Committee directed him to furnish Report to the Committee without any delay. As the Ministry still failed to submit the said document to the Committee, a reminder was issued to it. This time the then Minister of Labour who was also holding the charge of Ministry of Coal wrote a D.O. dated 13th December, 1994 to the Chairman, Estimates Committee stating that:

“Submission of the R.N. Mishra Committee Report may adversely affect the processing of departmental proceedings as also invitation of further action against other officers who might be found responsible during the process of examination...that the affected officers may take different pleas of bias, etc. in the event of the Report being made available to the Committee. The affected officers may go to the Court of Law and seek stay of operation on the possible plea that R.N. Mishra Committee Report has been handed to the Hon'ble Parliamentary Committee which will be looking into this matter....”

“ that submission of the Report to the Committee is suggested to be withheld as it may come in the way of our expeditious processing of the recommendations and the implementation of follow-up actions.”

3.71 The Chairman, Estimates Committee however did not accede to the request of the Minister.

3.72 A copy of the Report was finally submitted to the Chairman, Estimates Committee by the Ministry of Coal on 31 March 1995 i.e., just a week before the representatives of the Ministry were to render further oral evidence before the Estimates, Committee on the subject matter.

3.73 A perusal of the RN Mishra Committee Report on over-reporting of coal production in BCCL revealed that this enquiry on the aspect of over-reporting was not an isolated instance. In fact other Committees had also been appointed in the past in this regard.

3.74 The following information was submitted by the Government in regard to the background development since 1986 leading to setting up of Committees from time to time to investigate coal stock shortages:

(a) *Panigrahi Committee:*

3.75 Pursuant to a decision taken by the then Minister of Energy at a meeting of the Consultative Committee for the Ministry of Energy held on 12.2.86, a sub-group of the Consultative Committee was set up on 7.4.86 to go into the following:—

- (i) The circumstances which led CIL, to indicate an estimated profit of Rs. 13.83 crores for the financial year 1984-85,
- (ii) The reasons for wrong estimation of profit, ultimately leading to loss of Rs. 78 crores by the CIL during the same period.

3.76 The sub Group had 7 members, all members of Parliament and was chaired by Shriyut Sriballava Panigrahi, M.P.

3.77 On 7.6.86, the Panigrahi Committee submitted its report making 16 recommendations regarding preparation of budget, the role of CIL in guiding the subsidiaries in policy, matters, preparation of cost account manuals, inventory control, effective monitoring of performance of subsidiaries by CIL, enquiries into cases of writing off coal stocks, discouraging the executives to give press reports, posting and tenure of senior executives and exemplary punishments to employees violating laid down procedure.

*(b) K.A. Sinha Committee:*

3.78 In 1990, shortage of 3.17 lakh tonnes was noticed during the Annual Measurement in respect of coal stocks in 11 mines of BCCL. A two-member Committee under the Chairmanship of Shri K.A. Sinha, Ex-Director (Tech) CIL was set up by the CIL. On 31.10.90, the Committee submitted its report to Chairman, CIL.

*(c) R.N. Mishra Committee:*

3.79 Upon the reported shortage of 3.64 million tonnes of coal in BCCL, Government decided to set up a Committee under the Chairmanship of Shri R.N. Mishra, the then CMD, NCL, to carry out an in-depth study and spot verification and fix responsibility for the shortages in BCCL stock. The Committee was set up by an order dated 27.7.92 of the Ministry. On 24.12.93 the R.N. Mishra Committee submitted its report to the Ministry in two volumes.

3.80 Asked as to when the matter regarding coal stock shortages was brought to the notice of the Ministry of Coal and at what stage, it was stated by the Ministry that in the 136th meeting of Board of Directors of BCCL held on 24.12.91, shortage of 36.40 lakh tonnes (later found to be 34.14 lakh tonnes) for 1991-92 as reported. This information was received by the Ministry in February 1992 in the form of the minutes of the BCCL Board Meeting. The Committee was thereafter set up by the Ministry by an order dated 27th July, 1992.

3.81 One of the recommendations of the K.A. Sinha Committee which came to the notice of the Committee stated as follows:

“The stock shortage recorded in CIL Annual Measurement are being adjusted in the book of Accounts without proper investigation into the cases and appropriate approval of the BCCL/CIL Board. As per panigrahi Committee all such stock shortage cases were to be investigated by a duly constituted Committee and write off action by the Board was required to be taken as per accepted recommendation of the Committee. The Company may like to look into this for corrective action.”

3.82 When the Ministry was asked as to whether this mechanism had been set right in CIL and its subsidiaries and if not what were the reasons for not implementing this very important recommendation, the Ministry

have informed the Committee that Coal stock is accounted for in the Book of Accounts as per laid down accounting policy which forms part of the Annual Accounts of CIL and its subsidiaries. The relevant statement in the accounting policy is reproduced below:

“Book stock of coal, coke, etc. is adopted for the purpose of accounts where the variances between ‘book stock’ and ‘measured stock’ are within  $\pm 5\%$ . Otherwise ‘measured stock’ are adopted for the said purpose.”

3.83 The measured stocks are adopted in the accounts in such cases pending investigation into the shortages and the subsequent disciplinary action as well action for write-off. In the short time between the report of the stock measurement is available and the accounts are finalised, it is not practical to complete the investigation and subsequent actions, including approval of write-off, wherever necessary. Hence, even though the measured stocks are adopted in the accounts in the cases of variations beyond 5%, the shortages are pursued for completion of the enquiries and taking up write-off actions, including submission of write-off proposal for approval of the concerned Board. Therefore, adoption of measured stock does not exclude the requirement of investigation and approval of write-off by the Board.

3.84 This procedure of adopting measured stock in these cases pending investigation and write-off will have to be continued in view of the fact that in order to reflect true and fair picture of the affairs of the companies, the measured stock would have to be adopted in such cases. Hence, no change in this basis of adoption of measured stock (referred to as adjustment by the K.A. Sinha Committee) was being contemplated.

3.85 Asked further as to what had been the amount of write-off both in terms of quantity and monetary terms in Coal India Ltd., and its Subsidiaries during each of the last five years and whether there had been instances as mentioned in the above quoted recommendations of the Sinha Committee where adjustments had been made without proper investigations and appropriate approval, the Ministry in a note stated that during the last 5 years following write-off actions had been approved by CIL Board:—

1990-91	0.97 lakh tonnes valued at Rs. 3.17 crores.
1991-92	49.016 lakh tonnes valued at Rs. 91.95 crores.

3.86 During the above period provisions made in the audited Books of Accounts for shortages beyond 5% were as given below:—

Stock shortage beyond 5% as per physical measurement and accounted for by the Coal compaines in the Books of Accounts.

YEAR	Qty. in lakh Tonnes value in Cr. Rupees									
	ECL		BCCL		CCL		SECL		Total	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
89-90	15.72	31.24	4.22	9.02	—	—	—	—	19.94	40.26
90-91	0.50	1.30	3.63	11.57	—	—	—	—	4.13	12.87
91-92	2.43	12.18	34.45	134.2	0.01	0.04	—	—	36.89	146.42
92-93	1.52	7.25	7.43	30.57	—	—	0.8	5	9.75	42.82
93-94	5.80	28.04	6.12	25.81	4.08	15.25	—	—	16	69.1

3.87 It was also stated that for all stock shortages beyond 5% and in excess of 1000 tonnes, disciplinary action were initiated after completion of physical stock verification by CIL inventory team.

3.88 About action taken against persons responsible, the Committee were informed that action was initiated in all these cases by the subsidiaries.

3.89 The Sinha Committee had also observed that "investigations/enquiry in stock shortage cases was unduly delayed, as 86-87 cases were still pending. Preliminary investigations in cases of shortage as on 1.4.90 were also not being pursued vigorously."

3.90 As regards the latest position of the above mentioned pending cases and the remedial measures taken at Ministry level to make the investigative/enquiry machinery more vigilant and purposeful, the Ministry informed the Committee that there were 3 cases of shortage beyond permissible limit pertaining to 86-87. These 3 cases had been concluded. In the year 89-90, there were 8 cases of shortage beyond permissible limit. Out of this, action had been concluded in 6 cases. Only 2 cases pertaining to 1.4.90 were yet to be concluded.

3.91 The details of the pending 2 cases pertaining to 1.4.90 have been given below:—

#### Case 1

3.92 This pertains to alleged stock shortages of over 63000 tonnes at Benidih OCP as on 1.4.90. In this case, the concerned Agent and the Manager were charge sheeted on 9.11.90. The inquiry was instituted on 10.10.92 by appointing Shri S.M. Diddee, the then CGM (Coord.) as Inquiring Authority. Shri Diddee was promoted as Director (Tech.), CMPDIL, Ranchi in July, 1994. Since he had already completed major

part of the inquiry it was not considered appropriate to handover the same to some other officer. Due to his pre-occupation, Shri Diddee has not been able to complete the inquiry. He has been reminded once again to come to Dhanbad in September, 1995 to conclude the inquiry.

## **Case 2**

3.93 This relates to alleged stock shortage of over 92000 tonnes at Govindpur Colliery as on 1.4.90. A charge-sheet framed against the concerned Agent was sent to him through G.M. Govindpur Area. However, GM, Govindpur Area sent back the charge-sheet stating that the shortage pertains to a period prior to the charged officer taking over as Agent in October, 1989. Refixing of the responsibility for the shortage took some time and finally a charge-sheet was issued to concerned officer on 15.3.93 for the stock shortage. Inquiry was instituted on 29.7.94 by appointing Shri N. C. Nirula, the then CGM (Coord.) as Inquiry Authority. Before he could complete the inquiry, he superannuated on 31.10.94. Another Inquiry Authority was appointed on 7.2.95. The inquiry is in final stages.

3.94 When asked as to why no significant action was taken on Sinha Committee Report, the representative of the Ministry stated in his reply as under:

“K.A. Sinha Committee was appointed by the Coal India itself. On the basis of Report of K.A. Sinha Committee, BCCL was asked by the Coal India to initiate action and BCCL did initiate action. But the progress was tardy. R.N. Mishra Committee Report, which covers period up to 1990-91, has also covered those individual cases. So, the action of K.A. Sinha Committee Report is getting completed under R.N. Mishra Committee. Separately we are not taking action on Sinha Committee Report. That is all I wish to submit.”

3.95 When the Committee pointed out that had Sinha Committee's Report been implemented sincerely things would not have deteriorated to such an extent, the witness admitted:

“The recommendation that had been made by K.A. Sinha Committee were not implemented in full. I agree with you.....It is a fact that we have not tried to fix responsibility for non-implementation of K.A. Sinha Committee's Report. It was because our objective was not witch-hunting but to improve the system.”

3.96 The Secretary, Coal further adding to this contention stated:

“As has been submitted just before this august Committee, the K.A. Sinha Committee Report was taken up. It was either tardy or delayed or very little action was taken. So, that is what comes out of it. Attention had been focussed on the point that there was a gap of at least two years if not more between K.A. Sinha

**Committee's Report and the R.N. Mishra Committee's Report. R.N. Mishra Committee was appointed by the 'Government unlike K.A. Sinha Committee.'**

3.97 It was further stated by the Ministry of Coal in a note that since R.N. Mishra Committee was set up by the Ministry, a watch was being kept in respect of completion of departmental inquiries against the officers implicated in the Committee's report. A Special Cell headed by Director (Tech.), CIL had been set up in the CIL. Another Special Cell in BCCL had also been set up for the same purpose. A computerised reporting system has been evolved in CIL to convey the monthly progress in the disciplinary cases arising out of R.N. Mishra Committee report. The monthly reports helped in identifying the delayed cases and expediting them. Among the officers implicated by the R.N. Mishra Committee, there were 69 officers of CIL who were members of the CIL Survey Measurement Teams. In order to expedite the departmental inquiries, three Inquiry Officers had been engaged exclusively for conducting such inquiries.

#### *Accountability*

3.98 As regards accountability and prosecution of the guilty the Mishra Committee found that the guilty persons continued to be posted in sensitive positions leading the Mishra Committee to conclude that:

- (a) The management was fully aware of the reasons behind stock shortages. Hence, there never was a need to hold any enquiry to determine as to how these shortages occurred.
- (b) The over-reporting of production was always done at the instance of the management. It was, thus, important to delay, confuse and if possible, scuttle the enquiries whenever, over-reporting was proved, very mild punishments were imposed perhaps to avoid any backlash. This also explained why shortages were never defined in value terms while conducting disciplinary proceedings.

3.99 Furthermore in the Chapter on Responsibility of the Higher Management, the Mishra Committee had also pointed the extent of over-reporting in the tenures of various CMDs of BCCL including the incumbent at that time.

3.100 In view of the foregoing when the Ministry was asked as to what action had been taken against these individuals in the light of the malpractices that had taken place during the time when they were at the

helm of affairs at BCCL, the Ministry stated that the names of the CMDs of BCCL mentioned in paras 5.8 and 5.9 of Vol. I of the (Mishra) Committee's Report and their period of office in the post were:

Name of CMD	Period of Office
Shri B.R. Prasad	15.2.1986 to 12.11.1987
Shri P.R. Sinha	14.1.1988 to 25.12.1990
Shri R.B. Mathur	24.12.1990 to 22.9.1991
Shri G.C. Mrig	23.9.1991 to 31.3.1995

3.101 As regards action taken against them the Committee were informed that in so far as Shri R.B. Mathur & Shri G.C. Mrig were concerned show cause notices were issued to them on 20.5.1994, asking them to explain as to why action should not be taken against them for the negligence on their part of over-reporting of production as observed by the R.N. Mishra Committee. After considering the replies from the officers, the Government decided to close the cases against them.

3.102 In case of S/Sh. B.R. Prasad and P.R. Sinha they had retired from the post of CMD, BCCL on 14.11.1987 and 25.12.1990 respectively, i.e., much before the R.N. Mishra Committee was set up on 27.7.92. There was no provision in the Conduct, Discipline and Appeal Rules, 1978 of CIL to initiate disciplinary proceedings against retired employees. It was felt that initiating criminal proceedings against the retired CMDs only because departmental action was not possible, was not considered reasonable because the same would have been discriminatory between the serving and the retired CMDs. In view of these reasons, a decision was taken on 9.3.95 not to initiate action against the retired CMDs.

3.103 In regard to the total number of officials against whom action has been recommended by the Mishra Committee, the Committee were informed that action against 161 officers (executives) of BCCL and 69 officers (executives) of CIL was recommended by the R.N. Mishra Committee. As such, the Committee recommended action against 230 officers or executives.

3.104 The committee pointed out that it was almost two years since Mishra Committee had submitted their report to the Government and enquired as to what action had been taken against the officers recommended for punishment by the Mishra Committee. The Ministry stated that against many of the executives the Committee recommended action for more than one charge. The charges or cases were of three categories viz. (i) stock shortages by inflating production figures, (ii) overpayment of incentives and (iii) falsification of records. Moreover, some executives figured in more than one statement. Due to these reasons, the total number of cases (266) exceeds the number of officers or executives (230).

3.105 It was also stated that the Mishra Committee submitted its report

to the Government on 24.12.93. However, the Ministry took some time to examine the recommendations and on 22.4.94 the Committee's report was forwarded to CIL advising initiation of action against the executives by issue of show cause notices. As such, a period of one year and 3 months has passed since the initiation of action against the executives was advised.

3.106 When asked as to whether all the officers indicted by the Mishra Committee were from Coal India and also reasons for delay in taking action against them, the representative of Ministry admitted during evidence:

"Yes, they are all basically from Coal India. So, it is not that action has not been taken. But there was a delay. Out of fifty-six cases, in thirty-two charge-sheets have been issued. The reason for the delay is that the same records are used by different organisations. So, there has been some delay in using the same records. The other reason is that for about a year there was no proper in-charge for Vigilance. There has been some laxity in following up the cases at the Coal India level."

3.107 As regards action taken against officers found responsible for lapses by the Mishra Committee, the Ministry informed the Committee that R.N. Mishra Committee had recommended 45 officers for being debarred from holding field posting/sensitive post for 5 years. Out of 45 officers, 6 had retired. As regards the remaining 39 officers, the break-up is given below:—

(i) Removed from service on disciplinary grounds	2
(ii) Transfer (including 8 transferred to other subsidiaries and 5 to non-sensitive posts within BCCL/Coal Controller's office)	13
(iii) Decision being taken about further deployment	12
(iv) Disciplinary action initiated for stock shortage has been disposed off depending on the merit of each case. These officers have not been shifted from their present place of posting considering the requirement and also the difficulty in getting substitutes in their places.	12
<b>TOTAL</b>	<b>39</b>

3.108 Asked as to how many of the indicted officials had been allowed to retire till 30 September, 1995, the Ministry stated that a total of 24 indicted officials had retired by the said date. Out of these 14 officials had retired between 31.7.90 and 30.4.94 i.e., before receipt of Committee's Report in BCCL and 10 officials had retired after receipt of the Report i.e., 30.6.94 onwards. In the case of the latter action had, however, been initiated before their retirement.



