THIRTY-NINTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(1994-95)

(TENTH LOK SABHA)

BHARAT COKING COAL LIMITED
(MINISTRY OF COAL)

Presented to Lok Sabha on 31 MAR 1995
Laid in Rajya Sabha on 31 MAR 1995

LOK SABHA SECRETARIAT
NEW DELHI
February, 1995/Magha, 1916 (Saka)

C.P.U. No. 748

Price: Rs. 37.00

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

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Committee on Public Undertakings
(10th Lok Sabha) on Bharat Coking Coal Ltd.

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(1993-94)

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Shri Vilas Muttemwar

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3. Shri P.K. Grover— *Under Secretary*

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* Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of Ministers w.e.f. 17 February, 1994.

** Elected w.e.f. 12.8.1993 vice Shri Sunil Basu Ray ceased to be Member of the Committee w.e.f. 9.7.1993 consequent on his retirement from Rajya Sabha.

*** Ceased to be a Member of the Committee consequent upon the retirement from Rajya Sabha w.e.f. 2nd April, 1994.

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(1994-95)

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Shri Vilas Muttemwar

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(1993-94)

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2. Shri Basudeb Acharia—*Convener*
3. Shri Ramesh Chennithala
4. Smt. Saroj Dubey
5. Shri Virendra Singh
6. Shri Santosh Kumar Sahu

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 39th Report on Bharat Coking Coal Limited.

2. The Committee's examination of the working of the company was based on the Report of the Comptroller & Auditor General of India (No. 6 of 1992).

3. The Committee on Public Undertakings (1993-94) took evidence of the representatives of Bharat Coking Coal Limited on 22nd December, 1993 and 12th January, 1994 and the representatives of Ministry of Coal on 4th April, 1994.

4. The Committee on Public Undertakings (1994-95) considered and adopted the Report at their sitting held on 12th January, 1995.

5. The Committee feel obliged to the Members of the Committee on Public Undertakings (1993-94) for the useful work done by them in taking evidence and sifting information. They would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. The Committee wish to express their thanks to Ministry of Coal and Bharat Coking Coal Limited for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Coal and Bharat Coking Coal Limited who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

7. The Committee also place on record their appreciation for the assistance rendered by the Comptroller & Auditor General of India.

NEW DELHI;
February 15, 1995
Magha 26, 1916(S)

VILAS MUTTEMWAR
Chairman,
Committee on Public Undertakings

ABBREVIATIONS

ACC	Appointments Committee of Cabinet
ASSOCHAM	Associated Chambers of Commerce & Industry
AUG/aug	Augmentation
BCCL	Bharat Coking Coal Limited
BICP	Bureau of Industrial Costs & Prices
BSEB	Bihar State Electricity Board
CC	Clean Coal
CCWO	Central Coal Washeries Organisation
CFRI	Central Fuel Research Institute
CIL	Coal India Limited
CMD	Chairman cum Managing Director
CMPDIL	Central Mine Planning & Design Institute Limited
CMPF	Coal Miners Provident Fund
CMPFC	Coal Miners Provident Fund Commissioner
COS	Committee of Secretaries
CPRA	Coal Price Regulation Account
DGMS	Director General Mine Safety
DPE	Department of Public Enterprises
EMS	Earning per Manshift
FICCI	Federation of Indian Chambers of Commerce & Industry
FR	Feasibility Report
HEMM	Heavy Earth Moving Machinery
HM	Heavy Media
IISCO	Indian Iron & Steel Company
ISM	Indian School of Mines
LHDs	Load Haul Dumpers
LV	Low Volatile
LVMC	Low Volatile Medium Coking
L/W	Longwall
MAMC	Mining & Allied Machinery Corporation Limited
MOC	Ministry of Coal
MT/mt	Million Tonnes
MTPA/mtpa	Million Tonnes per annum
MTY/mty	Million Tonnes per year
NCDC	National Coal Development Corporation
NCL	Northern Coalfields Limited
NLW	Non-linked Washery
NRF	National Renewal Fund
OC	Open Cast
OCP	Open Cast Project
OMS	Output per Manshift

OR	Operation Research
PAD	Project Appraisal Division
PERT	Programme Evaluation Review Technique
PESB	Public Enterprises Selection Board
PF	Provident Fund
PR	Project Report
R&D	Research & Development
RCE	Revised Cost Estimates
ROM	Run-of-Mine
RPR	Revised Project Report
SAIL	Steel Authority of India Limited
SDLs	Side Discharge Loaders
SECL	South Eastern Coalfields Limited
SSRC	Standing Scientific Research Committee
S&T	Science & Technology
UG	Underground
VM	Volatile Matter
VRS	Voluntary Retirement Scheme

Part A

CHAPTER I

HISTORICAL & OBJECTIVES

A. Historical Background

1.1 With the takeover and subsequent nationalisation of 214 Coking Coal Mines producing 14 million tonnes per annum as at the end of May 1972, the Bharat Coking Coal Limited (BCCL) was formed in January, 1972. Later on some non-coking mines which were nationalised in 1973 were also entrusted to this company. It became a subsidiary of Coal India Limited in November, 1975. The Central Coal Washeries Organisation was transferred from Steel Authority of India Limited (SAIL) to BCCL in October, 1983. As on 31st March, 1993, BCCL was running 52 Under Ground (UG) Mines, 13 Open Cast (OC) Mines, 27 combined mines and 9 washeries with a capacity to produce 36.19 million tonnes of coke/coal.

1.2 During the evidence of representatives of Ministry of Coal, the Committee asked the observations of the Ministry with regard to the overall working of BCCL, the Secretary, Coal stated as under:—

> "This is one of those companies, where mostly the taken over mines are being operated. Some projects have been added in the meantime. It has not been able to sustain the production from other underground mines, which comes to roughly about 60 per cent of the total capacity. But of late, it has started improving its production. The overall production is going up. Its productivity also is moving ahead when compared to the previous years. The trend of supply to the steel plants is now levelling up to the figure, which was obtaining in 1987-88. Although there is a lot of leeway still to meet the requirement of the steel plants. And our aim is to bring down the present imports from nearly 7 million tonnes of coking coal for the steel plants in another seven years time to about two to three million tonnes. This is our focus. We are working towards that.
>
> The wagon loading position has also improved. The average price realization during the last year was about Rs. 370 per tonne. It is now currently moving around Rs. 450 per tonne. They are taking certain steps which we had advised them with regard to sizing of the Coal and improving of quality. And it is showing a little better productivity and a better sense of performance. Now, it is an important part, I would say. We will have to keep a very strict vigilance over the operations and on a sustaining basis in the days to come so that the

BCCL really comes to a level, where it does not loose. Its loss was about Rs. 370 crore in 1992-93.... Nonetheless, a lot of work with regard to improving its operation will have to be done on a continuous and sustained basis. This is in short what I would like to describe about BCCL right now."

B. Objectives

1.3 Audit observed that BCCL was established with certain objectives which inter-alia include the following:

(i) To promote the development and utilisation of the coal reserves in the country for meeting the present and likely future requirement of the national economy with due regard to the need for conservation of non renewable resources and safety of mine workers.

(ii) To raise the productivity of Coal Mining and related activities through introduction of improved technology, streamlining of organisation and management and improving the skills and motivation of the work force.

(iii) To generate surpluses by optimum utilisation of production capacity, improving efficiency of operations and adopting appropriate cost reduction and cost control method.

(iv) To make efficient arrangement for marketing and supply of coal so that coal, coke and other similar derivatives are available to consumers throughout the country conveniently and at reasonable prices.