3.109 When asked as to what were the powers available with the Ministry/CIL/BCCL authorities under the extant conduct rules to impose conditions on such officials against whom *prima-facie* cases had been established charge-sheets prepared/issued and who were going to retire before completion of such disciplinary actions against them, so as to ensure their accountability/prosecution, the Ministry have stated that Rule 34.2 of Conduct, Discipline and Appeal Rules, 1978 of CIL provides the following:—

“Departmental proceedings, if instituted while the employee was in service whether before his retirement or during his re-employment shall, after the final retirement of the employee, be deemed to be proceeding and shall be continued and concluded by the authority by which it was commenced in the same manner as if the employee had continued in service.”

3.110 Under the above provisions the concerned disciplinary authorities in CIL Headquarters and BCCL could conduct disciplinary proceedings against the retiring employees of CIL/BCCL provided the chargesheets were issued before their respective dates of retirement.

3.111 It was also clarified that there was no provision under which the Ministry could initiate disciplinary proceedings against any employee of CIL or BCCL. Prosecution against the in-service and retired employees of CIL/BCCL could be launched in the appropriate Courts of Law.

3.112 During the course of their investigations the Mishra Committee had averred that so far only 57.34% of the production over-reported had been detected by way of shortages, leaving a balance of 33.17 lakh tonnes valued at roughly Rs. 133 crores still to be detected as shortages in 31 collieries of BCCL taken up by the Committee for detailed analysis alone. The Possibility of over-reporting of production and associated undetected shortages in the other collieries of BCCL cannot be denied. Thus there is a possibility of further detection of stock shortages in BCCL.

3.113 Asked if any further inquiry/investigation was conducted by the Ministry/CIL/BCCL as a sequel to the above observation made by the Mishra Committee and if so, how much more over-reporting of production and associated undetected shortages of coal came to light in other collieries of BCCL, the Ministry informed that stock measurements as on 31.3.1994, carried out in all collieries of BCCL revealed a shortage (beyond 5%) to an extent of 6.12 lakh tonnes valued at Rs. 25.81 crores. Also measurement of stocks as on 31.3.1995 had been carried out in all the collieries of BCCL. This had revealed shortage (beyond 5%) of 28.60 lakh tonnes in the stocks valued at Rs. 129.47 crores. Action had been initiated to enquire into the shortages.

3.114 A very serious finding of Mishra Committee was about large quantities of stones being mixed in coal to make up for shortage in

production resulting in grade slippage and serious damage to machinery in thermal power plants. When queried in this regard a representative of the Ministry stated:

"Sir, may I submit before the hon. Committee how the grade slippage takes place? Coal is a very heterogeneous material which is formed by natural process. During the mining process, some admixture, which is unintentional, does take place. What really happens is, the segregation of stones from coal is very limited. We handle millions of tonnes of coal and physically it is impossible to segregate the stones from all the coal. Even when you buy pulses, grains, rice, etc., you get some pieces of stones. What really happens is enough care is not taken while loading. The solution lies only in washing the coal. Otherwise if you expect that in the mines, I shall be able to segregate stones physically, that is impossible. If one person starts segregating the stones, not more than two to three tonnes of stones can be segregated by him from morning till evening. That means I shall need a few hundred thousands extra people to do that. I am not commenting on the Report because I have not read it, but I am trying to explain from the technical angle that these stones are a part of the coal formation. Segregating the stones is done either by hand, which is costly and practically impossible, or it can be done by washing. You are aware that we have been debating the idea of washing coal for the last nearly fifteen years because by washing, the quality of coal can be improved and the forty per cent ash can be brought down to thirty per cent. But then the cost of coal will go up. Coking coal we are washing because that is a technical necessity, but in boilers, even high ash coal is being consumed. So this slippage is not due to incompetence. In the same seam, if I am working in district 'A', it may give one grade, but in district 'B' it may give another grade."

3.115 When queried further that since successive Committees had confirmed the phenomena of over-reporting in BCCL and also found CIL's failure in checking this menace in BCCL, had the Ministry/CIL also conducted similar exercises in respect of other subsidiaries of CIL as well as SCCL to find out the extent of over-reporting there and if so, with what results, the Ministry stated that on 19.5.93, Government appointed a Committee to investigate the reasons of stock shortages in Eastern Coalfields Limited. On 7.10.94, another Committee was set up to investigate the reasons for less despatches from Central Coalfields Limited, inspite of high pit head stocks. Reports of both the Committees were awaited. CMD, SCCL has informed that as per annual stock verification at the end of 1994-95, there had been no case of over reporting in that company.

### Coal Washeries

3.116 Raw coal contains substantial quantities of ash which has to be mechanically removed by washing in the washeries. Secretary, Coal elaborating on this aspect stated during the evidence;

“Normally we try to achieve 17.5 plus and minus. But here because our raw coal has fallen, we are supplying on and around 19 or 20 per cent after washing because our washeries are able to do that much only. Today, we are having raw coal of 35 per cent. After washing, we reduce it to 20 per cent. That is how it is done.”

3.117 According to a note submitted by the Ministry there are 15 operating coking coal washeries in CIL. Subsidiary-wise break-up along with their operating capacity and capacity utilisation during the year 1992-93 are given below:—

Name of Company	No. of Coking Coal Washeries	Operating Capacity (Mill.tonnes/year)	Capacity Utilisation
Bharat Coking Coal Ltd.	9	12.55	59.6%
Central Coalfields Ltd.	5	11.47	78.7%
Western Coalfields Ltd.	1	1.20	50.0%
Total	15	25.22	67.8

3.118 When asked as to why the percentage capacity utilisation in Bharat Coking Coal Limited and Western Coalfields Ltd. was far less than that of Central Coalfields Limited the Ministry informed the Committee that the main reasons of low capacity utilisation of washeries were as under:—

- (i) Most of the washeries were established in fifties and sixties and designed for washing better quality coals, the reserves of which had depleted over the years. The percentage of ash in coal had also risen from 17% to 19-20%.
- (ii) Due to age there were frequent breakdowns and thereby loss of production in washeries.
- (iii) Frequent Power failures.

3.119 In Western Coalfields Limited, there was only one washery at Nandan for which adequate quantity of raw coal was not available. Hence, low capacity utilisation.

3.120 In regard to the steps being taken to achieve 100% capacity utilisation of these Washeries, the Ministry of Coal stated that these *inter-alia* included:—

- (i) Increasing availability of raw coal of appropriate quality for Washeries.
- (ii) Modernisation/modification of the existing washeries.
- (iii) Commissioning of Captive Power Plants and isolation of coal feeder for receiving power direct from DVC to maintain uninterrupted power supply to washeries.

3.121 In order to improve the performance of washeries a number of Committees were also set-up by Government of India.

3.122 The Committee were further informed that in view of high ash in the coal feed and Expert Committee (Altekar Committee) was set up in August, 1985 to study 10 old washeries of CIL for suggesting measures to be taken to ensure supply of  $17 \pm 05\%$  ash in washed coked coal to steel plants. This Committee examined these washeries in detail and submitted its report to the Government in October, 1986. The total investment required to implement the recommendations of the Committee was estimated at Rs. 138.32 crores (1985-86 estimates) bulk of which was for the long term measures. The recommendations of the Committee were accepted by the Government and an Action Plan for implementation of the recommendations was circulated to coal companies in July, 1987.

3.123 When enquired about the implementation part of the Action Plan the Ministry stated that while the short term measures had been completed, long term measures particularly installation of deshaling plants were badly delayed partly due to paucity of funds and partly due to delay in commissioning of these deshaling plants by the turn key contractor.

3.124 Asked as to since when the paucity of funds for modernisation was being experienced, it was stated that constraint in availability of funds was indicated by CIL right from initial stage of implementation. The problem had however become acute during the last 3-4 years.

3.125 About the delay by the turn-key contractor, the Committee were informed that the installation of three deshaling plants at Dugda I & II and Sudamdih were awarded to M/s Mining and Allied Machinery Corporation (MAMC) on turnkey basis. The delay in construction by MAMC was due to delayed mobilization at site inspite of timely payment of mobilisation advance by BCCL. The issue has been taken up on several occasions with M/s MAMC as well as the administrative Ministry (Heavy Industries). Construction of deshaling plants had since started and was expected to be completed in early 1996 (as per information submitted in May, 1995). The progress of construction was being regularly monitored.

3.126 Subsequently the Ministry while submitting updated information in this regard stated in December, 1995 that the deshaling plants were now expected to be completed by March, 1998 and MAMC had since revised the cost of construction to almost double the original cost.

3.127 Despite having the requisite production capacity some amount of low ash content coal is still being imported by India. When asked about the reasons for the same, the Ministry informed the Committee that this was necessitated by the fact that steel sector had to continue blending good quality coking coal with Indian Coal principally for achieving the quality parameters required by the steel sector.

3.128 Asked whether it was not possible to reduce high ash content of Indian Coking Coal by the washeries with the use of modern technology to do away with the imports, in reply the Ministry it was stated that Indian coking coals by their inherent nature were difficult to wash due to higher content of "near gravity material". Further in respect of existing coking coal washeries with gradual deterioration of quality of raw coal feed due to increase in ash over the years, many of the existing washeries which were constructed 20—25 years back were not able to reduce the ash content to desired level of  $17\pm 0.5\%$ .

3.129 Since the imports of low ash coal implied outgo of precious foreign exchange, the Committee desired to know the quantum of such coal imported by India and its value. In response, the Ministry stated that though it did not deal with import of coal, however, the details on the basis of information furnished by Steel Authority of India Limited (SAIL), Rashtrīya Ispat Nigam Ltd. (RINL) and Tata Iron & Steel Company (TISCO) were as follows:—

Company	Quantity import in 1994-95 (m.t.)	Value (Rs. crores)
SAIL	5.177	978.70 (CIF)
RINL	2.201	424.70 (CIF)
TISCO	0.820	185.00 (FOR)

3.130 When asked further about the demand of the low ash content coal by the steel sector in the present year and how the same was going to be met, the Committee were informed that the estimated demand of low ash coking coal for 1995-96 by the Steel Plants was as under:—

TISCO	Indigenous	2.23 m.t.
	Imported	0.90 m.t.
RINL	Indigenous	1.20 m.t.
	Imported	2.50 m.t.
SAIL	Indigenous	10.80 m.t.
	Imported	5.60 m.t.

3.131 During the course of one of their on the spot visits to BCCL Headquarters a Study Group of the Committee was handed over a

memorandum by the Rashtriya Colliery Mazdoor Sangh/Indian National Mine Workers Federation. The memorandum *inter-alia* suggested that even if the cost of coal after double washing went up to round about Rs. 2000 per tonne, the steel plants should not have any objection to pay the same because in that case they will be assured of sure and quick supply of (low ash content) coal of better quality from indigenous sources.

3.132 Asked to offer its comments in this regard the Ministry informed the Committee that based on the pilot scale trials, CFRI had suggested the technology for washing low volatile coking coal to 18% ash level. According to CFRI the cost of washing had been worked out to be in the region of Rs. 1700-1800 tonne. The washed coking coal even at this rate would be cheaper than the imported coal. Although, the ash content of the washed coal would be higher, the metallurgical parameters were comparable, even better.

### *Pilferage of Coal*

3.133 On the aspect of pilferage of coal the Committee were informed by the Ministry that pilferage of coal from operating mines would be difficult due to almost round the clock presence of employees in the mines. In any case it may not be possible to estimate loss of coal due to such pilferage. One major source of pilferage of coal was through illegal mining in closed and abandoned mines. Cases of collection of coal through acquisition in small quantities from the employees in coal mines who sold coal obtained through free issue of coal for domestic purposes had also been reported. However, the pilfered quantity of coal may form a very small percentage of total coal produced and despatched by coal mines.

3.134 When asked as to what steps were being taken by the Ministry to stop this pilferage, it was stated that following steps had been taken in order to control and reduce instances of pilferage of coal:—

- (i) Round the clock vigil was maintained by Area Security Personnel in areas prone to illegal mining of coal and pilferage.
- (ii) Inter-area surprise checks were organised to keep the entire security force vigilant against Pilferage and other illegal activities.
- (iii) District Authorities were requested to hold joint meetings of police and Security personnel for conducting joint raids.
- (iv) Exposed coal in abandoned OC mines was covered with debris and openings in UG abandoned mines were sealed to reduce the scope of illegal mining.
- (v) On detection of pilferage of coal the culprits were nabbed, pilfered coal recovered, FIRs were lodged and follow-up action taken so that the miscreants were punished.

3.135 In regard to the number of cases of theft/pilferage alongwith the amount involved, the following data was submitted by the Ministry:—

Company	1991-92		1992-93		1993-94	
	No. of cases	Amount in Rs. lakhs	No. of cases	Amount in Rs. lakhs	No. of cases	Amount in Rs. lakhs
ECL	1684	61.84	2175	101.92	1461	98.87
BCCL	117	22.60	139	31.88	94	34.98
CCL	50	6.29	36	8.68	61	15.60
NCL	—	—	—	—	1	0.52
WCL	79	2.93	34	3.04	16	1.21
SECL	277	0.87	178	0.30	209	0.05
MCL	18	n.a.	15	n.a.	20	n.a.
	2225	94.53	2577	145.82	1862	151.33

3.136 When asked as to why the number of cases of theft/pilferage in Eastern Coalfields Ltd. and BCCL was persistently higher and amounts involved quite substantial, the Ministry of Coal in a note stated that the cases of theft/pilferage in ECL and BCCL continue to be rather high in number because of the nature of the Coal Industry and the socio-economic conditions prevailing in the Eastern region. Stock of coal in mines was usually spread over huge areas and at many places without boundary or fencing arrangements. In the absence of such arrangements, persons from adjoining habitations attempted to lift coal in lump or in gunny bags, etc. The prevailing poverty conditions and the generally weak law and order position of the area contributed to this evil.

3.137 In regard to the measures being taken/proposed to be taken to contain cases of theft/pilferage in ECL and BCCL and as to why such measures were not proving very effective, the Committee were informed by Ministry of Coal that the pilferage was checked by security personnel of the coal companies or CISF deployed on their rounds and necessary action was taken. As and when cases were detected administrative and legal action was also taken. It was further stated that law and order was a State-subject. However, the following measures were taken/being taken to prevent thefts/pilferages:—

- (1) Surprise checks in cooperation with local police.
- (2) Collection of intelligence.
- (3) Round the clock patrolling.
- (4) Covering of perimeter walls with barbed wire & fencing around coal stock depots.

- (5) Proper lighting arrangement and improvement in communication net-work by providing walkie-talkie sets and long range radio sets.
- (6) Installation of watch towers, providing sirens, etc.
- (7) Surprise raids in coal areas in cooperation with local police.
- (8) Arranging meetings with District Police/District Administration to review crime/theft and subsequent actions to prevent theft.
- (9) Review meetings with Security Official and implementation of their suggestions to prevent thefts/pilferages.

### OBSERVATIONS/RECOMMENDATIONS

3.138 The Committee note that coal is the principal resource of energy available in the country. With the passage of time it is going to assume added importance since not only are the oil reserves, the world over, depleting at a fast pace no other energy source be it nuclear, hydel or non-conventional show any promise of replacing coal as an energy source in near future. Not for nothing has the demand for raw coal shown a more than 250% increase in a short span of a decade and a half between 1976-77 and 1992-93 rising from 99.10 million tonnes to 258.10 tonnes in the said time period.

3.139 The Working Group on Energy Policy (1979) had rightly emphasised the growing importance of coal as a viable energy source in the years to come. The Group had also recommended, and justifiably so, the need for revamping procedures for decision making on investment and production.

3.140 In so far as investment in coal industry is concerned once a project is identified a feasibility report is brought up and it is examined in a inter-ministerial group. Thereafter, it is sent to the Public Investment Board for detailed consideration. For the purpose of approval all proposals above Rs. 50 crores are sent to the Cabinet Committee on Economic Affairs while those below this amount can be cleared by CIL itself.

3.141 The Committee further note that the technical formula for working out demands of coal by various sectors is based on the calorific requirements of a particular end product. However, at the macro level the demand of coal in the country is worked out by the Planning Commission taking into account the growth of consumer industries. Besides the projected demand, the Committee have been told, the target of production of coal is also decided by taking into consideration the production potential of the coal fields, optimal mine-wise production mix and utilisation of capacity of individual mines to maximise the return on investment.

3.142 The Committee observe that indigenous coal production can take care of the demand of coal in the country with the present level of



production and the coal inventory held by it. The level of such coal stock at a given time are roughly around 3 months of coal production. Notwithstanding all this some amount of import of coking coal by steel sector is expected to continue for blending with Indian coal for achieving the quality parameters required by the steel sector.

3.143. The Committee further observe that the coal industry has in the past catered to the entire requirement of the demand of coal in the country. Furthermore it has also initiated measures in respect of mobilisation of resources, improving of coal quality, improving the efficiency of operations and realising of outstanding dues so as to increase production in order to cater to future requirements. Sadly, however, the demand imposed on it as a matter of rule do not materialise in full since most of time these are grossly over-pitched. For instance while the demand of coal in the year 1992-93 as assessed by the Planning Commission was 258.10 MT and 5.3 MT of middlings the actual off-take at 241.69 Mt (including imported coal) and 2.47 MT respectively was far short of this assessment.

3.144. The Committee feel that such inflated assessment of demand for coal is not in the national interest. As coal is produced in accordance with the demands made and is usually stored in open, lesser off take than projected demand lead to storage losses. Secondly and more importantly avoidable exploitation of this precious mineral, which in its wake also causes environmental and other problems, is resorted to in order to meet the demands which finally do not materialise.

3.145. The Committee therefore, recommend that henceforth the demand assessment should be made carefully on a more scientific basis so as not to burden the coal industry with over pitched figures as also to avoid man-power and storage losses.

3.146. The Committee find that at the beginning of Eighth Plan stocks at CIL pitheads were to the tune of 47.8 MT which had further risen to 49.7 MT with marginal Liquidation of 0.43 MT in 1993-94. In the mid-term appraisal CIL proposes to liquidate 4 MT of stock in successive years. As mentioned elsewhere the pithead stocks are roughly about 3 months production of CIL.

3.147. In view of the Committee there is no logic to justify such a huge inventory at pitheads of Coal Companies. While systematic and measured, need base production concept is being followed world over the Indian Coal industry is unnecessarily burdening itself with a massive inventory worth several hundred crores. This is being done, and sadly so, despite being fully aware that even the projected demands do not materialise after all. The huge pithead stocks are further not justified because the industrial relations in coal industry during the past so many years also do not warrant any such pre-emptive measures.

3.148. It is the firm opinion of the Committee that the pithead stocks in such massive quantities are not only prone to storage losses and pilferage but also one of the major source of manipulative practices like over reporting, etc....

3.149. Furthermore since the user sectors are also expected to stock a certain quantity of coal so that they do not run out of coal supplies, it is also not incumbent upon the coal industry to maintain such high level of pithead stocks. The Committee, therefore, recommend that the level of coal stocks at pitheads should be accurately assessed Company-wise, and reported back to the Committee. The pithead stock inventory should be reduced to two months of average annual production within a period of two years.

3.150. The Committee have also noted that 103 projects/schemes have been identified for additional coal production during the Eighth plan period and beyond. About the time schedule of these projects the Ministry have stated very confidently that 'every approved scheme had a definite time schedule. Though the Committee would like to share the confidence of the Ministry but going by the past performance of the Ministry as can be seen from the previous Chapter, the Committee cannot but reiterate their desire that the Ministry should, if it has to live upto the assurance made to the Committee, drastically improve upon its planning, implementing and monitoring machinery in order to achieve its objectives in a systematic and time bound manner.

3.151. Productivity in the opinion of the Committee is the best and most reliable indicator of the performance of be it an individual or an organisation. The Committee note that as far as technologies are concerned, in underground mining. Indian coal industry is still continuing with traditional methods, however, in case of open-cast mining which contributes for more than 70% of the total coal production, India is using the same equipment configuration as are being used in advanced countries like Australia, USA and Russia.

3.152. A comparative analysis of the productivity figures of Indian Coal industry with those of other major coal producing countries however presents a very dismal picture. While productivity (output per man shift) in underground mines in USA and Australia is as high as 18.00 tonnes and 15.60 tonnes in case of the indigenous industry, this is pathetically low at 0.55 tonnes and 0.71 tonnes in CIL and SCCL respectively.

3.153. Even in case of open-cast mines in which as per the admission of the Ministry India is behind none in equipment configuration the productivity is 4.00 tonnes and 4.30 tonnes for CIL and SCCL respectively. These figures hardly stand any comparison when compared to the OMS of 40.20 tonnes in USA and 34.68 tonnes in Australia.

3.154. While the Committee agree with the contention of the Ministry with regard to low productivity in underground mines due to low mechanisation and non-viability, they do not think that this is the main

reason for this malaise as underground mines contribute less than 30% of the nation's coal production. Still even if this leeway is granted to the Ministry, there is no justification behind the abysmally low OMS in the open-cast mines which accounts for the bulk of coal production in the country. More galling is the fact that this situation obtains despite most advanced configuration equipment being used in the country. The Ministry have cited the example of Piparwar open-cast mines where an OMS of 20.60 tonnes has been achieved.

3.155. Coming to the issue of excessive manpower which has been offered as an alibi for low productivity by the Ministry, the Committee do not consider this as convincing since traditionally Indian industries have been manpower intensive because of demographic and social considerations. Furthermore, there are other manpower intensive industries like steel, railways and banking who have shown considerable improvement in productivity despite similar constraints.

3.156. A very serious matter on which the Committee would delve upon is the accuracy and quality of information submitted by the Ministry to them in connection with the subject under examination. Not only did the Ministry delay submission of information almost on all occasions but even when submitted figures two to three years old or even more older were chosen to be categorised as 'provisional'. More importantly, the figures submitted to the Committee were at variance with the figures for the same items as published in other publications of Ministry like its Annual Reports, etc. the two tables cited previously in this Chapter on Production, Despatch and Stocks are concrete examples. Since Annual Reports are also laid on the Table of the House, it is incomprehensible as to where the Ministry had erred i.e. while submitting material to the Committee or in the Annual Report. However, in either of the case the lapse is highly deplorable.

3.157. The Committee have taken note of the fact that the sale prices in coal industry are fixed on the basis of a formula prescribed by BICP for revision of coal prices to take care of escalation in price of inputs used for coal production. They have further noted that Government have been revising coal prices periodically on the basis of the escalation formula.

3.158. The Committee, however, do not agree with the contention of the Government since the price increases as can be seen from the relevant portion of this Chapter is not rational to say the least. For instance in 1993-94 in case of CIL when the average cost of production was Rs. 364.35 per tonne (including Rs. 19.93 as average overhead cost) the average sales realisation was Rs. 400.12 per tonne. Apparently the difference of about Rs. 36.00 i.e. 10% of the production cost was the margin of CIL. However, in 1994-95 while average production cost rose to Rs. 386.75 per tonne (including Rs. 20.42 as average overhead cost) the average sales realisation was Rs. 409.80 per tonne thus the margin has been reduced to

about Rs. 23 per tonne i.e. 6% of the production cost. Obviously not only has the increase in average overhead cost been ignored while working out increase in prices but even the margin has been reduced from 10% to 6%. It is the surmise of the Committee that either the BICP formula is flawed or the Ministry has not implemented it in right earnest.

3.159. That, another coal producing entity, the SCCL, has similarly continued to suffer huge losses in the process is a sad reflection on the commercial sense of the Government.

3.160. The Committee find that as on date the coal prices are regulated by the Government. The logic extended by the Ministry in this regard being 'certain economic considerations' and that because of 'the special character of the coal industry, there is a feeling amongst the users in other industries that a little more consideration should be given to it'. The problem from the Government's point of view is so vexed that the Secretary of the Ministry, who should have ordinarily spoken in tune with what would be beneficial to the local industry, is led to admit that he is not in a position to give a straight answer. To further worsen the plight of coal industry and in the own words of the Government 'it has so happened' that the revision of coal prices, which as per the Government's own policy are to be revised once in a year, have not been revised in the time thus making the coal industry suffer a great deal in terms of realisation because arrear bills cannot be raised against the consumer. Nothing could have been more detrimental to the coal industry than this abnormal delay in the revision of coal prices by the Ministry.

3.161 The Committee also note that the coal industry has while pleading its cause for removing controlled-price regime stated that since end products of all users other than the power sector are not regulated by price control it should also be put on the same footing.

3.162. In the considered opinion of the Committee in the present era of liberalisation when market forces are deciding the fates of all sectors of trade and industry, keeping the coal industry in the shackles of price regulation is not justified. The free market economy being propagated now-a-days also requires removing of such regulations which are not in commercial interest of the producer industry.

3.163. The Committee have been informed that the issue of decontrol of coal prices is under consideration of the Ministry for quite some time now. They, therefore, desire that a decision in consonance with the views of the Committee expressed in preceeding para be taken without any further delay. The Committee would, however, like to stress that the decontrol of prices should also be accompanied by improvement in productivity of the local industry, drastic reduction in overhead costs and an effective strategy to reduce the vastly surplus man power, so

that any effect of the price increase due to decontrol of prices are not passed on to the small consumers particularly the low per capita income segment who are the majority of the population in the country having limited purchasing power.

3.164. Manpower is one of the most important factor on which hinge the fortunes of any organisation. This factor gains further importance when the organisation happens to be an industry because there the questions of commercial viability and productivity also comes into consideration. The Committee note that as on 31st December, 1994 the strength of employees of CIL stands at 6,46,326 while in SCCL it is 1,14,402 on the same date. The Committee have been informed that this level of manpower has been a legacy of pre-nationalisation days. However, and strangely enough, there is no information available with the Ministry in regard to the workforce at the time of nationalisation of BCCL, ECL, and CCL, though a total of 4,87,615 employees were on the roll of these companies as on 1st April, 1975 (i.e. the date of formation of CIL as the holding company) which is about two years' after nationalisation was effected.

3.165. In the opinion of the Committee the Ministry's contention about 'it inheriting a seven lakh force in the coal industry on nationalisation is not based on facts. If the workforce was less than five lakh on 1st April, 1975 it is incomprehensible that more than seven lakh were on rolls of coal industry hardly two years back and that too in the private sector, which as all know is certainly man-power frugal as compared to the Government sector.

3.166. Apparently the Government has not been careful in having a cogent management policy in this regard. The coal industry it seems has been made a haven for employment seekers without any serious thoughts being given to the harmful consequences of such recruitment sprees. When as per the own admission of the representative of the Ministry even eighty year old persons are yet to retire the situation is certainly grave. Curiously, and as expected, the age profiles of such employees are not available. The Committee really wonder at the management skills of concerned authorities in this vital sector.

3.167. The question of 18 mines facing closure and possibility of 15000 employees being left in the lurch has also been gone into by the Committee. Here again while a number of justifications have been extended about the reasons leading to closure of these mines, the Ministry strangely does not have a specific answer regarding the workers rendered surplus in the process. Even the overall figures of surplus employees as on 1st April, 1994 which were provided to the Committee in coal industry in May, 1995 indicate only 45000 persons as surplus. The Committee find it intriguing as to why the Ministry which has been throughout harping on the problem of coal industry due to excessive

manpower is not equipped with latest facts and figure on the subject matter. They deplore the manner in which the things are being reported to the Committee.

3.168. The same element of non-seriousness and unconcern on the part of the Ministry is visible from the information submitted by the Ministry in regard to the various measures being resorted to by the coal industry to tackle the problem of surplus manpower. In May, 1995 the position regarding re-deployment of manpower within the company from surplus to shortage areas and re-training of surplus manpower to meet the requirement of skilled manpower was 'information is being collected' and to the chagrin of the Committee status quo was maintained by the Ministry in this regard, when it was asked to submit updated information in this regard 7 months later in December, 1995.

3.169. Out of 45 odd thousand surplus employees identified by the Ministry, hardly 20 per cent have been curtailed by the way of re-deployment/voluntary retirement. This is a sorry state of affairs and not behoving of an organisation mandated statutorily to administer the coal industry. They expect concrete action from the Ministry in this regard.

3.170. The Committee therefore desire that not only be a cogent, scientific and reliable data-base be developed by the Ministry on manpower & surplus employees by overcoming the oft repeated, so-called problems of lack of records or they being manually operated, etc. but a time-bound crash action plan be also devised to take care of this problem in a realistic and pragmatic manner so as to make the coal production an economically viable proposition.

3.171. The Committee find that over-reporting of coal production is a deep rooted malaise conclusively proved at least in the case of BCCL. Even prior to Mishra Committee, there have been at least two other enquiries, including one by a sub-group of the Consultative Committee of the Ministry of Energy, in 1986 and 1990 respectively. Significantly, while both these Committees made recommendations of far reaching import on the subject matter, the Government sadly failed to take the cue and none of their recommendations were seriously implemented. One single recommendation of the Panigrahi Committee about meting out exemplary punishment to employees violating laid down procedure, if implemented sincerely, would have made the entire difference. The Ministry, however, tried to avoid its responsibility of being the overall supervisor of the coal industry by time and again taking excuse behind Panigrahi Committee and Sinha Committee not being Government Committees. It has also tried to create an impression, albeit erroneous, that it came into picture or was in a position to act only after Mishra Committee looked into it. The Panigrahi Committee Report came almost a decade back and the Sinha Committee Report was submitted in 1990. Through its deliberate inaction in these many years, the Ministry allowed not only the malaise of over-reporting to

feaster but by not taking any action against the delinquent officials, it sent a signal of being a silent spectator to this sordid episode. Thus, millions of tonnes of coal was produced but only on paper; officials at senior levels managed to secure accolades and promotions though wholly undeserving; and the juniors were content with cash incentives and other perks without even straining a muscle. This happened right under the nose of the Ministry, and the Committee can safely presume, with its full knowledge, since the coal subsidiaries do have officials of the Ministry of Coal on their Boards.

3.172. The murky goings-on in the coal industry; the total abdication of responsibility by the Ministry towards its statutory commitments; and with the benefit of hindsight, the Committee also think that the coal stock over-reporting can have a diametrically opposite dimension as well. It is quite possible that the so-called inflated production is the real production and the shortages have occurred due to siphoning-off of massive quantities of coal.

3.173. The Committee therefore recommend to the Government that the entire matter be handed over to the Central Bureau of Investigation for a detailed investigation into all its ramifications and the guilty should be meted out strictest possible punishment under the law of the land.

3.174. The Committee note that book stock of coal, coke, etc is adopted for the purpose of accounts where the variances between 'book stock' and 'measured stocks' are within  $\pm 5\%$ . Otherwise 'measured stocks' are adopted for the said purpose. This latter course is being reported to according to the Ministry 'to reflect true and fair picture of the affairs of the companies' as also because of the short time in between when the report of stock measure is available and the finalisation of accounts.

3.175. The Committee are not at all convinced by the logic extended by the Ministry since till now it has been looking at the matter only through the picture painted by fudging of accounts or through still more questionable means. They are therefore, of the opinion that whatever may be the problems, the system should be immediately changed on the lines suggested by the Mishra Committee so as to leave no scope for manipulative practices.

3.176. The Committee observe that for all stock shortages beyond 5% and in excess of 1000 tonnes, disciplinary action is initiated after completion of physical stock verification. About the fate of cases of shortages the Ministry has quite confidently stated that action had been initiated in all such cases. However, the Ministry's intention has perhaps remained confined to only initiating cases with no further intention of taking these cases to their logical conclusions. Two such cases which were initiated on 1st April, 1990 have been illustrated earlier in this Chapter. While in one case involving shortage of 63000 tonnes the concerned persons were charge-sheeted on 9.11.1990, the inquiry was instituted

almost two years late on 10.10.1992 by appointing a particular officer as Inquiring Authority. The inquiry lingered to till July '94 till the said Inquiry Authority was posted out on promotion. Significantly, it was not considered appropriate to hand over the said inquiry to some other officer under the plea that the incumbent had completed a major part of the inquiry. The result is anybody's guess that 'due to preoccupation the Inquiry Authority has not been able to complete the inquiry' and that 'he had been reminded once again to come to Dhanbad in September, 1995 to conclude the inquiry'.

3.177. Thus more than five and a half years have gone by without the guilty being brought any nearer to justice.

3.178. In the second case involving stock shortage of over 92,000 tonnes the charge-sheet framed against the concerned Agent was returned by the concerned authority stating that 'the shortage pertained to a period prior to the charged officer taking over as Agent in October, 1989'. Nothing could have been more baffling than this explanation. The concerned authorities however did still better, they took years together (Ministry's version being 'some time') to finally issue a charge-sheet on 15.3.1993. The snails pace continued on and an Inquiry Authority was appointed on 29.7.1994 i.e. more than 15 months later. However, as was expected the Inquiry Officer superannuated on 31.10.1994. Another one was appointed on 7.2.1995 and the inquiry was in final stages.

3.179. The Committee need not comment further on this *laissez faire* approach of the Government towards ensuring rule of law in the coal industry.

3.180. The saga of this inaction on the part of the Government does not end here. It agrees that the 'action taken by BCCL on the basis of K.A. Sinha Committee Report was tardy delayed or very little'. It also admits that if the Sinha Committee Report was implemented sincerely things would not have come to such pass. But simultaneously it also contends that 'it had not tried to fix responsibility for non-implementation of the Sinha Committee Report since its objective was not to witch-hunt but to improve the system'.