(v) To promote research and development activities on a continuing basis in the areas of coal mining, benefication, development of new coal based products and by-products, fuel technology or any other area bearing on conservation, development or utilisation of the coal reserves of the country.

However, according to the Company the investment in BCCL did not yield the desired results.

1.4 In their assessment of attainment of objectives by BCCL, Audit has observed that the Company has by and large achieved the first two objectives but the remaining objectives have been partially met.

1.5 Asked as to what extent the objective of raising productivity in Coal Mining and related activities has been achieved by the Company, BCCL in a post evidence reply stated that the overall Output per Manshift (OMS) & Productivity in BCCL currently stand at 0.88 as against 0.40 in 1972-73. OMS has more than doubled since nationalisation. The Company further stated that the objectives of raising productivity have been largely met, although the increase is not to the extent which would have made operations of BCCL financially viable which is largely on account of the inherent geo-mining constraints leading to low productivity in the underground mines.

1.6 When the Committee asked whether the Ministry have ever reviewed as to why the company could not achieve the primary objective of raising productivity in coal mining and related activities to the desired extent since its inception, the Ministry of Coal in a written reply stated as follows:—

"Regular reviews are being held of the performance of the coal sector. These reviews are held from the point of view of physical and financial performance covering various parameters like production, productivity, despatches etc. The levels and broad periodicity of these reviews are given below:—

(i) Monthly D.O. letter written by Chairman (CIL) and CMDs of Companies to Secretary (Coal).

(ii) Weekly meeting of Secretary (Coal) with senior Officers in the Ministry.

(iii) Secretary's quarterly review of CIL's performance against MOU targets.

(iv) Minister's quarterly review of MOU targets (this review is generally held after Secretary's review).

(v) Half yearly review of performance of infrastructural sectors like Coal, Power, Steel, Cement etc. by Committee of Secretaries (COS) on infrastructure.

In addition, review of projects are also being held regularly both by the Ministry of Coal and Ministry of Programme Implementation with a view to sorting out the problems and expediting pace of implementation of projects."

CHAPTER II

ORGANISATIONAL SET UP

A. Board of Directors

2.1 BCCL is being managed by a Board of Directors with a Chairman and Managing Director and four whole time functional Directors.

2.2 When asked what is the sanctioned and actual strength of the Board of Directors of the Company including functional, Government and non-official Directors, separately, the Ministry of Coal in a written reply stated as under:—

> "As per the Articles of Association of the Bharat Coking Coal Limited, the company has sanctioned strength—3 (minimum) to 15 (maximum) Members on its Board. There are 5 Functional Directors including Chairman-cum-Managing Director and rest are part-time Directors. Till December, 1991, BCCL Board had 5 full time Directors, 2 representatives from the Ministry of Coal, Secretary, Department of Mines (Government of Bihar) and Managing Director, Bokaro Steel Plant.
>
> After considering all issues comprehensively, Ministry of Coal consulted Chairman, Coal India Limited, Chairman-cum-Managing Director, Bharat Coking Coal Limited, Department of Power, Ministry of Railways, SAIL, Government of Bihar. Detailed proposal for recasting the Board of Directors of Bharat Coking Coal Limited was formulated and prior approval of the PESB and ACC was obtained. Care has been taken to give, as wide a representation as possible, to bulk consumers/agencies with which the company has to constantly interact. Accordingly, with the approval of the PESB/ACC, in December '91 the Board of Directors of BCCL was reconstituted."

Subsequently, in a post evidence reply, the Company stated that the actual strength of the Board of Directors of BCCL as on 18th March, 1994 is 9.

2.3 The Department of Public Enterprises issued guidelines in March, 1992 regarding constitution of Board of Directors of public sector companies which are as under:—

"*(A) Government Directors*

(i) The number of the Government Directors on the Board of Directors of an enterprise should not exceed one-sixth of the actual strength of the Board.

(ii) It will be preferable to have only one Government Director from the concerned Administrative Ministry on each Board. The choice of the nominee Director would vest with the Secretary of the concerned Department.

(iii) In case of PSEs where it is considered essential to give representation on the Boards to other concerned Government agencies/Ministries/State Governments, only one representative from the Group could also be appointed on the Board as Part-time Government Director.

(iv) The number of Government Directors on a Board should in no case exceed two.

(B) Non-official Directors

(i) The number of Non-official Part-time Directors on a Board should be atleast one-third of its actual strength, wherever there is under-representation of such Directors on the Board, the concerned Ministries should take immediate steps to fill up the vacancies to stipulated level.

(ii) A panel of suitable persons who could be considered for appointment as Non-official Part-time Directors on the Boards of PSEs will be maintained centrally by Department of Public Enterprises. This Panel will be prepared in consultation with PESB and the Secretary of the concerned Administrative Ministry."

2.4 The Committee asked whether the DPE guidelines of March, 1992 are being fully adhered to by Government in respect of Board of Directors of BCCL and if not, the reasons for not doing so, the Ministry of Coal in a written reply clarified as under:—

"In March, 1992, the Department of Public Enterprises had issued guidelines about the composition of the Board of Directors of the Central Public Undertakings.

Ministry of Coal explained to the Department of Public Enterprises that its Boards (constituted in December, 1991 *i.e.* prior to DPE's unilateral decision conveyed in circular of March, 1992) do not conform to the stipulation as laid down by the DPE for the following reasons:

(1) Appointment of more than two Govt. Directors (including the Departmental one) has become necessary because representation has to be given to the State Govt. concerned.

(2) State Government representative has to be included to tackle the major problem relating to land acquisition and law and order.

(3) The Railways are an indispensable partner in the movement of Coal.

(4) The DVC is an important source of Power.

(5) The SAIL is a bulk consumer of coal produced by BCCL.

(6) Three slots have been ear-marked for non-official Directors. If the prescribed membership of non-official Directors had to be reached, either the Articles of Association has to be amended or alternatively some of the Govt. Directors have to be dropped. Neither of these course of action is advisable.

(7) Every Board has to be constituted in accordance with its functional requirements. The DPE guidelines should be flexible enough to take into account the peculiar condition in which the PSE has to function, its linkage with other sectors of economy and the kind of expertise required on its Board. Ministry of Coal has also suggested that in view of the dichtomy, it would be appropriate if the subject was discussed at Secretary level between the Ministry of Coal and the Deptt. of Public Enterprises for further action. The disscussion is to be held shortly."

2.5 Asked further as to the steps Government are taking to fill vacant post of Directors, if any, on the Board of the Company, the Ministry elaborated as follows:

"The slots ear-marked for representatives of Labour and FICCI/ ASSOCHAM etc. have been kept vacant for the time being pending finalisation of modalities. As regards Labour representative, the Ministry of Labour is in the process of evolving a National Policy for the participation of Labour in management. The slot ear-marked for management expert fell vacant on 1.12.1992. A decision has been taken to appoint Head, Centre of Mining Environment, Indian School of Mines, Dhanbad as a part-time Director for a period of one year, as management expert. Earlier, Director XLRI, Jamshedpur was appointed for a period of one year from 2.12.1991."

2.6 Asked by when modalities for filling up vacancies in BCCL Board for slots ear-marked for FICCI/ASSOCHAM, etc. will be completed, the Ministry of Coal in a post evidence reply stated as follows:—

"One slot in BCCL Board for representatives of consumers/ trade, such as FICCI/ASSOCHAM was provided in the re-constituted Board in 1991. This slot has not been filled up as the modalities including norms for selection etc. were yet to be finalised. During the intervening period, the economic environment in which the coal company has to function has undergone a change and alternative forums have been provided for obtaining feedback from the consumers. As a result, the Ministry is now examining the need for providing such representatives on the Boards of the coal companies including BCCL. Since the matter is under examination, it would not be possible to indicate a time frame for filling up this slot on the BCCL Board. Besides this will also require discussions with DPE regarding the composition of the Board."

2.7 Asked by when the slot ear-marked for the Management Expert in BCCL Board was likely to be filled up, the Ministry of Coal in a post evidence reply stated:

"The position on BCCL Board ear-marked for Management Expert fell vacant on 1.12.1992. Ministry had proposed another Management Expert to fill up this vacancy. However, in the meanwhile, Department of Public Enterprises have revised the entire pattern and structure of Boards of Central PSUs and the Ministry has been asked to review the constitution of all the Boards of the coal companies to bring them in conformity with the revised DPE guidelines. As a result fresh appointments of Management Expert for BCCL, has been held up. Ministry of Coal has some views regarding the adoption of re-constituted pattern suggested by DPE. The matter has been taken up with DPE and the Public Enterprises Selection Board and this is being pursued vigorously. In view of these circumstances, Ministry's proposal for filling up the position of Management Expert on BCCL Board is likely to be approved only after the issue regarding the revised pattern of the Boards is sorted out with the DPE."

B. Delay in deposit of PF dues

2.8 Audit has reported that Rs. 4.38 crores was paid by BCCL as penalty for belated deposits of PF dues because of poor ways and means position.

2.9 When asked whether the Company was paying Provident Fund regularly, CMD, BCCL replied that the Company is in arrears. An amount of Rs. 68 crores is due and that this situation arose because the Company is facing cash crunch.

To a further query as to the period of default by the Company, the witness replied that for the last two years this position is prevailing.

2.10 When asked by the Committee at what level the decision not to deposit the PF dues was taken, CMD, BCCL replied that the decision was taken at the Finance Director's level.

2.11 Asked if Director (Finance) took the approval of the CMD, BCCL the witness replied in the negative and that it came to his knowledge only eight months back.

2.12 Asked as to when the Company approached the Ministry that it was not in a position to pay the CMPF dues and what advice/directions the Ministry gave to BCCL in this regard, the Ministry of Coal in a written reply stated as noted below:

> "According to records of this Ministry, BCCL did not initiate any reference to the Ministry in this regard. A reference was received from CMPFC *vide* letter dated 9.12.1993 addressed to CMD, BCCL with a copy to the Ministry intimating that the arrears of BCCL on this account had mounted to Rs. 48 crores, (pertaining to the period October, 1992 to March, 1993). The Ministry wrote to CMD, BCCL on 22.4.1993 requesting him to liquidate the outstanding arrear immediately. A reply was received from CMD, BCCL dated 30.4.1993 explaining that BCCL was encountering liquidity problem for 1992-93 onwards owing to non-payment of dues on coal sales by various power utilities. It was indicated by him that dues would be cleared within 1993-94.
>
> Another reference was received from CMPFC dated 14.10.93 indicating that the dues from BCCL had mounted to Rs. 76 crores. Secretary (Coal) wrote a D.O. letter to CMD, BCCL in October 1993 asking him to remit all outstanding payments and cautioning him of more serious action if the dues were not cleared.
>
> CMD, BCCL replied to Secretary (Coal) on 7.11.1993 giving the same reasons as indicated by him earlier.
>
> The matter was finally considered at the BCCL Board meeting held at Calcutta on 20.1.1994 at which time the overdue amount was Rs. 66 crores. At the meeting, it was decided that 50% of the dues amounting to Rs. 33 crores would be paid to CMPF by CIL in three monthly instalments of Rs. 11 crores each between January and March, 1994. The remaining 50% would be liquidated by BCCL in monthly instalments of Rs. 5 to 6 crores by June, 1994. This payment would be in addition to the current CMPF dues which would be discharged by BCCL on time.
>
> Latest report from CIL indicated that the entire dues upto February 1994 of BCCL have been cleared by CIL on 31.3.1994."

2.13 The Committee asked as to why no responsibility was fixed for delayed payment of CMPF and other dues like LIC premium etc. and the action taken against persons responsible for violation of statutory norms, the Company stated that the payment of CMPF and LIC premium was delayed due to acute shortage of funds with the Company. The demand for payment on various accounts was higher than the inflow of cash.

Payments like salaries & wages, bonus and ex-gratia were to be made to the employees. The statutory dues like royalty, Sales Tax and other levies had to be paid in time. For maintaining the operations of the Company payments against stores and supplies were unavoidable as non-payment could have resulted in the discontinuance of supplies and services resulting in stoppage of operation. It is in such a tight situation that the payment of CMPF was delayed. Certain overdue arrear payments from our customers were expected from which it was hoped that CMPF dues would be paid. But these payments did not materialise. Efforts were made to get some monetary assistance from other sources which also did not fructify, thus the CMPF arrears accumulated. That the CMPF dues were in arrears was brought to the notice of all concerned.

As far as LIC payment is concerned, it was stated to be upto-date now. According to the Company the failure to make the payment of CMPF dues in time was not the responsibility of any particular person. It was the difficult pecuniary position of the Company caused by non-payment of our long outstanding dues by Power Stations like Badarpur, UPSEB, PSEB, etc., which has resulted in this situation. However, all concerned have been advised to be more vigilant in future about such payments.

CHAPTER III

PROJECTS

3.1 Audit has reported that as on 31st March, 1993, the Company took up 73 projects. Out of these 38 have been completed and 20 are ongoing projects, while 15 have either been dropped or have become extinct due to exhaustion of readily mineable reserves. Of the 20 ongoing projects, 5 are on schedule and the remaining 15 are delayed. Against the sanctioned cost of Rs. 1480.68 crores, an expenditure of Rs. 963.86 crores (Provisional) was incurred upto March, 1993.

A. Review of Projects

3.2 The review of projects by Audit revealed that there were cases of inadequate prospecting and surveys, delayed decision in the selection of technology, defective supply of equipments, etc.

3.3(i) The Ministry of Coal informed the Committee that out of 20 ongoing projects as in March, 1993 the following 11 projects have since been completed.

(A) Details of 11 completed projects out of 20 on-going as in March, 1993

Name	Sanctioned capital outlay (Rs. Crores)	Scheduled/ Actual comple- tion date	Exp. on completion (Rs. Crores)*	Remarks
1	2	3	4	5
1. Block-II OCP RPR	174.25	3/93 (3/93)	153.55	Delayed due to land acquisition and rehabilitation problems and active fire.
2. Katras UG RPR	91.81	3/92 (5/93)	88.14	Delayed due to delay in selection of technology.
3. Basantimata Mech. Loading (UG)	2.29	3/90 (3/93)	1.89	Delayed due to fund constraint.
4. Madhuband Sect. 'A' (UG)	8.43	3/92 (3/93)	2.37	Delayed due to fund constraint
5. Murulidih 20/21 (UG)	19.59	3/91 (3/94)	15.00	Delayed due to failure to use SDL due to steep gradient, project since manualised.
6. North Tisra OCP	18.95	7/94 (3/93)	17.36	—

1	2	3	4	5
7. South Tisra OCP	19.44	2/93 (3/93)	11.34	—
8. Maheshpur IXB Seam (UG)	2.78	3/89 (3/93)	2.50	Delayed due to fund constraint.
9. Plant Pool	19.27	5/93 (3/93)	18.50	—
10. Godhur OC	10.44	3/95 (3/94)	4.90	—
11. Keshalpur OC IInd Expansion	17.37	3/94 (3/94)	4.40	

*The Expenditure figures are provisional.