3.181. In regard to the R.N. Mishra Committee the Committee observe that it came into existence by an order dated 27th July, 1992 as a sequel to a meeting of Board of Directors of BCCL held on 24.12.1991 where a shortage of 36.40 lakh tonnes was reported.

3.182. The Committee also note that the Report of Mishra Committee had found that not only was the management in the know of the goings on pertaining to stock shortages or was playing a collusive role but it was instigating over-reporting of production. To buttress its claim the Mishra Committee had graphically explained the quantum of over-reporting during the tenure of various CMDs of BCCL.



3.183. The Committee further note that two of the four indicted CMDs who were still in service were served show cause notices on 20.5.1994 and after considering their replies Government decided to close the cases against them. The remaining two CMDs who had retired before Mishra Committee was set up could not be proceeded against because there is no provision in the Conduct, Discipline and Appeal Rules, 1978 of CIL to initiate disciplinary proceedings against retire employees. Furthermore, the Government felt that initiative criminal proceedings against the retired CMDs only because departmental action was not possible, was not reasonable because the same would have been discriminatory between the serving and retired CMDs. Thus a decision had been taken by the Government on 9.3.1995 not to initiate action against the retired CMDs.

3.184. The contention of the Ministry betrays a lot of inexplicable and misplaced concerns about the persons who were at the helm of affairs of BCCL when over-reporting in production was rampant. The Committee therefore recommend that the cases of serving CMDs should be referred to the Central Vigilance Commission and further action taken as per their advice.

3.185. The Committee are indeed surprised to know that the Conduct, Discipline and Appeal Rules, 1978 of CIL do not contain any provisions for initiative disciplinary proceedings against retired employees. This in view of the Committee is nothing but a 'licence for persons on verge of retirement to indulge in irregularities/malpractices being comfortable in the knowledge that the impending retirement would mean freedom from all accountability.

3.186. The Committee therefore recommend that suitable provisions in regard to ensuring accountability of retired employees for irregularities committed while in service should immediately be incorporated in the said Rules.

3.187. Coming to the instant case the Committee feel that the reply of the Government clearly indicates that there are grounds for initiating criminal proceedings against the retired CMDs. Action in this direction however is not forthcoming because the Government 'considers it unreasonable as the same would discriminatory between the serving and the retired CMDs'.

3.188. The Committee however do not agree with the justification offered by the Ministry. The top executives in various Government organisations enjoy tremendous power and in the fitness of things they should be made to pay for their acts of omission and commission. The Committee, therefore, recommend that criminal proceedings against the said persons be initiated forthwith and carried to their logical and expeditiously.

3.189. Coming to the performance of the Ministry while implementing the Report of Mishra Committee, the Committee note that the Report was submitted to the Ministry on 24.12.1993 recommending action against 230 executives. The Ministry after examining the recommendations forwarded the Report to CIL on 22.4.1994 advising initiation of action against concerned executives. During the next year and a quarter no substantial progress has, however, been achieved because 'there was no proper incharge of vigilance for about a year'. More importantly because 'same records are used in different cases'. Due to these reasons out of 56 cases in CIL only 32 have been charge-sheeted. Similarly out of 45 other officers who had been recommended by the Mishra Committee for being debarred from holding field posting/sensitive posts for five years, 2 have been removed from service and 13 have been transferred. Out of the remaining 30, six have already retired. In case of 12 others decision is yet to be taken about their further deployment. The remaining 12 have not been shifted considering the requirement and also the difficulty in getting substitutes in their places.

3.190. As in case of past Committee the Ministry's response to the Report of Mishra Committee is downright dismal. The absence of a proper incharge of vigilance has been floated as a reason for delayed response to the recommendations of the Mishra Committee as if the vigilance machinery was paralysed without this one man machine.

3.191. The Committee deplore the Ministry's response time in withdrawing guilty persons from sensitive/field postings. For 30% of them decision about further deployment is yet to be taken though 15 months have passed in between. For another 30% the Government lands itself in a piquant situation because it is finding it difficult to get substitutes in their place. The Committee are at a loss to understand as to what more is required to spur the Government into action.

3.192. The admission of difficulty in getting substitutes in place of guilty officers though a fact and an indicator of Ministry's inept tackling of the situation, is in any case deplorable.

3.193. From the Mishra Committee Report, the Committee observe that large quantities of stones are being mixed in Cbal to make up for shortage in production. This practice however causes serious damages to the machinery in thermal power plants and other industries. The Ministry however contends that during mining process some admixture which is unintentional does take place. An analogy has been drawn with the presence of stones in pulses, grains, rice, etc., being procured for households. However, according to the Ministry physical removal of stones is possible if a few hundred thousand extra people are deployed for the purpose.

3.194 The Committee do not agree with the alibi or analogy offered by the Ministry regarding the presence of large quantity of stone in coal despatches. Coal is a commercial product for which the Ministry is duly

paid money by the consumer sectors, hence notwithstanding the admixture during mining process it is the bounden duty of the Ministry to ensure that the end product is of the requisite quality.

3.195 On the problem of extra man-power in coal industry, while throughout the Ministry has been harping on this aspect here it has made a request for not hundreds but a few hundred thousand persons for removing stones from coal stocks. It is indeed ironic that while in one breath the excess manpower is taken as pretext for low productivity, lack of the same is cited in the next breath as reason for the Ministry's failure to ensure removal of stones from coal stocks.

3.196 The Committee, therefore, recommend that immediate steps should be taken by the Ministry to ensure that surplus manpower instead of being kept idle is gainfully entrusted with the task of removal of stones from coal stocks.

3.197 The Committee also note with concern that further instances of over-reporting in BCCL are piling-up. Furthermore Committees have been appointed to inquire into coal stock shortages in ECL and CCL.

3.198 The Committee desire that similar Committees be appointed in each of the coal company with instructions to submit their reports within a stipulated timeframe.

3.199 The Committee further desire that all such reports be furnished to them alongwith other action taken notes of the Government on the recommendations contained in this Report of the Committee.

3.200 The Committee find that raw coal contains substantial quantities of ash which is removed mechanically by washing in the washeries. They further note that while efforts are made to restrict ash content to a  $17\% \pm 0.5\%$  level the actual restriction is upto  $19\%-20\%$  only. This is due to the fact that most of the washeries were established in fifties and sixties and therefore designed for washing better quality coals. Besides frequent breakdowns in the washeries coupled with power breakdowns also contributed towards this problem.

3.201 They also note that various Committees at different times have given invaluable recommendations to improve the performance of the existing washeries but to no avail. The ministry has, as elaborated in case of other measures for systemic improvement, not seriously cared to implement the measures recommended.

3.202 In one specific instance an Expert Committee set-up more than a decade back in 1985 recommended several far reaching measures to ensure supply of washed coal with an ash content of  $17\% \pm 0.5\%$  to steel plants in its Report submitted in October, 1986. The recommendations of this Group were accepted by the Government and an Action Plan for their implementation was circulated to coal companies in July, 1987.

3.203 After almost - ten years, the Committee observe from the implementation of recommendations by the Ministry that while short term measures have been more or less executive the long term measures, presumably because the Ministry took the terminology literally, have been badly delayed. In a specific case the proposed deshaling plants at Dugda I & II and Sudamdhi were getting delayed because MAMC, the contractor was playing truant inspite of advance payment by BCCL. Countless interventions of Ministry of Coal with M/s MAMC and the administrative Ministry had yielded no results. As per the information submitted by the Ministry in May, 1995 the construction of these deshaling plants was expected to be completed by early 1996. However, when asked about the progress in December, 1995 it has stated that not only had the cost of the project been doubled by the contractor, the completion schedule has been staggered to 1998.

3.204 The Committee consider the dismal performance of the Ministry in the direction of improving the working of washeries as continuation of its pathetic performance in other fields. However, they would emphasise that in view of the pressing need for ushering improvements in the washeries the long term measures brook no further delay. These should be implemented by the end of this Five Year Plan.

3.205 It has also come to the notice of the Committee that despite having requisite production capacity some amount of low ash coal is imported by the steel sector. During the year 1994-95 the net foreign outgo on these imports in respect of some of the consumers was of the order of Rs. 1600 cores (approx.). The Committee, however, do not have the entire picture before them because coal being an OGL item, the Ministry does not have the figures of exact quantity of coal imported available with them.

3.206 The Ministry although agreeable that the ash content could be reduced in locally produced coal has always put forward the high cost escalation, due to the washing entailed in the process, as a justification for the imports.

3.207 The Committee, however, observe that the cost of washing is in the region of Rs. 1700-1800 per tonne for the locally produced coal. Still the local coal is not only a cheaper and easily available alternative to the imported coal but is also in no way inferior to it.

3.208 The Committee wonder why the Ministry is not enhancing capacity of washeries so as to provide the steel sector with coal of requisite standards to plug the outgo of precious foreign exchange on imports. They also desire that urgent measures be taken in this direction and they be apprised of the results achieved in import substitution.

3.209 The Committee note that pilferage of coal is a serious problem besetting the coal industry, more so in the Eastern region due to location specific reasons. The Ministry has tried to underplay the magnitude of the problem but the fact remains that during the period 1991-94, coal worth about Rs. 4.0 crores was pilfered from the collieries. Besides the worth of coal pilfered has progressively gone up during the above mentioned

period. Thus while in 1991-92 it was of the order of Rs. 94.53 lakhs, in 1992-93 it rose upto Rs. 145.82 lakhs and in 1993-94 further rose to Rs. 151.33 lakhs.

3.210 The Committee don't find this to be a satisfactory state of affairs. They also feel that the measures enumerated by the Government to curb pilferage are not that effective. They, therefore, desire that the security and preventive measures put in place in this regard be given a thorough review to ensure that this obnoxious practice is put to an end.

## CHAPTER IV

### DISTRIBUTION OF COAL

#### *Classification of Coal*

For commercial purposes coal is broadly classified as Coking Coal and Non-Coking Coal. Coking Coal had all along been a controlled commodity under Colliery Control Order and distribution of the same was controlled by the Office of Coal Controller, Government of India. Distribution of Non-coking coal which was decontrolled in 1967 had again been brought under the Colliery Control Order w.e.f. 1.7.92 by Ministry of Coal. Under the provisions of amended Colliery Control Order all Non-coking coal (except from LSS sources) could be allotted only to actual users against linkage and/or sponsorship. About the reasons for bringing Non-coking coal under the Colliery Control Order, the Ministry stated that complaints of diversion/resale of coal obtained by the allottees were being received from time to time. It was therefore felt that provisions should also exist for taking penal actions against those found guilty of selling coal for profiteering after having obtained it on priority as actual users.

4.2 Elaborating further on the subject during the evidence held on 13th June, 1995, one of the representatives of the Ministry stated:—

"It may be recorded that distribution of Non coking coal was decontrolled in 1967 and before that time, it was Coal controller who was to decide the priority on which even the Non-Coking coal was to move to the consumer. Thereafter, the railways brought in preferential traffic Schedule to decide the preference given to various consumers for movement of wagons. They decide that, for example, the coal meant for Defence or for Railways or for Power will move on priority so that inter-se-priority was decided by railways. The net result was that the entire distribution of Non-Coking coal by rail came within the purview of the Railways instead of the Coal Controller. Again, there were a number of complaints made to hon. Minister for Coal that lot of coal which is being allocated to actual users was being sold by them and they profited by that and because there was no provision to control the diversion in Colliery Control Order, the Government was prevented from taking any action. The distribution control under Colliery Control Order on Non-Coking coal was re-introduced."

4.3 Asked further as to whether there was any proposal to decontrol the distribution of Non-Coking coal particularly keeping in view of the new

Industrial Policy of the Government, the Ministry stated that the proposal was under examination.

4.4 The market segment for coal is broadly classified into:—

- (a) Core sector consisting of Power, Steel, Defence, fertilisers, Cement, Loco and Coal for export.
- (b) Non-core sector consisting of other Coal Consumers covering wide cross-section of industries and domestic sector.

4.5 Deliving upon the Distribution Policy, the representative of the Ministry informed the Committee during evidence held on 2nd December, 1994:—

“The distribution to core sectors like power, cement and steel are fixed in the linkage committees in advance. All the proposals come through the representatives of Ministries and sponsoring authorities. Two of the linkage committees, namely power and cement, are presided over by the Additional Secretary of the Ministry of Coal and have representatives of various Ministries and various other organisations. They participate in the discussions and fix up the linkages.

As regards the power sector the main exercise is done by the Central Electricity Authority power station-wise which are generally divided into two groups those power stations which are in operation already and those power stations which will come into operation during a particular period of time. So, all these demands are aggregated. All the coal mines are linked up and movement of coal is linked to the railways whose representatives are present in these linkage committees. They are extensively consulted.

As regards the steel sector, there is a linkage committee which is presided over by the Secretary of Ministry of Steel. Similar exercise is done to ascertain the total demand and long term linkages are established.

Then there are other industries which are called non-core industries. Now, for these non-core industries there is a linkage committee which is in Coal India Limited itself where again a similar exercise is gone through to determine the demand and supply position industry-wise. Now, the total aggregation of all these indicates that there will be a potential demand.”

4.6 According to Government, the major consumption of coal was in the Core Sector which accounted for more than 80% of total offtake

and balance was in the Non-core sector consisting of multitude of units running to thousands in numbers scattered all over the country.

### *Core Sector*

4.7 In regard to the distribution to this vital segment Ministry stated that the distribution of coal to Core Sector consumers in Power and Cement Sectors was made based on the quarterly linkages issued by Standing Linkage Committee (SLC) which functioned under the aegis of Ministry of Coal and included representatives from Ministry of Railways, Ministry of Power, Ministry of Industry and the coal companies. Distribution of coking coal to Steel Plants was made based on monthly programme issued by Coal Controller. Coal was supplied to Railways for Loco consumption on the basis of monthly programme released by CMA, Railway Board, Dhanbad in consultation with CIL and Supplying Subsidiary Companies.

4.8 Coal to Fertilizer Sector was supplied based on sponsorship given by DGTC. In case of coal supplies to Defence, the same was made against the monthly programme drawn up by Defence Coal Cell in consultation with CIL and Subsidiary Companies.

### *Non-Core Sector*

4.9 In case of Non-Core Sector consumers, the Ministry informed the Committee that the system of distribution differed for Coal India Ltd. and for Singareni Collieries Company Ltd.

### *Distribution Policy in CIL*

4.10 All consumers in Non-Core Sector intending to draw coal supplies from CIL sources, were required to obtain a linkage from CIL in respect of grade, size and source. Consumers were required to submit their applications for linkage alongwith technical data on the burning equipments to CIL Linkage Cell either directly or through Regional Sales Offices. Based on the scrutiny of the technical data, linkage was issued keeping in view the availability of coal. The proximity of the sources/ coalfield & route rationalisation scheme of Railways were kept in view while granting linkage to any consumer. Linkage issued remained valid for a period of 2 years by which time consumers were expected to start drawing supplies.

4.11 In case of Non-Core Sector consumers, offers/indents were made on day to day basis by the Subsidiary Companies under broad classification like "Industry-Steam", "Industry-Slack", "BRK", etc. while picking up allotment. Railways considered the consumers as per their own system of programme seniority.

### *Liberalised Sale Scheme*

4.12 As per amended Colliery Control Order, certain collieries had been placed under the Liberalised Sale Scheme under which any customer can



purchase coal against deposition of coal value in advance without any linkage/sponsorship.

#### *Distribution Policy of Coal in SCCL for Non-Core Sector*

4.13 While Coal allotment to the core-sector consisting of Power Houses, Cement Plants, Railways etc. took place as per the decisions of the Standing Linkage Committees. SCCL followed a unique system of allotment of coal to industrial units in the non-core sector. Coal allotment to these industries was done on the basis of the technical recommendations made and norms fixed by the Technical Advisory Committee appointed by the Government of Andhra Pradesh in 1983. This Committee worked out the details of coal requirement for each category of industry-gradewise-for one tonnes of finished product. The recommendations were finalised after detailed discussions with each group of industries and analysis of existing data. The figure thus arrived at for an industry under ideal conditions of best equipment, full power availability and good market for the product was called the Maximum Permissible Quantity (MPQ).

#### *Computerisation*

4.14 It was further stated that with the installation of computers in the Marketing Department all data relating to the 2,400 industrial consumers had been fed into the computer. SCCL was now able to analyse the details of quantities and grades of coal drawn by different industries. District-wise, category-wise and unit-wise breakup which was earlier available in different registers was now readily obtainable from the computer. The sale notes issued for individual units were also being generated from the computer after feeding in the necessary data. Sales notes were issued on first come first served basis thus ensuring that there was no queue jumping. Computerised statement indicating the number of sale notes issued and number of requests for issue of sale notes pending at the end of each day was displayed on the Notice Board. Names of consumers who had not been given sale notes with reasons were displayed through computerised statement. The parties were also advised separately as to why they had not been issued sale notes. Computerised sale notes were being issued within 24 hours of receipt of requests from the customers.

4.15 On par with the open book system that was being followed in the Marketing Department the connected activities in the mining areas from where coal was issued to customers had also been computerised. A weekly computerised statement in which the name of the consumer, the number of lorries he was entitled for and the date of issue of coal along with the name of the Mine was prepared. These details were displayed on the Notice Board in the Mining areas where consumers submitted their sale note for drawal of coal to ensure that no queue jumping took place.

The mining areas strictly followed a serial order. They were not authorised to change the grade of coal indicated in the Sale Note prepared by the Marketing Department.

4.16 It may thus be seen that the method adopted in fixing up MPQ for a unit and in subsequent allotment and issue of coal to the Unit was scientific, logical and open. Computerisation of the entire procedure of issue of sales notes had been welcomed by the customers.

4.17 The Committee were informed that a similar distribution policy as was being operated by SCCL, had been recommended to CIL also and it was now in the process of computerising its marketing operations. When asked as to at what stage the project presently was, the representatives of the Ministry stated:—

“As I said, the task became very gigantic and, therefore, the coal companies have now undertaken a project for computerisation of the entire coal distribution system. Part of the work has been done. The entire work has been entrusted to M/s. CMC Ltd. who are a public sector undertaking. Under that, it has now been agreed with the railways that as and when this computerisation is completed, the entire system of priorities which the computer will decide will come into vogue. Thereafter the coal companies will have a better control in the movement of coal also. But as of now, the entire system of movement of coal by rail, is within the purview of railways.”

4.18 In a written submission it was further clarified that road despatches from ECL had already been computerised.

4.19 About the difficulties experienced by the Coal Companies in the proper distribution of coal, the Committee were informed that in the emerging globalisation of economy and reduction of import duty on coal and the measures taken for economic liberalisation, CIL felt that the removal of statutory controls on pricing and distribution of coal would provide it with the required flexibility in its commercial operations. It also felt that it should have a greater say in allotment of wagons by the Railways that the modifications had been proposed in the Railway Preferential Traffic Schedule issued under the Railways Act by it.

#### *Diversion/Resale of Coal*

4.20 In this connection, the Committee were informed that complaints of diversion/resale of coal obtained by allottees were being received from time to time. Generally the sponsoring authorities and the coal companies enquired into such complaints and concerned parties (if found guilty of diverting/reselling coal), were debarred from receiving coal for a certain period. Since the number of complaints was on the increase, some penal action against those found guilty of selling coal for profiteering, after having obtained it on priority as actual users, was considered in Parliament and as per the assurance given by the MOS for Coal, the provision of

Colliery Control Order, 1945 were amended w.e.f. 1.7.1992. According to this amendment, while there was no change in the procedure for obtaining coal by the actual users, it was obligatory on their part to seek prior users, it was obligatory on their part to seek prior permission of the Coal Controller for diverting or reselling it.

Coal was generally supplied to actual users against linkages/sponsorship or both.

#### *Distribution Network*

4.21 It was also stated that in order to further improve the availability of coal, CIL had launched Liberalised Sale Scheme. Under this scheme coal was being made available without any sponsorship/linkage from specified collieries on first come first served basis. Preference was, however, given to the actual users.

4.22 CIL had also launched a scheme for developing whole Sale Trade in Coal. Under this scheme, the subsidiary companies of CIL appointed Whole Sale Traders on the basis of applications invited through open advertisements. Each dealer was to lift atleast 3000 tonnes of coal per month by road under this scheme.

4.23 Apart from this, CIL had launched a scheme for appointment of Mini Traders. This intending traders were to get themselves registered with Coal Companies by depositing a nominal amount of Rs. 5000/- (refundable) as registration fees. They would be thereafter supplied coal upto 100 tonnes per month subject to availability after meeting the orders booked by the actual users from the collieries placed under Liberalised Sales Scheme.

#### *Mode of Transportation of Coal*

4.24 Details of mode-wise transport of coal by rail, road and other means (Excluding coal used for colliery consumption) for the years 1989-90, 1990-91 and 1991-92 were furnished to the Committee in the form of the following Table:

	(Data Provisional) Qty (MT)					
	1989-90	%	1990-91	%	1991-92	%
Rail*	136.41	61.44	140.59	60.09	151.39	60.53
Road	40.28	18.14	45.58	19.48	48.48	19.38
Belt	7.48	3.37	7.38	7.35	2.94	2.94
MGR/Own Wagons	30.74	13.85	32.94	14.08	37.61	15.04
Ropeway	7.11	3.20	7.48	3.20	5.28	2.11

\*Includes both external and internal movement.

4.25 It was further stated by the Ministry that Coal being a bulk commodity, Rail had always been its primary mode of transportation and

at present about 60% coal despatches were through rail. Apart from rail despatches coal was also despatched by road (19.38%), rope (2.11%), belt (2.94%) and MGR/Own Wagon (15.04%) depending upon the geographical proximity of the consumers to the coalfields. It was however clarified that excepting rail, other modes of transport were generally used only for comparatively short distance movement by consumers situated in and around coalfields.

4.26 On being asked to specify as to which of the modes was cheaper, the Ministry stated that for short distances, road transport could sometimes be cheaper than rail due to Railways rule of charging on the basis of minimum chargeable distance.

4.27 A comparative analysis of transportation charges by rail and road is given below:

Distance (in Kms)	Transport charges by Rail (Rs./Tonne) Train load	Wagon Load	Approx. transport charges by Road (Rs./Tonne)
10	67.10	69.10	35.00
50	67.10	69.10	85.00
100	67.10	69.10	150.00
200	109.10	112.90	225.00
1000	469.10	486.50	800.00

#### *Supply to Power Sector*

4.28 The power sector accounts for the major portion of coal produced in the country. When the Ministry was asked as to how it was ensured that adequate quality of coal of desired quality is supplied to the various thermal power stations in the country, the Committee were informed that Coal Companies were aware of their responsibility to supply good quality coal in required quantities to Power Houses. All possible steps were being taken by them towards this end. For supply of coal to power houses, the coal companies followed the linkages decided by the Standing Linkage Committee (SLC). The SLC decided the quantity of coal as well as sources of supply (which to some extent determined the quality) on quarterly basis. In the quarterly meeting of SLC power sector was represented by Ministry of Power as well as CEA. By and large the coal companies were maintaining coal supplies to power houses as per SLC's Linkage and hence, there was no major deviation either in quantity or in the source of supply from the linkage agreed in the SLC. It was further stated that Coal supply to Power Houses was closely monitored on regular basis and corrective action taken whenever necessary to improve despatches.

4.29 Elaborating further the witness stated during the evidence:

"The Coal Ministry, the Railways and the Coal Companies monitor the progress on day-to-day basis and get a daily report with regard to

the despatches effected by the Railways and we come to know about the stock positions in different power stations and all corrective actions are taken in case there is any need to rush supplies to any particular power station. There is no situation where the power station is stocked out."

4.30 A scrutiny of the statements regarding the quantity demanded and actually supplied to various thermal plants furnished by the Ministry revealed that the actual supply figures were not in consonance with the demands/linkages approved by SLC. In fact in several cases there was not even the remotest link between projected/approved demand and the actual supply. Some of the noteworthy cases, year wise, are enumerated below:

(In '000 Tonnes)

State	Power House	Linkage	Despatch/ Demand	% Satisfaction
<b>1988-89</b>				
Gujarat	Gandhi Nagar	975	374	38
TN	Mettur	1680	327	19
UP	Tanda	330	30	9
UP	Unchahar	185	06	3
<b>1989-90</b>				
Maha.	Khapparkheda	825	285	35
Maha.	Trombay	290	33	11
UP	Tanda	660	67	10
WB	Durgapur (DP)	960	354	37
<b>1990-91</b>				
AP	Nellore	173	48	28
Maha.	Khapparkheda	1198	395	33
Maha.	Trombay	540	162	30
UP	RPH Kanpur	85	30	35
<b>1991-92</b>				
Maha.	Trombay	2037	192	9
UP	Harduaganj (A)	65	30	46
UP	National Capital	208	27	13
AP	Ramagundam B	304	941	310

State	Power House	Linkage	Despatch/ Demand	% Satisfaction
<b>1992-93</b>				
AP	Ramagundam B	275	990	360
Maha.	Trombay	670	319	48
WB	Durgapur (DVC)	1227	455	37
WB	Kahalgaoon	222	9	4

### *Outstanding Sales Dues*

4.31 About the extent of non-payment of Sales dues the representative of the Ministry informed the Committee during the course of oral evidence on 13th June, 1995:

"We feel happy that this issue has come to focus and that relates to the sale dues of coal to be received from various power utilities. I would like to submit to this august Committee that non-payment of coal dues by various power utilities has created serious problems to the coal industry as a whole.

Coal sales dues, according to Coal India, are close to Rs. 4000 crore. As of now I do not have the accounts because the position changes everyday. I am just submitting a broad order of the dues. This problem has been under discussion in the Government of India for a very long time. There was a time when these dues were being recovered out of the advances."

4.32 Subsequently the following figures of outstanding dues were submitted by the Ministry of Coal:

(Rs./crores)

Consumer in Power Sector	As on		
	31.3.93	31.3.94	31.3.95
1	2	3	4
BSEB	20.55	40.66	41.53
UPSEB	288.00	276.45	371.84
OSEB	13.34	27.16	16.76
PSEB	155.32	288.17	216.17
TNEB	91.63	148.24	156.63
HSEB	120.00	150.89	149.19
RSEB	23.56	56.88	42.04
MSEB	325.43	419.00	421.74
MPEB	58.13	48.73	75.71
GEB	155.96	151.00	120.49
WBSEB	132.65	175.00	262.50
WBPDC	149.94	21.00	356.08
APEB	8.80	4.23	18.36
KPC	8.23	5.55	5.46
DPL	80.33	100.41	141.03

1	2	3	4
DVC	258.22	287.88	240.96
DESU	53.26	64.44	62.07
BTPS	234.90	385.63	438.64
NTPC	176.22	175.01	222.99
CESC	4.68	0.83	3.96
AEC	29.78	22.17	18.84
Others	10.64	12.77	9.16
<b>Total (Power)</b>	<b>2400.23</b>	<b>3055.91</b>	<b>3392.68</b>

In regard to other customers in core/non-core sectors the out standing are indicated below:

(Rs. in crores)

	31.3.93	As on 31.3.94	31.3.95
Consumers in other sectors	31.3.93	As on 31.3.94	31.3.95
Railway	70.38	69.82	68.42
Steel	392.68	443.41	441.81
Other Government organisations	95.94	159.97	205.06
Others	81.02	108.80	112.01
Export	0.73	N.A.	N.A.
<b>Total</b>	<b>640.75</b>	<b>782</b>	<b>827.3</b>
<b>Grand Total</b>	<b>3040.98</b>	<b>3837.91</b>	<b>4219.9</b>

4.33 About the measures initiated to expedite recovery of the outstanding dues the Ministry informed the Committee that CIL had been suffering a serious resource crunch due to non-payment of coal sale dues by the power sector jeopardising and project implementation.

4.34 A decision was therefore taken to introduce w.e.f. October, 1991 a "Cash and Carry System" for supply of coal to power sector. Cash and Carry System worked satisfactorily at the initial stages. This system could not be enforced rigorously because generation of power is considered a key input for economic growth and consequently, supplies of coal continued even to the defaulting power utilities.

4.35 The issue of accumulated dues was considered by the Committee of Secretaries (COS) in a meeting held in March, 1994 in which the following decisions were taken:

"The current dues would be met in full from the month of March, 1994 onwards for which purpose SEBs shall open an irrevocable LC in favour of their suppliers (NTPC and CIL) to the tune of 105% of their past average monthly billing.

As regards the arrears, the undisputed amounts should be cleared by the payment equal to one month's billing by each SEB to NTPC/ Coal Companies for the month of March, 1994 and thereafter the

remaining amount of dues may be cleared at the rate of 25% of the monthly average billing of each month."

4.36 Subsequently, the progress of implementation of the decision taken in the COS meeting held on 17.3.94 regarding opening of Irrevocable Letters of Credits (IRLCs) by SEBs in favour of Coal Companies was reviewed in the Ministry.

4.37 In view of the difficulties expressed by some SEB's in opening IRLCs, it was decided that advance payments will be absolutely necessary if coal supplies had to be continued. Accordingly, CIL had advised all the SEBs/Power Utilities to implement the decision taken in the COS meeting of 17.3.94 by opening IRLCs equivalent to 105% of past average monthly billing by 27.5.95 or to make advance payments for supply of coal from 1.6.95.

4.38 According to the Ministry, the above decision was now being enforced by the Coal Companies and most of the power utilities had either opened LC's or were making advance payments for supply of coal.

4.39 Asked as to what benefit had accrued due to implementation of this Scheme, the Ministry stated that as a result of this, there had not been any appreciable increase in the outstanding dues from the power sector during the current year. The total outstanding dues from power sector as on 1.7.95 were Rs. 3010.30 crores as against the total dues of Rs. 3123.38 crores as on 1.4.95.

### OBSERVATIONS/RECOMMENDATIONS

4.40 The Committee note that for commercial purposes coal is broadly classified as Coking Coal and Non-Coking Coal. While the former has throughout been a controlled commodity under colliery Control Order the latter was decontrolled in 1967 only to be brought back under the Colliery Control Order w.e.f. 1st July, 1992. The reasons necessitating this being the complaints of diversion/resale of Non-Coking Coal by allottees and the need being felt by Government for taking penal actions against those found guilty of selling coal for profiteering after having obtained it on priority as actual users.

4.41 The Committee have been informed that in view of amongst various factors, the new industrial Policy, the Government was examining a proposal for decontrol of distribution of Non-Coking Coal.

4.42 The Committee, however, desire that any decision regarding decontrol of distribution of Non-Coking Coal should be taken giving due consideration to the fact that this should not reopen the floodgates for the malpractices that were prevalent prior to July, 1992 and that adequate availability of non-coking coal should be ensured through increased production and efficient distribution network.

4.43 The Committee note that the market segment for coal is broadly classified into Core Sector and Non-Core Sector. While the former consists



of supplies to Power, Steel, Defence, Fertilisers, Cement, Loco and coal for export, the latter includes coal consumers covering wide cross section of industries and domestic users. The Core Sector accounts for 80% total off take of locally produced coal.

4.44 They have further noted that the demand and distribution to the Core Sectors is fixed in the Linkages Committees in advance. Each Linkage Committee includes senior officials of respective ministry/authority, who participate in the discussions and fix up linkages. In so far as the Non-Core Sector is concerned a Linkage Committee within CIL determines the demand and supply position industry-wise. Besides Liberalised Sales Scheme whereby a consumer could purchase coal against deposition of coal value in advance without any linkage/sponsorship is also in vogue. In S.C.C.L. the distribution to Non-Core Sector is done on the basis of the recommendations made and norm fixed by the Technical Advisory Committee appointed by Government of Andhra Pradesh in 1983.

4.45 A notable feature of the distribution mechanism in S.C.C.L. is that the entire marketing operation is computerised. This not only streamlines the procedural aspects of distribution but also brings in much needed transparency in it by reducing scope for malpractices.

4.46 The Committee have been informed that a distribution policy on the lines of that being followed in S.C.C.L. has also been recommended to CIL for emulation. The computerisation of distribution process in CIL was also in progress and already road despatches from one of the subsidiaries have been computerised.

4.47 The Committee are of the firm opinion that computerisation of coal distribution operations would go a long way in introducing transparency, efficiency, control, flexibility and accountability in the system. They find it surprising indeed as to why this very basic systemic improvement was not thought of by the Ministry when computerisation has been successfully undertaken in several other areas more than a decade back.

4.48 The Committee would, therefore, emphasise on the Ministry that computerisation even at this belated stage should be undertaken earnestly and expeditiously so that the computerisation of entire distribution and allied operations in the entire coal industry become a reality by the end of Eighth Five Year Plan.

4.49 The Committee have taken a note of the need being felt by the coal industry for removal of statutory controls on pricing and distribution of coal in view of emerging globalisation, economic liberalisation and reduction of duty on imported coal. The Committee have noted that for proper distribution of coal the coal industry desired to have a greater say in allotment of wagons by the Railways and that modifications have already been proposed by it in the railway Preferential Traffic Schedule in this regard. The Committee would like the Ministry of Railways (Railway

Board) to consider the modification proposed by the Ministry of Coal in the Railway Preferential Traffic Schedule.

4.50 According to the Ministry the statutory controls on the pricing and distribution of coal are limiting factors of its healthy growth. The Committee have already recommended decontrol of coal prices to the Government in the previous chapter. However in so far as distribution of coal is concerned the Committee are of the opinion that since the market segment in view of the well defined uses of coal would remain more or less the same decontrol is not going to serve any purpose. However, in view of the huge outstandings as coal sales overdues with power utilities and other consumer sectors some via-media needs to be found out to ensure that coal industry is not made to bear the costs of fallacies and incompetence of its consumers.