3.3(ii) The position in respect of the remaining 9 ongoing projects was stated to be as under:—

(B) Status of Balance 9 on-going projects

Name	Sanctioned capital outlay (Rs. Crores)	Scheduled completion Revised schedule of Completion)*	Expenditure up to March, 94 (Rs. Crores)	Present status
1	2	3	4	5
1. Pootkee Balihari UG Original	199.87	3/94	—	Delayed due to Adverse geo mining conditions necessitating change of technology.
Revised	199.87	3/95 (3/97)*	154.33	
2. North Amlabad UG	69.48	3/94	75.69	Project effected by adverse geo mining conditions, high degree of gassiness etc.
3. Bhalgora Original UG Revised	46.21 76.17	3/85 3/96	46.70	(i) Initial delay due to delay in shaft sinking, change in scope of work due to change in technology. (ii) SDLs have been introduced. (iii) The project will be completed within revised schedule of completion.
4. Bagdigi Augmentation	5.76	3/92 (3/97)*	2.97	The project suffered due to adverse geo-mining conditions. failure of SDL in IX/X seam etc.

1	2	3	4	5
5. Block-IV (Coking)	16.75	3/92 (3/96)*	13.73	The project suffered due to land acquisition and rehabilitation problems. The equipments have been redeployed.
6. East Bhugatdih 9/10 Pits	5.23	3/92 (3/95)*	2.30	(i) The project has suffered due to delay in deepening of shaft. (ii) After deepening 22M, out of 53M the contractor deserted the work. Tenders have been finalised for award of work to another contractor.
7. Patherdih Incline@	12.40	3/93	Nil	(i) The project could not take off due to non-availability of land for the proposed inclines. The project is proposed to be withdrawn.
8. Bararee X Seam Augmentation	3.44	3/87 (3/98)*	0.69	(ii) The project suffered due to adverse geo mining conditions. LHDs failed to perform due to slippery floor conditions. (ii) RPR with 0.24 MTY capacity has been drawn using SDLs is under process of approval.
9. Bhowrah 3 Pits	2.30	3/89	1.29	The project has suffered a set back due to drowning of IX seam and it is now proposed to be withdrawn.

*At the time of factual verification, BCCL intimated Revised schedule of completion of on-going projects.

[BCCL letter No. IA/COPU/2218 dated 3.2.1995]

@At the time of factual verification, BCCL clarified: "PR is for I B seam. RPR including II seam is udner preparation. Report will be ready by April, 1995."

[BCCL letter No. IA/COPU/2218 dated 3.2.1995]

3.4 From the details of the 11 completed and 9 on-going projects out of the 20 on-going projects as in March, 1993, it is noticed that there have been delays due to delays in selection of technology, land acquisition and fund constraint problems in many of the projects. Two of the 9 on-going projects are proposed to be withdrawn *viz.* Patherdih Incline and Bhowrah 3 Pit.

3.5 When asked by the Committee as to who is the competent authority to sanction projects, and the reasons for taking up many projects at a time keeping in view the financial crunch, CMD, BCCL stated during evidence as under:

"The Government is the competent authority to sanction the project. The proposal is sent by the Company and we cannot go further in such projects. We will not recommend any more new projects to come in. There was very heavy import of coking coal. All these big projects are basically designed to produce large quantities of coking coal so as to cut down imports. In one swing, all these projects were sanctioned without adequate geological data available. Time over-run has taken place. Things have changed. We have reviewed each project. We informed the Government the projects which break in."

3.6 When asked why the Government is sanctioning many projects at a time without taking infrastructural and other factors into consideration, the Secretary, Coal, stated during evidence as under:—

"We are not sanctioning many projects in BCCL. Actually whatever comes to the Government level is what has been already formulated with the help of the coal company concerned and the CMPDIL."

B. Delays in Implementation of Projects

3.7 Delays in completion of projects were mainly due to delay in land acquisition (2 projects), selection of appropriate technology (1 project), adverse mining conditions (3 projects), delays in shaft sinking (3 projects) and fund constraints (4 projects).

3.8 When asked why land acquisition problems are not being resolved, the Secretary, Coal, stated during evidence as noted below:—

"Land acquisition is just one part of it. The main problem occurring in Bihar is that the land records are not upto date. These have to be sorted out. We had requested Bihar Government to have a monitoring cell and this was done. Some activities took place but not much. Therefore, if we get the project on, overheads will again pile up and it may not be worth it. It does not mean that we will not go back to the same area with a little better solution. In many of these areas, we are confronted with court injunctions which prevented us from entering into the land and there was no way of transporting coal. These are the problems. Within the land, there are some tenanted land and forest land. Under forest land, we have to go to State Government. State Governments have to give substitute land for afforestation. We say 'You give the area, we will deposit the cost.' But in many areas, these substitute lands are not made available as a result of which we are not getting possession of various lands."

3.9 Standing Committees were stated to have been set up at State levels for expediting land acquisition cases. When asked to what extent the setting up of these State level committees have helped in reducing delays in project implementation in the Company and overcoming the land cases for mining projects of BCCL, the Ministry in a post evidence reply stated:—

"As per the recommendations of the Task Force under the Cabinet Secretary, Special Empowered Committees in each coal producing State under the Chairmanship of the Chief Secretary were constituted to remove the bottlenecks in land acquisition and obtaining physical possession for the coal projects. These committees were to review pending proposals of land acquisition, forest and environment clearance for coal projects and take appropriate decision to expedite the process.

Accordingly, the Government of Bihar constituted a Committee in January, 1989. As per information available, last such meeting of the Committee was held on 2.4.1991."

3.10 When asked what action is proposed to be taken by the Company in respect of certain lapses and deficiencies regarding the execution of the projects, CMD, BCCL stated during evidence as follows:—

"I agree that the aspect of implementation of the BCCL projects is our weakness. We have slipped in the implementation of most of the projects. We were having very high optimistic assessments. The problem is difficult geo-mining condition. Secondly, we were really having the cash problem. We were not having the cash. We could not get the equipment in time. We have drawn up the details regarding when it should be completed; how much input is required etc. We have already taken care of the lapses which have been mentioned in the Report. We have carried forward the cost escalation."

3.11 Asked to enumerate the outcome of the various reviews undertaken by the Ministry in respect of delayed projects of BCCL during the last three years and the steps Government have suggested to the Company to check further delays in project implementation, the Ministry of Coal in a post evidence reply stated:—

"The outcome of the various reviews undertaken by the Ministry are:

(i) In respect of projects which have suffered due to delay in land acquisition and rehabilitation, the measures suggested to deal with this problem are:

(a) One senior officer be earmarked in each company with the responsibility of dealing with the State Government. This executive be given exclusive responsibility for land acquisition;

(b) State level co-ordination committee be set up;

(c) Rehabilitation package on the lines of Sonepur Bazari should be offered wherever possible. The Ministry of Coal has recently issued guidelines for formulation of rehabilitation package.

(ii) With regard to strengthening of Project supervision and monitoring, the measures suggested are as under:

(a) Alongwith time and activity schedules for the projects, the name of officer responsible for completion of activities, should be mentioned;

(b) Key skilled personnel and executive to be selected/recruited in advance and trained in various skills and disciplines before project construction;

(c) Author's supervision is to be provided by CMPDI for project implementation;

(d) Top management to devote specific time for review of projects and take quick decision.

Ministry of Coal has laid down a drill for monitoring of projects at all levels beginning from the project level upto the Board level.

(iii) In respect of projects, which have also suffered on account of fund constraint, the Government have suggested:

(a) Instead of spreading the funds over large number of projects; fewer projects be taken up and completed. Special emphasis be laid on completion of the existing on-going projects and consolidate the gains;

(b) Projects where investment has been only upto 5% of the sanctioned cost and more than 60% of the gestation period is over to be weeded out;

(c) The sanctioned cost estimates be updated each year after providing for allowable cost escalations and inflation for appropriate funding in the budget and to ensure flow of funds.

(iv) Recast technology to be employed and capacity of the projects in line with the ground realities.

(v) More detailed exploration to be taken up in geologically complex areas to provide reliable data base for formulation of RPR.

(vi) All activities of the projects be monitored as per PERT NETWORK. The critical activities of the PERT be reviewed intensively at specified intervals both by the project authority as well as by the Headquarters.

(vii) Action be taken immediately whenever there is any likelihood of delay of activities, with regard to funding and supply of materials and equipment."

3.12 The Ministry of Coal set up a Committee to review aspects relating to project formulation, implementation and monitoring in BCCL. The

Committee asked to specify the details of the guidelines formulated by this Committee. The Ministry of Coal in a post evidence reply stated:—

"A Committee was set up in 1991 by the Secretary, Department of Coal to examine the project formulation methods and suggest qualitative improvement in the same under the Chairmanship of Shri S. Radhakrishnan, Adviser (Projects) and S/Shri K. Kosal Ram, JS & FA and R.K. Sachdev, Director (Tech.) as Members. The Committee examined the issues within the existing framework of project formulation. The larger issue such as whether project formulation should include the escalation provision like World Bank Projects etc. were also examined by the Committee.

The Committee formulated the following guidelines in respect of project formulation, implementation and monitoring:—

(A) *In the context of Regional exploration:* When GSI exploration is to be prioritised, sufficient input should be available both from the Ministry of Coal and from CIL. The level of participation will have to be stepped up with a view to present a cohesive assessment to the Ministry of Mines. The area of exploration will have to closely follow the projected demand pattern *e.g.* coking coal projects will receive the highest priority.

(B) *In the context of detailed exploration:* Firstly it is necessary that surveyors be attached to the geologists which would help in delineating the forest areas, the built up areas, surface obstruction like nallahs, hills etc.

Secondly, a set of confirmatory boreholes be drilled along the alignment of drifts (pilot holes for locating shaft) in case of UG mines and intensive exploration to be carried out in the outcrop region in case of OC mines.

Thirdly, in order to ensure proper planning of longwall faces in UG mines, the intensity of drilling should be higher than normal and it should be supported by in-seam exploration including geo-physical support.

(C) *In the context of preparation PR/FR:*

(i) The planning team from CMPDI to visit and inspect the areas alongwith local officials before mine planning is initiated and to consider and shortlist a number of alternatives on merits. At this stage itself the planner should be able to gauge the type of equipment required, type of ventilation, evacuation arrangements and relative cost involved. The type of technology found suitable for this should also be identified;

(ii) The author to prepare a skeletal report and circulate it to Coal subsidiary/DGMS etc. before the draft project report is prepared. When the alternatives are discussed and short-listed, reasons for doing so be recorded and made available to the Planning Committee. This would help the Planning Committee to decide whether to confirm or to re-evaluate;

(iii) At this stage the aspects like (a) the likely impact of market escalations on the cost of the projects even if the project is completed as per anticipated schedule; (b) likely impact on the cost of the project if it is delayed; and (c) the impact of variation/increase in the rate of taxes, customs duty and foreign exchange be also taken into account while working out project cost and economics.

(D) *In the context of approval of PR by the Coal company:*

(i) There should be an Internal Appraisal Cell in CMPDI to be manned by a trained Economist along with supporting staff. To make the internal appraisal of projects effective and useful, *inter-se* priorities of various projects, norms as well as corporate objectives be clearly indicated to the Economist and his supporting staff. This unit will employ the same tools and methodology being adopted by the PAD Wing of Planning Commission;

(ii) The final comments of the Internal Appraisal Unit duly vetted by the CMD, CMPDI be made available as an independent input to the Empowered Committee of CIL;

(iii) The projects be particularly scrutinised by the Director (Technical), Director (Projects) and Director (Finance) of the subsidiaries and their views incorporated in the agenda notes of the Board. In cases of differences in perception by each of these officers a considered view be taken by the Board.

(E) In the context of approval by the Company Board:

(i) The views of the Director (Technical) and Empowered Committee alongwith the inputs available from the internal appraisal unit of CMPDI be considered. Based on the final decision of the Board, Director (Technical) of CIL can start advance action for procurement of long lead equipment;

(ii) A small cell should be set up at CIL headquarters by suitable redeployment of existing manpower to monitor project preparation work. This cell should report directly to Chairman/Managing Director.

(F) *Monitoring and interaction with the State Governments:*

(i) After approval of advance action plans, monitoring should be done once in a month at each subsidiary company at the level of Director (Projects); once in a quarter by the CMD. A report on quarterly review by CMD should be sent to CIL and to the Ministry of Coal on a regular basis;

(ii) Close interaction be maintained between the coal companies and the State administration with regard to land acquisition, forestry clearance and rehabilitation of land oustees. The organisation in the coal companies for these activities be strengthened with dedicated personnel preferably drawn from the State Governments."

C. New Mining Technologies

3.13 The most prevalent technology in India for mining of coal is the manual board and pillar, which has low per capitas productivity. According to Audit, Coal India proposed to try out some new technologies. Of late, BCCL is reportedly using intermediate technologies to increase production/productivity and sales and revenue etc.

3.14 When asked to explain as to what does the term 'intermediate technology' connotes, BCCL stated that Mining of coal involves a number of operations, *viz.* coal winning, loading and its transport. In their context, intermediate technology connotes mechanisation of face loading operations only, as against total mechanisation of the entire system. In BCCL, application of intermediate technology has been limited to adoption of Side Discharge Loaders (SDL) and Load Haul Dumpers (LHD) for mechanisation of face loading operation in Board & Pillar underground workings in some of the mines which was earlier being done by manual loaders.

3.15 When asked further as to what extent the usage of these intermediate technologies has helped in increasiang the production in/ productivity of coal mines/miners during the last three years, BCCL stated in a post evidence reply that contribution of production from this intermediate technology in the last three years has been as under:

	(In million tonnes)
1990-91	0.212
1991-92	0.419
1992-93	0.852
1993-94	1.24

The total contribution of production from SDLs & LHDs in the current year would be around 10% of the total underground production. This being so, the contribution to increased sale and revenue earnings would be only marginal. It has, however, been stated that productivity in all these mines where SDLs/LHDs have been introduced has increased by 0.2 to 0.3 tonnes leading to saving in wages cost by Rs. 200 to 300 per tonne.

3.16 On the extent of effectiveness of these intermediate technologies over the technologies being used earlier and their resulting in any substantial savings, the Company stated that by adopting intermediate technologies for face loading operation, the production from a face can be increased substantially as compared to manual loaders. The production per machine can be as high as 80—120 tonnes/day from a set of two faces as against the production of around 50 tonnes obtainable through manual loaders and that too under most favourable conditions. Increase in overall OMS in those mines where SDLs/LHDs have been introduced is of the order of 0.2 to 0.3 tonnes. The system also eliminates human drudgery in carrying coal on head loads for loading into tubs.

3.17 On the question of the advantages of the methodology of scrappers over Side Discharge Loader, the company stated that both the methods are employed for mechanising face loading operations to eliminate manual loading. Application of either of the two methods depends upon the local prevailing conditions rather than on relative superiority. The limiting factors in application of SDLs are the seam gradient and seam thickness. Scrappers can negotiate steeper inclinations and can be applied even in thin seams.