4.51. The Committee have been informed that a major chunk of coal movement is by rail. Transportation by road which constitutes about 20% comes next. The other modes used for transporting coal include rope, belt MGR/own wagons, rope-ways, etc.

4.52 It is also noted that barring distances of less than 10 Kms. the transportation costs through rail are substantially lower than those for transportation by road. In view of the foregoing the Committee desire that, to the maximum extent possible, transportation of coal should be carried out through rail. Wherever the same is not possible efforts should be made to work out such linkages where rail remains the principal mode of transport supplemented by the other means.

4.53 The Committee find that the power sector is the largest consumer of coal in the country. For the supply to power houses the coal companies follow the linkages decided by the Standing Linkage Committee (SLC). They have also been informed that by and large there were major deviations either in quantity or in the source of supply from the linkage agreed in the SLC. However, the data furnished by the Ministry in this regard tells a totally different story. There are several instances as quoted in the relevant table where there is not even remotest link between the actual supply figures and the demands/linkages approved by SLC. The percentage satisfaction levels have varied between 3% to 360%. Such variations in coal demands of such a substantial order taking place do not speak well of the decision making of SLC.

4.54 The Committee deprecate the unscientific and unimaginative way in which the linkages of this precious mineral are worked out by the SLC. It is expected that while working out the demands/linkages of various power houses the SLC, which comprises of senior officials of Government, would be considering all relevant factors like the past requirement of the concerned power-house, its past performance, capacity reduction or augmentation, its current coal stock inventory, etc.

4.55 The Committee therefore, desire, that they be apprised of the rationale behind the linkages fixed in respect of all the cases cited in the relevant table in Chapter IV of this Report. They would also like to know as why the actual despatch were so abnormally low or high in all these cases.

4.56 The Committee further recommend that henceforth the SLC should determine the linkages in a more rational way keeping in mind the genuine requirements of the power houses. This would not only eliminate infructuous inventory management by coal industry for supply to power houses but would also enable them to utilise these stocks for supply to other needy sectors.

4.57 A very serious matter that has come to the notice of the Committee is the non-payment of out-standing dues by various user sectors to the Coal Companies. These have steadily mounted from Rs. 3040.98 crores on 31.3.1993 to Rs. 3837.91 crores on 31.3.94 and Rs. 4219.9 crores on 31.3.95. Power sector happens to be the biggest defaulter in all these years with its outstanding dues being Rs. 2400.23 crores, Rs. 3055.91 crores and Rs. 3392.68 crores respectively during this period. This has created a serious resource crunch for the Coal Companies.

4.58 The Committee have been informed that w.e.f. 1st October, 1991 a 'Cash & Carry System' has been introduced for power utilities. Though this system worked satisfactorily at in initial stages, it could not be enforced rigorously since generation of power is considered a key-input for economic growth and coal supplies had to be continued even to defaulting power utilities.

4.59 Subsequently, the issue of accumulated dues has also been considered by Committee of Secretaries in March, 1994 which has decided on a mode of advance payment or opening Irrevocable Letter of Credit to the tune of 105% of their past average monthly billing. After the enforcement of this decision the Committee have been told that there has not been any appreciable increase in the outstanding dues from the power sector during the current year.

4.60 In the opinion of the Committee the huge un-paid dues are a very serious situation more so with the peculiar position the coal industry is faced with. While on one hand the pricing and distribution of coal are under statutory control on the other the coal industry is also compelled to keep on feeding defaulting power utilities the pretext of power generation being considered a key-input for economic growth. Such excessive, enforced regime has all but stifled the commercial instincts of the coal industry.

4.61 It is beyond comprehension as to why the coal industry should be made to suffer for the fault of other industries, however, important they may be.

4.62 The Committee note that a beginning towards leading the coal industry out of this morass has already been made, albeit belatedly, by the Government and power utilities are now procuring coal through advance payment or irrevocable LC. This step though would not allow further accumulation of dues but like wise it would not also help in liquidation of the past dues which are mammoth to say the least.

4.63 While the Committee desire that there should be no let-up in the payment system being followed for current procurement, a mechanism should also be worked out to ensure that the outstanding dues are also liquidated in a time bound manner and not exceeding the next twelve quarters at the most. They also desire that the matter of realisation of outstanding dues from the ailing State Electricity Boards and Power Utilities should be taken up at the highest level in the State Governments.

NEW DELHI;  
March 11, 1996  

---

Phalguna 21, 1917(s)

S.B. SIDNAL,  
Chairman,  
Estimates Committee.

## **APPENDIX I**

### **COMPOSITION OF ESTIMATES COMMITTEE (1994-95)**

#### **CHAIRMAN**

**Dr. Krupasindhu Bhoi**

#### **MEMBERS**

2. Shri B. Akber Pasha
3. Shri A. Asokaraj
4. Shri P.K. Bansal
5. Shri Anadi Charan Das
6. Smt. Saroj Dubey
7. Shri Chhitubhai Gamit
8. Dr. Parshuram Gangwar
9. Shri B.S. Hooda
10. Shri Imchalemba
11. Shri Berclal Jatav
12. Shri Dau Dayal Joshi
13. Smt. Sumitra Mahajan
14. Shri Suraj Mandal
15. Shri K.M. Mathew
16. Shri B.P. Mehta
17. Shri Ajoy Mukhopadhyay
18. Shri Kabindra Purkayastha
19. Shri Mohan Rawale
20. Shri S. Raychaudhuri
21. Shri K.P. Reddaiah Yadav
22. Shri Rajnath Sonker Shastri
23. Shri Rampal Singh
24. Shri Satya Deo Singh
25. Shri K.D. Sultanpuri
26. Shri P.C. Thomas

27. Shri Arvind Trivedi
28. Shri Lacta Umbrey
29. Shri Sobhanadreeswara Rao Vadde
30. Shri D.P. Yadav

## APPENDIX II

### STATEMENT OF RECOMMENDATIONS/OBSERVATIONS

Sl. No.	Para No.	Recommendations/Observations
1.	1.11—1.15	<p>The Committee note that coal industry was nationalised in the early seventies due to the incalculable importance of this precious mineral in the economy and development of the country. Thus as on date the development and exploitation of the coal reserves in the country is the preserve of Ministry of Coal. The Ministry effects ground level administration and management of the coal industry through Coal India Limited (CIL), a public sector undertaking and its eight subsidiaries.</p> <p>It is also heartening to note that the coal reserves of the country, as per the current estimation are going to last at least another half a millennium.</p> <p>Coal being the life-line of the country, energising its economy, industry, homes and hearths, power plants, etc. The Committee feel that with the limited life span of the oil reserves of the world, coal reserves, which would definitely outlive oil reserves, will assume still more strategic importance in the coming years as a readily available source of energy.</p> <p>Secondly, and more importantly a nation's life far outspans periods like half a millennium.</p> <p>Therefore, the Committee consider that production of coal should be guided more by the conservation angle than merely from the angle of exploitation for the sake of fulfilling targets. More in this regard has been commented upon in the chapters ahead.</p>
2.	1.16—1.18	<p>From the figures of drilling productivity of various agencies submitted by the Government, the Committee observe that barring CMPDIL, the performance of other agencies has remained more or less static or some what retrogressive. While drilling performance of CMPDIL has shown progressive</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>trend and has almost doubled during the last decade or so, the performance of MECL has shown an improvement of hardly 10% during the corresponding period. The performance of private parties has been further worse with the drill productivity going down by almost 50% from 81 m/drill/month in 1984-85 to 41 m/drill/month in 1994-95.</p> <p>The Committee further observe that since 1973-74 exploration has been completed in 592 blocks and a total of 65 billion tonnes (approx.) of coal reserves have been established till date.</p> <p>The Committee therefore, desire that in view of the huge demand emergence being anticipated in the coming ten years not only should the exploration be completed in the remaining blocks in a time-bound manner but it should also be ensured that various drilling agencies are suitably geared up and equipped for the task.</p>
3.	2.16—2.23	<p>The Committee note that though coal mining has been taking place in India for more than two and a half centuries, it has gained momentum only during the last two odd decades or so. Consequently despite sufficient technological advancement and streamlining of procedural aspects the planning to commissioning stage of a coal mining project varies between 7 to 10 years for opencast projects and 10 to 15 years for underground projects. The abnormally long time taken for commissioning of these projects is due to various reasons including the long time taken in feasibility studies, mine planning, appraisal and scrutiny of the proposals for investment decisions, forestry and environmental clearances, land acquisitions, development of infrastructural facilities, delay by outside agencies, amount of excavation work and a maze of other related problems.</p> <p>Amongst all the issues enumerated above the Committee understand that it is the land acquisition and related matters, which cause most delays in commissioning of coal mining projects. The problems being faced by the Government in this endeavour</p>



Sl. No.	Para No.	Recommendations/Observations
		<p>include difficulty in Physical Possession, due to stiff resistance of ex-land owners; non-availability of suitable land for compensatory afforestation where forest land has been acquired; abnormal demand-for employment, compensation and rehabilitation benefits by the land owners; delays in transfer of land due to different practices introduced by various State Governments for acquisition of land; large scale encroachments; high prices demanded by State Governments for the land; introduction of legislations by State Governments putting additional burden on Coal companies with respect to acquisition of land, grant of mining leases and extension of mining leases for working in forest areas.</p> <p>It is also noted that to overcome difficulties being faced in land acquisition and in order to ensure timely completion of coal mining projects the Ministry has from 1989-90 onwards adopted the process to two stage clearance. Besides keeping close liaison and interaction with various State Government agencies, close monitoring of projects is also being done for expediting the process.</p> <p>The Committee appreciate the difficulties being faced by the Ministry in timely commissioning of coal mining projects. However they feel that none of the problems/difficulties brought to their notice by the Government are insurmountable. Basically, it is the lack of anticipatory planning and foresight, which not only creates difficulties but also leads to a cascading effect on the entire implementation process.</p> <p>It is an established fact that the Ministry and all the specialised agencies under its command do have institutional setup, as also institutional memory. And still, if they keep on facing similar set of problems and respond in the way they have done countless times earlier, then it means that the lessons of the past have not been learnt.</p> <p>This view of the Committee is further corroborated by the lackadaisical performance of the Ministry even after the process of two stage clearance has been</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>adopted from 1989-90 onwards. Out of 29 projects costing Rs. 20 crores and above that have been sanctioned during or after 1989-90, 10 projects have been delayed by periods ranging between one to four years.</p> <p>The Committee are, therefore, of the view that since coal mining has to remain in continuum for centuries to come knee-jerk type of planning by the Ministry should give way to a systematic work culture where experiences, bitter or otherwise should form the basis of further planning. Mistakes/lapses/shortcomings tend to compound when put under the carpet.</p> <p>They also desire that an in-depth analysis of the reasons for delays, project-wise, of all these projects be carried out and responsibility fixed accordingly.</p>
4.	2.24-2.25	<p>The contention of the Ministry about close liaison and interaction with various State Government agencies as also its claim regarding close monitoring of projects at various levels also does not appear convincing to the Committee as they go by its performance at the field level.</p> <p>The Committee therefore desire that the present system of two stage clearance be thoroughly reviewed to ascertain shortcomings which are hampering its effectiveness and necessary correctives are put in place without any loss of time. More so because the coming decade is definitely going to put the Ministry's capabilities to a serious test.</p>
5.	2.26-2.27	<p>The Committee would even at the risk of sounding repetitive, delve upon a basic aspect pertaining to introduction of stricter accountability norms in the planning and implementation of developmental projects. Despite existence of sufficient provisions for ensuring accountability at all levels in the Governmental functioning, it is common knowledge that cases where these have been invoked are few and far between.</p> <p>In the opinion of the Committee, therefore, when developmental projects are enjoying a major chunk of</p>

Sl. No.	Para No.	Recommendations/Observations
		country, resources people who are entrusted with the responsibility of planning and implementing them should be made accountable to each rupee and each minute overspent or wasted by them. The Committee would like the Ministry to work out modalities in this regard with Ministry of Finance and the Department of Programme Implementation. A judicious blend of reward and punishment would in the view of the Committee go a long way in improving the management of the implementation process.
6.	2.28	The Committee would like the Government to impress in no uncertain terms and at the highest level upon State Governments that a more co-operative interaction between their various agencies to jointly tap this precious mineral resources is imperative not only for integrated development but also for mutual benefit.
7.	3.138— 3.145	<p>The Committee note that coal is the principal resource of energy available in the country. With the passage of time it is going to assume added importance since not only are the oil reserves, the world over, depleting at a fast pace no other energy source be it nuclear, hydel or non-conventional show any promise of replacing coal as an energy source in near future. Not for nothing has the demand for raw coal shown a more than 250% increase in a short span of a decade and a half between 1976-77 and 1992-93 rising from 99.10 million tonnes to 258.10 million tonnes in the said time period.</p> <p>The working group on Energy Policy (1979) had rightly emphasised the growing importance of coal as a viable energy source in the years to come. The Group has also recommended, and justifiably so, the need for revamping procedures for decision making on investment and production.</p> <p>In so far as investment in coal industry is concerned once a project is identified a feasibility report is brought up and it is examined in an interministerial group. Thereafter, it is sent to the Public Investment Board for detailed consideration. For the purpose of</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>approval all proposals above Rs. 50 crores are sent to the Cabinet Committee on Economic Affairs while those below this amount can be cleared by CIL itself.</p> <p>The Committee further note that the technical formula for working out demands of coal by various sectors is based on the calorific requirements of a particular end product. However, at the macro level the demand of coal in the country is worked out by the Planning Commission taking into account the growth of consumer industries. Besides this, projected demand, the Committee have been told, the target of production of coal is also decided by taking into consideration the production potential of the coal fields, optimal mine wise production mix and utilisation of capacity of individual mines to maximise the return on investment.</p> <p>The Committee observe that indigenous coal production can take care of the demand of coal in the country with the present level of production and the coal inventory held by it. The level of such coal stock at a given time are roughly around 3 months of coal production. Notwithstanding all this some amount of import of coking coal by steel sector is expected to continue for blending with Indian coal for achieving the quality parameters required by the steel sector.</p> <p>The Committee further observe that the coal industry has in the past catered to the entire requirement of the demand of coal in the country. Furthermore it has also initiated measures in respect of mobilisation of resources, improving of coal quality, improving the efficiency of operations and realising of outstanding dues so as to increase production in order to cater to future requirements. Sadly however, the demands imposed on it as a matter of rule do not materialise in full since most of time these are grossly over-pitched. For instance while the demand of coal in the year 1992-93 as assessed by the Planning Commission was 258.10 MT and 5.3 MT of middlings the actual off-take at 241.69 MT (including imported coal) and 2.47 MT respectively was far short of this assessment.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>The Committee feel that such inflated assessment of demand for coal is not in the national interest. As coal is produced in accordance with the demands made and is usually stored in open, lesser off take than projected demand lead to storage losses. Secondly and more importantly avoidable exploitation of this precious mineral which in its wake also causes environmental and other problems, is resorted to in order to meet the demands which finally do not materialise.</p> <p>The Committee therefore, recommend that henceforth the demand assessment should be made carefully on a more scientific basis so as not to burden the coal industry with over pitched figures as also to avoid man-power and storage losses.</p>
8.	3.146— 3.149	<p>The Committee find that at the beginning of Eighth Plan stocks at CIL pitheads were to the tune of 47.8 MT which had further risen to 49.7 MT with marginal liquidation of 0.43 MT in 1993-94. In the mid-term appraisal CIL proposes to liquidate 4 MT of stock in successive years. As mentioned else where the pithead stocks are roughly about 3 months production of CIL.</p> <p>In view of the Committee there is no logic to justify such a huge inventory at pitheads of Coal Companies. While systematic and measured, need based production concept is being followed the world over the Indian Coal Industry is unnecessarily burdening itself with a massive inventory worth several hundred crores. This is being done and sadly so despite being fully aware that even the projected demands do not materialise after all. The huge pithead stocks are further not justified because the industrial relations in coal industry during the past so many years also do not warrant any such pre-emptive measures.</p> <p>It is the firm opinion of the Committee that the pithead stocks in such massive quantities are not only prone to storage losses and pilferage but also one of</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>the major source of manipulative practices like overreporting, etc.</p> <p>Furthermore since the user sectors are also expected to stock a certain quantity of coal so that they do not run out of coal supplies, it is also not incumbent upon the coal industry to maintain such high level of pithead stocks. The Committee, therefore, recommend that the level of coal stocks at pitheads should be accurately assessed company-wise, and reported back to the Committee. The pithead stock inventory should be reduced to months of average annual production within a period of two years.</p>
9.	3.150	<p>The Committee have also noted that 103 projects/schemes have been identified for additional coal production during the Eighth Plan Period and beyond. About the time schedule of these projects the Ministry have stated very confidently that 'every approved scheme had a definite time schedule'. Though the Committee would like to share the confidence of the Ministry but going by the past performance of the Ministry as can be seen from the previous Chapter, the Committee cannot but reiterate their desire that the Ministry should, if it has to live upto the assurance made to the Committee, drastically improve upon its Planning, implementing and monitoring machinery in order to achieve its objectives in a systematic and time bound manner.</p>
10.	3.151—3.155	<p>Productivity in opinion of the Committee is the best and most reliable indicator of the performance of be it an individual or an organisation. The Committee note that as far as technologies are concerned, in underground mining Indian Coal industry is still continuing with traditional methods, however in case of open-cast mining which contributes for more than 70% of the total coal production, India is using the same equipment configuration as are being used in advanced countries like Australia, USA and Russia.</p> <p>A comparative analysis of the productivity figures of Indian Coal industry with those of other major coal producing countries however presents a very dismal</p>