3.18 When asked the reasons for unsatisfactory induction of new technologies in BCCL and the steps that are being taken to promote adoption of new technologies, the Company in a written reply stated that unsatisfactory induction of new technology in the Company was due to:—

(i) Slow pace of indigenous development leading to problems in spare availability both in quantity & quality;

(ii) Lack of standardisation of equipment;

(iii) Geo-mining problems, like thick seams, developed workings, igneous intrusions etc; and

(iv) Slow assimilation of new technology.

The steps to promote adoption of new technology are centered around removing the aforesaid constraints. Also, there is now greater accent on training of workmen and supervisors in new technologies and medium level mechanisation.

3.19 When asked by the Committee, if the Government was satisfied with the pace of induction of new technologies in BCCL and what action has been initiated to promote adoption of new technologies in the Company, the Ministry stated in reply that it is not fully satisfied at the rate/level of absorption of new technologies being introduced in BCCL. However, there are many problems in this behalf. Some of the problems are enumerated below:—

(a) There is a general resistance to any new introduction which may be due to general practice of conventional mining being traditionally followed since long past.

(b) There is a lack of motivation even on the part of higher management to any new/innovative ideas which has long gestation period or which does not contribute to the production immediately or in the near future.

(c) The prevailing systems in the mines including the existing mine layouts are not geared to allow the new technology to fit in straightaway. This results in mis-match and delay in absorption.

(d) The suitability of foreign technologies to Indian mines requires prior experimentation which again gets influenced by some of the above mentioned factors.

(e) The suppliers of technology/equipment do not provide continued support.

(f) As different technologies have to be tried to suit different geo-mining conditions there is difficulty in indigenous development because of small numbers of equipment required. It also affects the commercial viability of the developers.

Besides these another point to be noted is that there is no single technology which can fit into a variety of geo-mining conditions. This calls for trials of number of technologies in different geo-mining conditions at the same time.

In view of all above factors the pace of introduction of new technologies has been satisfactory but their absorption has been rather slow and even unsatisfactory in some cases.

3.20 On the question of the steps Government propose to take/have suggested to remove the bottlenecks being encountered in the absorption of new technologies in BCCL, the Ministry of Coal have stated in a post evidence reply:—

"The suggested steps to remove the bottlenecks being encountered in the absorption of new technologies in BCCL are as under:

(a) Steps have been initiated to train all persons *i.e.* technicians and workers, and executives at all levels in technical and managerial aspects of new technology being introduced in BCCL.

(b) New projects are being planned in detail with suitable infrastructure to match the technology being introduced in these projects.

(c) Regular interaction is done with suppliers/manufacturers of the equipment to provide technical spares and maintenance support.

(d) Regular follow-up is being done with various manufacturers for indigenous development of spares for better availability and utilisation of equipment.

(e) Selection of technology is based on detailed geo- mining data and the past experience gained in introduction of new technology."

D. Mining Projects

(i) Moonidih Project

3.21 The Moonidih underground mining project was sanctioned in November, 1965 with an outlay of Rs. 16.09 crores for an output of 2.1 million tonnes per annum of coking coal production by 1973. The estimates were revised to Rs. 132.07 crores and approved by the Government in February, 1983 for an output of 2.1 million tonnes per annum to be achieved by March, 1985. The expenditure incurred upto March, 1993 was Rs. 179.81 crores. The project reportedly suffered due to occurrence of geological defects, change of technology etc.

3.22 On the question of geological defects now being encountered in the project, the CMD, BCCL during evidence stated:—

> "Such defects are bound to be there. With the advancement of science and technology these are the areas where we need definite diagnostic technology. We do not have advanced technology for such jobs now. But for mining we need them. We have to take some steps to solve those problems. And coal has large deposits in this country and it is one of our assets. These problems can arise anywhere at any time."

3.23 Asked to state the reasons for which the Moonidih Project suffered and the value of sub-standard equipment purchased, the Company in reply stated that Moonidih Project suffered on account of mis-match and incompatibility and also on account of supply of under-rated equipment. The value of the four longwall sets purchased comes to Rs. 49.43 crores.

The Company clarified that the mis-match and incompatibility of equipment notwithstanding, they were based on contemporary technology and cannot be said to be sub-standard.

3.24 Asked further, if the equipment have been replaced now and the cost thereof, BCCL stated in a post-evidence reply that ML-I & ML-II longwall sets have outlived their useful life and are being surveyed off. In so far as mismatch and incompatibility of ML-V & ML-VI are concerned, the same were rectified by the supplier free of cost.

3.25 When asked if the project would remain economically viable as the capital outlay has increased from Rs. 16 crores to Rs. 180 crores, BCCL stated that capital outlay of Rs. 16 crores was based on 1964 Cost Index, whereas Rs. 180 crores is on 1988 base year. A new project of Moonidih size today will cost somewhere about Rs. 450 to Rs. 500 crores. At the envisaged level of investment of Rs. 180 crores, the project would be losing Rs. 14.47 per tonne at 100% capacity and Rs. 77.37 per tonne at 85% capacity. Though the tangible result may not be very much favourable today, however, intangible, the outcome of working Moonidih is much more in the form of experience and expertise to extract deep seated coking coal reserves in the country by longwall technology in future days to come.

3.26 The capacity of Moonidih Project was subsequently derated from 2.1 million tonnes to 1.5 million tonnes. As regards the reasons for derating the capcaity of the Moonidih Project, the Company in a detailed written reply stated as follows:—

> "The main reason of derating the capacity of the project from 2.1 MTY was inadequacy of ventilation and evacuation capacity. It may, however, be pointed out that before taking the decision to derate the project all possible avenues were explored with a view to augmenting ventilation and evacuation capacity.
>
> Besides this, some other factors which led to derating are enumerated below:
>
> (a) *Geological disturbances:* Unexpected geological disturbance like dykes, faults, bad/weak roof zone, in-rush of water have resulted in disruption in face operations leading to achievable production being less than the level envisaged.
>
> (b) *Overhauling and shifting schedule:* Average shifting and overhauling time in actual practice was found to be 2 months/year as against one month envisaged in RPR.
>
> (c) Equipment problems such as frequent breakdown due to mismatch and even incompatibility.
>
> (d) Absence of face-end supporting equipment (Buttress and pack hole supports).
>
> (e) RPR assumed higher production of 900 tpd from thin seam (0.9 to 1.5 m) *i.e.* XVII Bottom seam.
>
> (f) *Development constraints :* Due to high heat and humidity and presence of geological disturbances, development rate of 6m/day/machine envisaged in the RPR is on higher side. 4m/day/machine is more realistic.
>
> (g) Vertical transport capacity is 1.5 MTY due to skip working is less than the designed speed.
>
> (h) Quality of ventilation air is not adequate, due to heat and humidity problem to ventilate 6 longwall faces and 10 development headings, even though quantity may be augmented to some extent with parallel running of the existing fans. Study is still going on as a result of which working of 6 L/W faces is not possible at a time."

3.27 The Department of Programme Implementation appointed a Committee under the chairmanship of Shri Balram with regard to monitoring the progress of implementation of this project.

3.28 When asked about the recommendations of Balram Committee appointed by Department of Programme Implementation with regard to monitoring the progress in respect of Moonidih Project, the Ministry of Coal informed the Committee that the Ministry of Programme Implementation had undertaken an indepth study by a consultant of various parameters of development of Moonidih mine to assess the reasons for delay in implementation and to suggest ways and means of expediting the same. Consultants's report was submitted in January, 1987 which made several technical and administrative recommendations. The Consultant suggested improvement in level of mine ventilation and coal evacuation capacity as part of technical recommendation and selection of personnel and training programme, motivation and incentives, creation of construction and project implementation wing, role of CMPDI and cadre scheme for longwall mining technology.