Sl. No.	Para No.	Recommendations/Observations
11.	3.156	<p data-bbox="315 256 971 451">picture. While productivity (output per man shift) in underground mines in USA and Australia is as high as 18,00 tonnes and 15,60 tonnes in case of the indigenous industry this is pathetically low at 0.55 tonnes and 0.71 tonnes in CIL and SCCL respectively.</p> <p data-bbox="315 465 971 687">Even in case of open-cast mines in which as per the admission of the Ministry. India is behind none in equipment configuration the productivity is 4.00 tonnes and 4.30 tonnes for CIL and SCCL respectively. These figures hardly stand any comparison when compared to the OMS of 40.20 tonnes in USA and 34.68 tonnes in Australia.</p> <p data-bbox="315 706 971 1481">While the Committee agree with the contention of the Ministry with regard to low productivity in underground mines due to low mechanisation and non-viability, they do not think that this is the main reason for this malaise as underground mines contribute less than 30% of the nations coal production. Still even if this leeway is granted to the Ministry there is no justification behind the abysmally low OMS in the open cast mines which accounts for the bulk of coal production in the country. More galling is the fact that this situation obtains despite most advanced configuration equipment being used in the country. The Ministry have cited the example of Piparwar open cast mines where an OMS of 20.60 tonnes has been achieved. Coming to the issue of excessive manpower which has been offered as an alibi for low productivity by the Ministry, the Committee do not consider this as convincing since traditionally Indian industries have been manpower intensive because of demographic and social considerations. Furthermore, there are other manpower intensive industries like steel, railways and banking who have shown considerable improvement in productivity despite similar constraints.</p> <p data-bbox="315 1499 971 1559">A very serious matter on which the Committee would delve upon is the accuracy and quality of information</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>submitted by the Ministry to them in connection with the subject under examination. Not only did the Ministry delay submission of information almost on all occasions but even when submitted figures two to three years old or even more older were chosen to be categorised as 'provisional'. 'More importantly', the figures submitted to the Committee were at variance with the figures for the same items as published in other publications of the Ministry like its Annual Reports, etc. the two tables cited previously in this Chapter on Production, Despatch and Stocks are concrete examples. Since Annual Reports are also laid on the Table of the House, it is incomprehensible as to where the Ministry had erred i.e. while submitting material to the Committee or in the Annual Report. However, in either of the cases the lapse only deplorable.</p>
12.	3.157— 3.163	<p>The Committee have taken note of the fact that the sale prices in coal industry are fixed on the basis of a formula prescribed by BICP for revision of coal prices to take care of escalation in price of inputs used for coal production. They have further noted that Government have been revising coal prices periodically on the basis of the escalation formula.</p> <p>The Committee, however, do not agree with the contention of the Government since the price increases as can be seen from the relevant portion of this Chapter is not rational to say the least. For instance in 1993-94 in case of CIL when the average cost of production was Rs. 364.35 per tonne (including Rs. 19.93 as average over head cost) the average sales realisation was Rs. 400.12 per tonne. Apparently the difference of about Rs. 36.00 i.e. 10% of the production was the margin of CIL. However, in 1994-95 while average production cost rose to Rs. 386.75 per tonne (including Rs. 20.42 as average over head cost) the average sales realisation was Rs. 409.80 per tonne thus the margin has been reduced to about Rs. 23 per tonne i.e. 6% of the production cost. Obviously not only has the increase</p>



Sl. No.	Para No.	Recommendations/Observations
		<p>in average overhead cost been ignored while working out increase in prices but even the margin has been reduced from 10% to 6%. It is the surmise of the Committee that either the BICP formula is flawed or the Ministry has not implemented it in the right earnest.</p> <p>That, another coal producing entity the SCCL has similarly continued to suffer huge losses in the process is a sad reflection on the commercial sense of the Government.</p> <p>The Committee find that as on date the coal prices are regulated by the Government. The logic extended by the Ministry in this regard being 'certain economic considerations' and that because of 'the special character of the coal industry, there is a feeling amongst the users in other industries that a little more consideration should be given to it'. The problem from the Government's point of view is so vexed that the Secretary of the Ministry, who should have ordinarily spoken in tune with what would be beneficial to the coal industry, is led to admit that he is not being in a position to give a straight answer. To further worsen the plight of coal industry and in the own words of the Government 'it has so happened' that the revision of coal prices, which as per the Government's own policy are to be revised once in a year, have not been revised in time thus making the coal industry suffer a great deal in terms of realisation because arrear bills cannot be raised against the consumer. Nothing could have been more detrimental to the coal industry than this abnormal delay in the revision of coal prices by the Ministry.</p> <p>The Committee also note that the coal industry has while pleading its cause for removing controlled-price regime stated that since and products of all users other than the power sector are not regulated by price control it should also be put on the same footing. In the considered opinion of the Committee in the present era of liberalisation when market forces are deciding the fates of all sector of trade and</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>industry, keeping the coal industry in the shackles of price regulation is not justified. The free market economy being propagated now-a-days also requires removing of such regulations which are not in commercial interest of the producer industry.</p> <p>The Committee have been informed that the issue of decontrol of coal prices is under consideration of the Ministry for quite some time now. They, therefore, desire that a decision in consonance with the views of the Committee expressed in preceeding para be taken without any further delay. The Committee would, however, like to stress that the decontrol of prices should also be accompanied by improvement in productivity of the coal industry, drastic reduction in overhead costs and an effective strategy to reduce the vastly surplus man power, so that any effect of the price increase due to decontrol of prices are not passed on to the small consumers particularly the low per-capita income segment who are the majority of the population in the country having limited purchasing power.</p>
13.	3.164— 3.170.	<p>Manpower is one of the most important factors on which things the fortunes of any organisation. This factor gains further importance when the organisation happens to be an industry because there the questions of commercial viability and productivity also comes into consideration. The Committee note that as on 31st December, 1994 the strength of employees of CIL stands at 6,46,326 while in SCCL it is 1,14,402 on the same date. The Committee have been informed that this level of manpower has been a legacy of pre-nationalisation days. However, and strangely enough, there is no information available with the Ministry in regard to the workforce at the time of nationalisation of BCCL, ECL and CCL, though a total of 4,87,615 employees were on the roll of these companies as on 1st April, 1975 (i.e. the date of formation of CIL as the holding company) which is about two years after nationalisation was effected.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>In the opinion of the Committee the Ministry's contention about 'it inheriting a seven lakh force in the coal industry on nationalisation is not based on facts. If the workforce was less than five lakhs on 1st April, 1975 it is incomprehensible that more than seven lakh were on rolls of coal industry hardly two years back and that too in the private sector, which as all know is certainly man-power frugal as compared to the Government sector.</p> <p>Apparently the Government has not careful having a cogent management policy in this regard. The coal industry it seems has been made a haven for employment seekers without any serious thoughts being given to the harmful consequences of such recruitment spreecs. When as per the own admission of the representative of the Ministry even eighty year old persons are yet to retire the situation is certainly grave. Curiously, and as expected, the age profiles of such employees are not available. The Committee really wonder at the management skills of concerned authorities in this vital sector.</p> <p>The question of 18 mines facing closure and possibility of 15000 employees being left in the lurch has also been gone into by the Committee. Here again while a number of justifications have been extended about the reasons leading to closure of these mines, the Ministry strangely does not have a specific answer regarding the workers rendered surplus in the process. Even the overall figures of surplus employees as on 1st April, 1994 which were provided to the Committee in coal industry in May, 1995 indicate only 45000 persons as surplus. The Committee find it intriguing as to why the Ministry which has been throughout harping on the problem of coal industry due to excessive manpower is not equipped with latest facts and figures on the subject matter. The deplore the manner in which the things are being reported to the Committee.</p> <p>The same clement of non-seriousness and unconcern on the part of the Ministry is visible from</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>the information submitted by the Ministry in regard to the various measures being resorted to by the coal industry to tackle the problem of surplus manpower. In May, 1995 the position regarding re-deployment of manpower within the company from surplus to shortage areas and retraining of surplus manpower to meet the requirement of skilled manpower was 'information is being collected' and to the chargein of the Committee status quo was maintained by the Ministry in this regard, when it was asked to submitted updated information in this regard 7 months later in December, 1995.</p> <p>Out of 45 odd thousand surplus employees identified by the Ministry, hardly 20 per cent have been curtailed by the way of redeployment/voluntary retirement. This is a sorry state of affairs and not behoving of an organisation mandated statutorily to administer the coal industry. They expect concrete action from the Ministry in this regard.</p> <p>The Committee therefore desire that not only be a cogent, scientific and reliable data-base be developed by the Ministry on manpower &amp; surplus employees by overcoming the off repeated, so-called problems of lack of records or they being manually operated, etc. but a time-bound crash action plan be also devised to take care of this problem in a realistic and pragmatic manner so as to make the coal production an economically viable preposition.</p>
14.	3.171— 3.173	<p>The Committee find that over-reporting of coal production is a deep rooted malaise conclusively proved at least in the case of BCCL. Even prior to Mishra Committee, there have been at least two other enquiries including one by a sub-group of the consultative Committee of the Ministry of Energy in 1986 and 1990 respectively. Significantly, while both these Committees made recommendations of far reaching import on the subject matter, the Government sadly failed to take the cue and none of their recommendations were seriously implemented. One single recommendation of the Panigrahi</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>Committee about meting out exemplary punishment to employees violating laid down procedure, if implemented sincerely would have made the entire difference. The Ministry however tried to avoid its responsibility of being the overall supervisor of the coal industry by time and again taking excuse behind Panigrahi Committee and Sinha Committee not being Government Committees. It has also tried to create an impression albeit erroneous that it came into picture or was in a position to act only after Mishra Committee looked into it. The Panigrahi Committee Report came almost a decade back and the Sinha Committee Report was submitted in 1990. Through its deliberate inaction in these many years, the Ministry allowed not only the malaise of over-reporting to fester but by not taking any action against the delinquent officials, it sent a signal of being a silent sepectator to this sordid episode. Thus, millions of tonnes of coal was produced but only on paper; officials at senior levels managed to secure accolades and promotions though wholly undeserving; and the juniors were content with cash incentives and other perks without even straining a muscle. This happened right under the nose of the Ministry, and the Committee can safely presume, with its full knowledge, since the coal subsidiaries do have officials of the Ministry of Coal on their Boards.</p> <p>The murky goings-on in the coal industry; the total abdication of the Ministry towards its statutory commitments; and with the benefit of hindsight, the Committee also think that the coal stock over-reporting can have a diametrically opposite dimension as well. It is quite possible that the so-called inflated production is the real production and the shortage have occurred due to siphoning-off of massive quantities of Coal.</p> <p>The Committee therefore recommend to the Government that the entire matter be handed over to the Central Bureau of Investigation for a detailed investigation into all its ramifications and the guilty</p>

Sl. No.	Para No.	Recommendations/Observations
		should be meted out strictest possible punishment under the law of the land.
15.	3.174— 3.186	<p data-bbox="313 347 974 669">The Committee note that book stock of coal, coke, etc. is adopted for the purpose of accounts where the variances between 'book stock' and 'measured stocks' are within +5% otherwise 'measured stocks' are adopted for the said purpose. This latter course is being resorted to according to the Ministry to reflect true and fair picture of the affairs of the companies as also because of the short time in between when the report of stock measures is available and the finalisation of accounts.</p> <p data-bbox="313 669 974 964">The Committee are not at all convinced by the logic extended by the Ministry since till now it has been looking at the matter only through the picture painted by fudging of accounts or through still more questionable means. They are therefore the opinion that whatever may be the problems, the system should be immediately changed on the lines suggested by the Mishra Committee so as to leave no scope for manipulative practices.</p> <p data-bbox="313 984 974 1565">The Committee observe that for all stock shortages beyond 5% and in excess of 1000 tonnes, disciplinary action is initiated after completion of physical stock verification. About the fate of cases of shortages the Ministry has quite confidently stated that action had been initiated in all such cases. However, the Ministry's intention has perhaps remained confined to only initiating cases with no further intention of taking these cases to their logical conclusions. Two such cases which were initiated on 1st April, 1990 have been illustrated earlier in this Chapter. While in one case involving shortage of 63000 tonnes the concerned persons were charge sheeted on 9.11.1990, the inquiry was instituted almost a year late on 10.10.1992 by appointing a particular officer as Inquiring Authority. The inquiry lingered on till July '94 till the said Inquiry Authority was posted out on promotion. Significantly, it was not considered</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>appropriate to hand over the said inquiry to some other officer under the plea that the incumbent had completed a major part of the inquiry. The result is anybody's guess that 'due to preoccupation the Inquiry Authority has not been able to complete the inquiry' and that 'he has been reminded once again to come' to Dhanbad in September, 1995 to conclude the inquiry'.</p> <p>Thus more than five and a half years have gone by without the guilty being brought any nearer to justice.</p> <p>In the second case involving stock shortage of over 92,000 tonnes the charge-sheet framed against the concerned Agent was returned by the concerned authority stating that 'the shortage pertained to a period prior to the charged officer taking over as Agent in October, 1989'. Nothing could have been more baffling than this explanation. The concerned authorities however did still better they took years together (Ministry's version being 'some time') to finally issue a charge-sheet on 15.3.1993. The snails pace continued on and an Inquiry Authority was appointed on 29.7.1994 i.e. more than 15 months later. However, as was expected the Inquiry Officer superannuated on 31.10.1994. Another one was appointed on 7.2.1995 and the inquiry was in final stages.</p> <p>The Committee need not comment further on this laissez faire approach of the Government towards ensuring rule of law in the coal industry.</p> <p>The saga of this inaction on the part of the Government does not end here. It agrees that the 'action taken by BCCL on the basis of K.A. Sinha Committee Report was tardy delayed or very little'. It also admits that if the Sinha Committee Report was implemented sincerely things would not have come to such a pass. But simultaneously it also contends that 'it had not tried to fix responsibility for non-implementation of the Sinha Committee Report since its objective was not to witch-hunt but to improve the system'.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>In regard to the R. N. Mishra Committee the Committee observe that it came into existence by an order dated 27th July, 1992 as a sequel to a meeting of Board of Directors of BCCL held on 24.12.1991 where a shortage of 36.40 lakh tonnes was reported.</p> <p>The Committee also note that the Report of Mishra Committee had found that not only was the Management in the know of the goings on pertaining to stock shortages or was playing a collusive role but it was instigating over-reporting of production. To buttress its claim the Mishra Committee had graphically explained the quantum of over-reporting during the tenure of various CMDs of BCCL.</p> <p>The Committee further note that two of the four indicted CMDs who were still in service were served show cause notices in 20.5.1994 and after considering their replies Government decided to close the cases against them. The remaining two CMDs who had retired before Mishra Committee was set up could not be proceeded against because there is no provision in the Conduct, Discipline and Appeal Rules, 1978 of CIL to initiate disciplinary proceedings against retired employees. Furthermore, the Government felt that initiating criminal proceedings against the retired CMDs only because departmental action was not possible, was not considered reasonable because the same would have been discriminatory between the serving and retired CMDs. Thus a decision had been taken by the Government on 9.3.1995 not to initiate action against the retired CMDs.</p> <p>The contention of the Ministry betrays a lot of inexplicable and misplaced concerns about the persons who were at the helm of affairs of BCCL when over-reporting in production was rampant. The Committee therefore recommend that the cases of serving CMDs should be referred to the Central Vigilance Commission and further action taken as per their advice.</p>