(ii) Open Cast Project Block II

3.29 The project for Block II Open Cast Mine was sanctioned by the Government of India in June, 1982 for a production of 2.5 million tonnes of coal per annum by 1986-87 at a cost of Rs. 103.15 crores. The cost was raised to Rs. 174.25 crores and actual expenditure incurred upto March, 1993 was Rs. 153.55 crores. Production of 0.661 million tonnes was achieved in 1992-93. The project was completed in March, 1993 against the original completion schedule of 1986-87.

3.30 When asked the reasons for cost escalation from Rs. 103.15 crores to Rs. 174.25 crores and slippage of the project from 1986-87 to March, 93 in respect of Block II OCP, the Company in a detailed reply stated as follows:

> "Original project report was sanctioned in June '82 with a capital investment of Rs. 112.05 crores (including provision of Rs. 8.90 crores for CHP and Railway siding). Revised Cost Estimates was sanctioned in Dec.'91 with a capital investment of Rs. 174.25 crores (excluding CHP & Rly. siding) as the project was time and cost overrun. The increase in capital requirement is due to the following reasons.

(a) Fire: Fire occurred in April '85 in IX/X seam after sanction of the original project report. This hampered normal operation of the project.

(b) Land & Rehabilitation: During formulation of the project report, the underlying non-coking coal seams were not considered for exploration due to very low demand of such coal in BCCL. The demand of non-coking coal in BCCL has since increased considerably and it was decided to mine non-coking coal simultaneously with coking coal and shift the external OB dump site for coking coal sector from non-coking bearing area. This decision increased the total requirement of land from 597 ha. to 673.46 ha.

Land Acquisition and Rehabilitation problems restricted the strike length available for operation of HEMM. HEMM could not be fully utilized. At the time of sanction of RCE only 514.40 ha. of land was acquired against the requirement of 673.46 ha. of land. 675 nos. of families from 609 housing units were required to be shifted/rehabilitated.

Cost of project increased from Rs. 103.15 crores to Rs. 174.25 crores (excluding CHP & Rly. siding). The variance was Rs. 71.10 crores which includes Rs. 34.50 crores due to price escalation, Rs. 13.70 crores due to change in scope (site & approach for external OB dump etc.) and Rs. 22.90 crores due to others like Revenue Expenditure capitalised, E.M.P. etc."

3.31 When asked whether the Company had shifted/rehabilitated all the 675 families affected as result of the acquisition of 514.40 hectares of land for this project, the Company in a post evidence reply stated that the total number of families rehabilitated so far is 183. The total land acquired against the requirement of 673.46 ha. has been 559.43 ha. so far. In view of the complexity of the situation and the unreasonable attitude of the villagers in respect of demand of employment for not only able members of every family but also for distant relations as well as for unauthorised occupants on Company/Government land, it is extremely difficult to assess the exact time-frame of the rehabilitation plan. However, all efforts are being made to expedite and effective intervention of Government machinery is being sought.

(iii) North Amlabad Project

3.32 The project at North Amlabad was sanctioned by Government in October 1980 for investment of Rs. 26.18 crores and an output of 0.72 million tonnes per year to be achieved by 1984-85. There was a delay of 6 years in commissioning the degassification plant. The project cost was revised to Rs. 69.48 crores against original sanctioned cost of Rs. 26.18 crores and the capacity was reduced from 0.72 million tonnes to 0.57 million tonnes because of adverse geomining conditions.

3.33 The schedule of completion of the project was later revised to March, 1994 but the project has not so far been completed. Asked what were the reasons for the delay in commissioning of the degassification plant, BCCL stated in reply as follows:

> "The reasons for delay in commissioning of degassification plant was that the agreement was signed between Government & CdFI, France in Feb.'82 but the equipment was supplied by CdFI in March '86 and commissioned in April '88."

3.34. When asked the reasons for delay in supply of equipment by CdFI, France by 4 years and their commissioning by another two years for the North Amlabad project, BCCL stated as under:

> "The agreement with CdFI for supply and commissioning of the Degassification plant became effective from May'82. Considering that

the agreed lead period for supply of the plant was 24 months, the supply should have been completed by May '84. Against this, the supply was actually completed by March, 1986.

Delay in supply can be attributed to the following:—

(i) Delay in supply of data by BCCL & CMPDI to CdFI. France; and

(ii) Delay in coming to a final conclusion regarding the number of packages to be made for shipment; sometime was lost in prolonged correspondence in this regard.

Delay in commissioning of the plant after its receipt was because of the following:

(i) Delay in setting up of the degassification station in XIII seam as against setting up of the station at XII seam as originally envisaged; and

(ii) After supply of the equipment, Directorate of Mines Safety insisted that all the electrical equipment be tested at the Central Mining Research Station, Dhanbad. Testing took almost a year."

3.35 Asked further if the Company has imposed any penalty on the suppliers, the Company clarified that initially 10% payment was withheld. Subsequently, a Committee was constituted having a representative of CMPDI, Ranchi, which was the nodal agency for this project. The Committee concluded that the delay could not be attributed to CdFI, France. Arising out of this, 10% payment which had been withheld, was released.

3.36 When asked as to the reasons for inadequate geological investigations as the project suffered because of adverse geomining conditions, the Company in a written reply stated:

"Inadequacy of geological information was ascertained in 1988-89 when main development arteries had encountered an uknown sill/ jhama in XV A seam. As a result, further exploratory boreholes were proposed in RPR prepared in March,'89. The project has been suffering mainly because of adverse geomining conditions-highly faulted zone, presence of igneous intrusion (sills) and jhama, high depth and bad roof conditions etc. As present, the area is being further explored by drilling boreholes from surface by MEC."

(iv) Pootkee-Balihari Project

3.37 Audit observed that this Project for Production of 3 million tonnes per annum was sanctioned in December, 1983 at a cost of Rs. 199.87 crores for completion by 1993-94. Expenditure of Rs. 154.33 crores has been incurred upto March, 1993 and there was delay in sinking pit on account of delay in repair and fitting, delay in supply of design documents and delay in fabrication of shaft sinking equipment. The World Bank in its appraisal of the project activities found that the project would not be economically viable and therefore it decided to cancel the loan for the project from October, 1989. The project is now being fully financed by Governemnt of India and is expected to be completed by March, 1995.

3.38 The Committee asked whether the Government considers the Project viable after derating its capacity to 1 mt. per annum and since the viability of the Project has been questioned by the World Bank, on what considerations Government are financing the Project. The Ministry in a detailed written reply stated that the Pootkee-Balihari Project was originally planned for 3 mt. production per annum based on the project report prepared by CMPDI in December '83.

In 1987-88, when the Project was posed for World Bank financing, independent appraisal of the implementability of the project to achieve the rated capacity of 3 mt. was examined by British Mining Consultants appointed by the World Bank. The Consultant carried out a fresh appraisal of the geo-mining conditions and it was noted that sizeable area of the mine-take was affected by geological disturbance like faults, sills and dykes limiting the clear area available for longwall mining.

The consultant prepared a scheme for 3 m.t. production at a very high level of investment of Rs. 530 crores in 1988-89 which made the project totally un-economical. Therefore, the project was withdrawn from the World Bank.

The entire mining plan was reexamined by CMPDI and BCCL experts and it was decided to go for mechanised B&P system instead of longwall technology due to adverse geo-mining conditions. A RPR with B&P technology for 1 mty capacity was approved by BCCL. CIL Board while appraising the project decided that investment should be within the sanctioned cost (Rs. 199.87 crores) to be completed by March '95. At this level the project would be marginally losing. Coal from this mine is of prime coking, a good proportion of low ash direct feed variety for supply to steel plants.