Sl. No.	Para No.	Recommendations/Observations
16.	3.187—3.192	<p data-bbox="322 274 980 566">The Committee are indeed surprised to know that the Conduct, Discipline and Appeal Rules, 1978 of CIL do not contain any provisions for initiating disciplinary proceedings against retired employees. This in view of the Committee is nothing but a licence for persons on verge of retirement to indulge in irregularities/malpractices being comfortable in the knowledge that the impending retirement would mean freedom from all accountability.</p> <p data-bbox="322 584 980 738">The Committee therefore recommend that suitable provisions in regard to ensuring accountability of retired employees for irregularities Committed while in service should immediately be incorporated in the said Rules.</p> <p data-bbox="322 760 980 1011">Coming to the instant case the Committee feel that the reply of the Government clearly indicates that there are grounds for initiating criminal proceedings against the retired CMDs. Action in this direction however is not forthcoming because the Government 'considers it unreasonable as the same would discriminatory between the serving and the retired CMDs.'</p> <p data-bbox="322 1033 980 1321">The Committee however do not agree with the justification offered by the Ministry. The top executives in various Government organisations enjoy tremendous power and in the fitness of things they should be made to pay for their acts of omission and commission. The Committee, therefore, recommend that criminal proceedings against the said persons be initiated forthwith and carried to their logical end expeditiously.</p> <p data-bbox="322 1339 980 1590">Coming to the performance of the Ministry while implementing the Report of Mishra Committee, the Committee note that the Report was submitted to the Ministry on 24.12.1993 recommending action against 230 executives. The Ministry after examining the recommendations forwarded the Report to CIL on 22.4.1994 advising initiation of action against concerned executives. During the next year and a</p>

Sl. No.	Para No.	Recommendations/Observations
<p>quarter no substantial progress has, however, been achieved because 'there was no proper incharge of vigilance for about a year'. More importantly because 'same records are used in different cases'. Due to these reasons out of 56 cases in CIL only 32 have been charge-sheeted. Similarly out of 45 other officers who had been recommended by the Mishra Committee for being debarred from holding field posting/sensitive posts for five years, 2 have been removed from service and 13 have been transferred. Out of the remaining 30, six have already retired. In case of 12 others decision is yet to be taken about their further deployment. The remaining 12 have not been shifted considering the requirement and also the difficulty in getting substitutes in their places.</p> <p>As in case of past Committees the Ministry's response to the Report of Mishra Committee is downright dismal. The absence of a proper incharge of vigilance has been floated as a reason for delayed response to the recommendations of the Mishra Committee as if the vigilance machinery was paralysed without this one man-machine.</p> <p>The Committee deplore the Ministry's response time in withdrawing guilty persons from sensitive field postings. For 30% of them decision about further deployment is yet to be taken though 15 months have passed in between. For another 30% the Government lands itself in a piquant situation because it is finding it difficult to get substitutes in their place. The Committee are at a loss to understand as to what more is required to spur the Government into action.</p> <p>The admission of difficulty in getting substitutes in place of guilty officers though a fact and an indicator of Ministry's inept tackling of the situation, is in any case deplorable.</p>		
17.	3.193— 3.196	From the Mishra Committee Report, the Committee observe that large quantities of stones are being mixed in Coal to make up for shortage in production. This practice however causes serious damages to the machinery in Thermal Power Plant and other

Sl. No.	Para No.	Recommendations/Observations
		<p>industries. The Ministry however contends that during mining process some admixture which is unintentional does take place. An analogy has been drawn with the presence of stones in pulses, grains, rice, etc. being procured for house holds. However, according to the Ministry physical removal of stones is possible if a few hundred thousand extra people are deployed for the purpose.</p> <p>The Committee do not agree with the alibi or analogy offered by the Ministry regarding the presence of large quantity of stone in coal despatches. Coal is a commercial product for which the Ministry is duly paid money by the consumer sectors, hence notwithstanding the admixture during mining process it is the bounden duty of the Ministry to ensure that the end product is of the requisite quality.</p> <p>On the problem of extra man-power in coal industry, while throughout the Ministry has been harping on this aspect here it has made a request for not hundreds but a few hundred thousand persons for removing stones from coal stocks. It is indeed ironic that while in one breath the excess man-power is taken as pretext for low productivity, lack of the same is cited in the next breath as reason for the Ministry's failure to ensure removal of stones from coal stocks.</p> <p>The Committee, therefore, recommend that immediate steps should be taken by the Ministry to ensure that surplus man-power instead of being kept idle is gainfully entrusted with the task of removal of stones from coal stocks.</p>
18.	3.197— 3.198	<p>The Committee also note with concern that further instances of over-reporting in BCCL are piling-up. Furthermore Committees have been appointed to inquire into coal stock shortages in ECL and CCL.</p> <p>The Committee desire that similar Committees be appointed in each of the coal company with instructions to submit their reports within a stipulated time frame.</p>

Sl. No.	Para No.	Recommendations/Observations
19.	3.199	The Committee further desire that all such reports be furnished to them alongwith other action taken notes of the Government on the recommendations contained in this Report of the Committee.
20.	3.2(X)— 3.204	<p data-bbox="308 438 971 791">The Committee find that raw coal contains substantial quantities of ash which is removed mechanically by washing in the washeries. They further note that while efforts are made to restrict ash content to a 17% + 0.5% level the actual restriction is upto 19%—20% only. This is due to the fact that most of the washeries were established in fifties and sixties and therefore designed for washing better quality coals. Besides frequent breakdowns in the washeries coupled with power breakdowns also contributed towards this problem.</p> <p data-bbox="308 809 971 1035">They also note that various Committees at different times have given invaluable recommendations to improve the performance of the existing washeries but to no avail. The Ministry has, as elaborated in case of other measures for systemic improvement, not seriously cared to implement the measures recommended.</p> <p data-bbox="308 1053 971 1374">In one specific instance an Expert Committee set-up more than a decade back in 1985 recommended several far reaching measures to ensure supply of washed coal with an ash content of 17% + 0.5% to steel plants in its Report submitted in October, 1986. The recommendations of this Group were accepted by the Government and an Action Plan for their implementation was circulated to coal companies in July, 1987.</p> <p data-bbox="308 1392 971 1585">After almost ten years, the Committee observe from the implementation of recommendations by the Ministry, that while short term measures have been more or less executed the long term measures, presumably because the Ministry took the terminology literally, have been badly delayed. In a</p>

Sl. No.	Para No.	Recommendations/Observations
21.	3.205— 3.208	<p>specific case the proposed deshaling plants at Dugda I &amp; II and Sudamdhi were getting delayed because MAMC, the contractor was playing truant inspite of advance payment by BCCL. Countless interventions of Ministry of Coal with M/S MAMC and the administrative Ministry have yielded no results. As per the information submitted by the Ministry in May, 1995 the construction of these deshaling plants was expected to be completed by early 1996. However, when asked about the progress in December, 1995 it has stated that not only had the cost of the project been doubled by the contractor, the completion schedule has been staggered to 1998. The Committee consider the dismal performance of the Ministry in the direction of improving in working of washeries as continuation of its pathetic performance in other fields. However, they would emphasise that in view of the pressing need for ushering improvements in the washeries the long term measures brook no further delay. These should be implemented by the end of this Five Year Plan.</p> <p>It has also come to the notice of the Committee that despite having requisite production capacity some amount of low ash containing coal is imported by the Steel Sector. During the year 1994-95 the net foreign outgo on these imports in respect of some of the consumers was of the order of Rs. 1600 crores (approx.) The Committee however do not have the entire picture before them because coal being an OGL item, the Ministry does not have the figures of exact quantity of coal imported available with them. The Ministry although agreeable that the ash content could be reduced in locally produced coal but has always put forward the high cost escalation, due to the washing entailed in the process, as a justification for the imports.</p> <p>The Committee however observe that the cost of washing is in the region of Rs. 1700-1800 per tonne for the locally produced coal. Still the local coal is not only a cheaper and easily available alternative to the imported coal but is also in no way inferior to it.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>The Committee wonder why the Ministry is not enhancing capacity of washeries so as to provide the steel sector with coal of requisite standards to plug the outgo of precious foreign exchange on imports. They also desire that urgent measures be taken in this direction and they be apprised of the results achieved in import substitution.</p>
22.	3.209— 3.210	<p>The Committee note that pilferage of coal is a serious problem be-setting the coal industry, more so in the Eastern region due to location specific reasons. The Ministry has tried to underplay the magnitude of the problem but the fact remains that during the period 1991-94, coal worth about Rs. 4.0 crores was pilfered from the collieries. Besides the worth of coal pilfered has progressively gone up during the above mentioned period. Thus while in 1991-92 it was of the order of Rs. 94.53 lakhs, in 1992-93 it rose upto Rs. 145.82 lakhs and in 1993-94 further rose to Rs. 151.33 lakhs.</p> <p>The Committee don't find this to be a satisfactory state of affairs. They also feel that the measures enumerated by the Government to curb pilferage are not that effective. They, therefore, desire that the security and preventive measures put in place in this regard be given a thorough review to ensure that this obnoxious practice is put to an end.</p>
23.	4.4(— 4.42	<p>The Committee note that for commercial purposes coal is broadly classified as Coking Coal and Non-Coking Coal. While the former has throughout been a controlled commodity under Colliery Control Order the latter was decontrolled in 1967 only to be brought back under the Colliery Control Order w.e.f. 1st July, 1992. The reasons necessitating this being the complaints of diversion/resale of Non-Coking Coal by allottees and the need being felt by Government for taking penal actions against those found guilty of selling coal for profiteering after having obtained it on priority as actual users.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>The Committee have been informed that in view of amongst various factors, the new Industrial Policy, the Government was examining a proposal for decontrol of distribution of Non-Coking Coal.</p> <p>The Committee, however, desire that any decision regarding decontrol of distribution of Non-Coking Coal should be taken giving due consideration to the fact that this should not re-open the floodgates for the malpractices that were prevalent prior to July, 1992 and that adequate availability of non-coking coal should be ensured through increased production and efficient distribution network.</p>
24.	4.43— 4.48	<p>The Committee note that the market segment for coal is broadly classified into Core Sector and Non-Core Sector. While the former consists of supplies to Power, Steel, Defence, Fertilisers, Cement, Loco and Coal for export, the latter includes coal consumers covering wide cross section of industries and domestic users. The Core Sector accounts for 80% total off take of locally produced coal.</p> <p>They have further noted that the demand and distribution to the Core Sectors is fixed in the Linkages Committees in advance. Each Linkage Committee includes senior officials of respective Ministry/Authority, who participate in the discussions and fix up linkages. In so far as the Non-Core sector is concerned a Linkage Committee within CIL determines the demand and supply position industry-wise. Besides Liberalised Sales Scheme whereby a consumer could purchase coal against deposition of coal value in advance without any linkage/sponsorship is also in vogue. In S.C.C.L. the distribution to Non-Core sector is done on the basis of the recommendations made and norm fixed by the Technical Advisory Committee appointed by Government of Andhara Pradesh in 1983.</p> <p>A notable feature of the distribution mechanism in S.C.C.L. is that the entire marketing operation is computerised. This not only streamlines the procedural aspects of distribution but also brings in much needed transparency in it by reducing scope for malpractices.</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>The Committee have been informed that a distribution policy on the lines of that being followed in S.C.C.L. has also been recommended to CIL for emulation. The computerisation of distribution process in CIL was also in progress and already road despatches from one of the subsidiaries have been computerised.</p> <p>The Committee are of the firm opinion that computerisation of coal distribution operations would go a long way in introducing transparency, efficiency, control, flexibility and accountability in the system. They find it surprising indeed as to why this very basic systemic improvement was not thought of by the Ministry when computerisation has been successfully undertaken in several other areas more than a decade back.</p> <p>The Committee would, therefore, emphasise on the Ministry that computerisation even at this belated stage should be undertaken earnestly and expeditiously so that the computerisation of entire distribution and allied operations in the entire coal industry become a reality by the end of Eighth Five Year Plan.</p>
25.	4.49	<p>The Committee have taken a note of the need being felt by the coal industry for removal of statutory controls on pricing and distribution of coal in view of emerging globalisation, economic liberalisation and reduction of duty on imported coal. The Committee have noted that for proper distribution of coal the coal industry desired to have a greater say in allotment of wagons by the Railways and that modifications have already been proposed by them in the Railway Preferential Traffic Schedule in this regard. The Committee would like the Ministry of Railways (Railway Board) to consider the modification proposed by the Ministry of Coal in the Railway Preferential Traffic Schedule.</p>



Sl. No.	Para No.	Recommendations/Observations
26.	4.50	<p>According to the Ministry the statutory controls on the pricing and distribution of coal are limiting factors to its healthy growth. The Committee have already recommended decontrol of coal prices to the Government in the previous chapter. However in so far as distribution of coal is concerned the Committee are of the opinion that since the market segment in view of the well defined uses of coal would remain more or less the same decontrol is not going to serve any purpose. However, in view of the huge outstanding as coal sales overdues with power utilities and other consumer sectors some via-media needs to be found out to ensure that coal industry is not made to bear the costs of fallacies and incompetence of its consumers.</p>
27.	4.51- 4.52	<p>The Committee have been informed that a major chunk of coal movement is by rail. Transportation by road which constitutes about 20% comes next. The other modes used for transporting coal include rope, belt, MGR/own wagons, rope-ways, etc.</p> <p>It is also noted that barring distances of less than 10 Kms. the transportation costs through rail are substantially lower than those for transportation by road. In view of the foregoing the Committee desire that to the maximum extent possible transportation of coal should be carried out through rail. Wherever the same is not possible efforts should be made to work out such linkages where rail remains the Principal mode of transport supplemented by the other means.</p>
28.	4.53 4.56	<p>The Committee find that the power sector is the largest consumer of coal in the country. For the supply to power houses the coal companies follow the linkages decided by the Standing Linkage Committee (SLC). They have also been informed that by and large there were no major deviations either in quantity or in the source of supply from the linkage agreed in the SLC. However, the data furnished by the Ministry in this regard tells a totally different story. There are several instances as quoted in the</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>relevant table where there is not even remotest link between the actual supply figures and the demands/ linkages approved by SLC. The percentage satisfaction levels have varied between 3% to 360%. Such variations in coal demands of such a substantial order taking place do not speak well of the decision making of SLC.</p> <p>The Committee deprecate the unscientific and unimaginative way in which the linkages of this precious mineral are worked out by the SLC. It is expected that while working out the demands/ linkages of various power houses the SLC, which comprises of senior officials of Government, would be considering all relevant factors like the past requirement of the concerned power-house, its past performance, capacity reduction or augmentation, its current coal stock inventory, etc.</p> <p>The Committee therefore, desire, that they be apprised of the rationale behind the linkages fixed in respect of all the cases cited in the relevant table in Chapter IV of this Report. They would also like to know as to why the actual despatch were so abnormally low or high in all these cases.</p> <p>The Committee further recommend that henceforth the SLC should determine the linkages in a more rational way keeping in mind the genuine requirements of the power houses. This would not only eliminate infructuous inventory management by coal industry for supply to power houses but would also enable them to utilise these stocks for supply to other needy sectors.</p>
29.	4.57— 4.63	<p>A very serious matter that has come to the notice of the Committee is the non-payment of outstanding dues by various user sectors to the Coal Companies. These have steadily mounted from Rs. 3040.98 crores on 31.3.1993 to Rs. 3837.91 crores on 31.3.94 and Rs.4219.9 crores on 31.3.95. Power sector happens to be the biggest defaulter in all these years with its outstanding dues being Rs. 2400.23 crores, Rs. 3055.91 crores and Rs. 3392.68 crores</p>

Sl. No.	Para No.	Recommendations/Observations
		<p>respectively during this period. This has created a serious resource crunch for the Coal Companies.</p> <p>The Committee have been informed that w.e.f. 1st October, 1991 a 'Cash &amp; Carry System' has been introduced for power utilities. Though this system worked satisfactorily at initial stages, it could not be enforced rigorously since generation of power is considered a key-input for economic growth and coal supplies had to be continued even to defaulting power utilities.</p> <p>Subsequently, the issue of accumulated dues has also been considered by Committee of Secretaries in March, 1994 which has decided on a mode of advance payment or opening irrevocable Letter of Credit to the tune of 105% of their past average monthly billing. After the enforcement of this decision the Committee have been told that there has not been any appreciable increase in the outstanding dues from the power sector during the current year.</p> <p>In the opinion of the Committee the huge un-paid dues are a very serious situation more so with the peculiar position the coal industry is faced with. While on one hand the pricing and distribution of coal are under statutory control on the other the coal industry is also compelled to keep on feeding defaulting power utilities under the pretext of power generation being considered a key-input for economic growth. Such excessive, enforced regime has all but stifled the commercial instincts of the coal industry.</p> <p>It is beyond comprehension as to why the coal industry should be made to suffer for the fault of other industries, however, important they may be.</p> <p>The Committee note that a beginning towards leading the coal industry out of this morass has already been made, albeit belatedly, by the Government and power utilities are now procuring coal through advance payment or irrevocable LC. This step though would not allow further accumulation of dues but like wise it would not also</p>

Sl. No.	Para No.	Recommendations/Observations
		<p data-bbox="322 256 991 318">help in liquidation of the past dues which are mammoth to say the least.</p> <p data-bbox="322 333 991 657">While the Committee desire that there should be no let-up in the payment system being followed for current procurement, a mechanism should also be worked out to ensure that the outstanding dues are also liquidated in a time bound manner and not exceeding the next twelve quarters at the most. They also desire that the matter of realisation of outstanding dues from the ailing State Electricity Boards and Power Utilities should be taken up at the highest level in the Governments.</p>