(v) Jharia Projects

3.39 Audit observed that fires in Jharia Coal Fields resulted in colossal loss of coking coal. They also affected the mineability of coal, polluted the environment, endangered surface structures, vitiated underground working and affected persons residing nearby.

The Company took up 22 projects to control fire with capital investment of Rs. 114.57 crores. Only 7 projects have been completed till March, 1993 and expenditure incurred was Rs. 71.69 crores.

3.40 On the question of comparability of the methods/technique adopted in controlling fires in Jharia with those in developed countries and the steps the Company proposes to take to upgrade the technology, BCCL stated that so far as the 'Methods and Techniques' adopted in controlling the fires in JCF are concerned these are by and large comparable with those in the developed countries. But their application in scientific manner has been lacking on account of proper 'Diagnostic Studies' for which we do not have 'know how' in our country at present.

'Diagnostic Studies' are essential in deciding the proper fire control technology used to deal a particular fire. In this regard, the Company is in the process of engaging International Consultants shortly to carry out the 'Diagnostic Studies' for evolving a suitable technology-mix and suggesting other mitigative measures to control the fires in Jharia Coalfields and also to prepare an Environmental Management Plan.

The World Bank has provided a credit of US $ 12.00 million for this purpose under Jharia Mine Fire Control Technical Assistance Project.

3.41 Asked whether the Government was satisfied with the methods/techniques adopted in controlling fires in Jharia and if they were comparable to those in developed countries, the Ministry stated:

> "First coal mine fire in Jharia coalfields was reported in 1916. At the time of nationalisation of coking coal mines in 1971 there were 70 mine fires in Jhaira Coalfields. Coal India Limited has been dealing with mine fires since nationalisation employing the conventional technique such as trench cutting with or without filling with incombustible matter, surface sealing with overburden and impervious clay capping, water infusion through boreholes, flushing the area with solid incombustible material through boreholes, inertisation of underground workings, construction of isolation stopping and very often in case of fires occurring at shallow depth by excavating and removing the unburnt coal and quenching the overheated material.
>
> 22 Schemes were formulated at an estimated cost of Rs. 114 crores to deal with the 70 identified mine fires in the Jharia Coalfields. These schemes are at different stages of implementation. An amount of about Rs. 73 crores has been spent till now. Five fires have been extinguished and 6 fires controlled and their spread to adjoining properties has been arrested.
>
> . Several features have made the mine fires in the Jharia Coalfield unique and difficult due to concentration of several thick seams in close proximity, high propensity of coal to spontaneous combustion, easy access to the outcrop region from the surface and lack of an imprevious alluvial soil cover. Two critical elements of the existing fires in the Jharia coalfield are the correct delineation of the extent of fires and effective and quick dissipation of heat from the strata so that areas where fire is extinguished can be opened up early for coal extraction."

3.42 On the question of measures taken by Government to bring down fires in Coal mines, the Secretary, Coal, during evidence stated:

> "The first fire was detected in 1916. It was in 20 square mile area. We have lost 1000 crores worth of good grade coal in that area. In 1970-93 period, we have extinguished five of the mines on fire. We have now taken a technical aid from World Bank for fire control operations. The extent of such widespread fire has become so much that we wanted to take several steps to contain it. But we required a lot of money for it. We wanted to do the 'Diagnostical Study' which is essential. Our studies helped us only in controlling and finishing the fires in small measures."

3.43 Asked further as to what are the future plans to prevent loss of coal and further damage to environment and surface structure due to frequent fires in the areas, the Ministry stated that it is very difficult to make an assessment as to how many fires can be dealt by application of conventional methods etc. are quite complex. Precisely because of the complexities of various problems relating to fires in the Jharia Coalfields, attempts were made in the past to seek bilateral assistance including that of the World Bank in combating the fires in the coalfields. The World Bank has agreed to finance a Technical Assistance Project covering a 'Diagnostic Study' for dealing with Jharia Coalfields fires. This study aims at development of a programme to combat fires. The estimated cost of the study is US $ 14.3 million out of which I.D.A. disbursement would be of the order of US $ 12 million. The details of the programme for dealing with the fires will be known only after completion of the study.

3.44 Asked by when these diagnostic studies for the Jharia Mine Fire Control Technical Assistance Project are to be completed, the Ministry of Coal stated that according to the Development Credit Agreement for the Jharia Mine Fire Control Technical Assistance Project dated April, 1993, the closing date shall be June 20, 1995 or such later date as the Association shall establish. Therefore, it is expected that the 'Diagnostic Studies' are likely to be completed by June, 1995.

E. Development of Washeries

3.45 Audit has observed that the Company estimated around 1984, that capacity for washed prime coking coal needed by the Steel Plants was likely to fall short by 10.21 million tonnes by the year 1994-95. BCCL proposed to set up 8 coal washing plants with raw coal input capacity of over 9.08 million tonnes per annum of which 4 washeries have so far been set up and one is under construction. 6 more washeries were envisaged to come up as part of reconstruction of mining blocks in Jharia Coal fields each having a capacity 2 million tonnes per annum of raw coal input.

3.46 When the Committee asked as to the present status of these washeries and their capacity utilisation, during evidence CMD, BCCL stated:

> "The main concern is non-availability of raw coking coal. Over a period of time the production of raw coking coal went down and because of that the capacity of the washeries had become idle and its capacity utilisation went down and the cost went up. The production of raw coking coal will be touching the figure of 10.5 million tonnes shortly. If we increase the production of coking coal and feed it into the washeries, our output will naturally go up, capacity utilisation will go up and the cost will come down."

3.47 When asked further why in the absence of raw coking coal these washeries were set up and if the washeries have become redundant now, CMD, BCCL further stated follows:

> "These washeries were put up in Sixties when the availability of raw coking coal was there. They are working well. All the old and new washeries are working well. The main problem is that new projects have not come up. There is a mismatch between the availability of raw coking coal and the washeries."

3.48 On the question of the installed capacity/capacity utilisation of washeries and the break even point in respect thereof, CMD, BCCL stated during evidence as follows:—

> "The operable capacity of all the washeries is 11.83 million tonnes. Last year we achieved 65 per cent. We are trying to go up to 80 per cent. Next year we may achieve this target. At 80 per cent capacity utilisation we reach the break even point. Our production of coking coal is increasing and we may be achieving the 11 million target soon."

3.49 When asked as to what steps are being taken to improve capacity utilisation of BCCL washeries, the Company stated that most of the washeries of BCCL were designed to treat upper seam coals. Due to depletion of the upper seam coals more of inferior seam coals are now mined and linked to washeries. This has created imbalance of the washery circuits restricting the feed rate and also deteriorating the quality of the washed coal. Rationalisation of linkage of washeries is also being worked out with the help of CFRI to optimise the performance of the washeries.

3.50 Government appointed a Committee headed by Dr. V.A. Altekar which studied these washeries and submitted its recommendations for suggesting modification of these washeries.

3.51 When asked as to what are the recommendations of the Altekar Committee and by when the suggested modifications in the washeries are likely to be completed, the Company in reply stated:—

"The major recommendations of the Altekar Committee are:—

(a) Installation of Deshaling Plants at Dugda-I, Dugda-II, Sudamdih and Bhojudih washeries.

(b) Installation of froth-floation plant at Bhojudih washery.

(c) Installation of Box tippler at Bhojudih washery.

(d) Installation of an additional crusher for over-size coal for Moonidih washery.

(e) Automation of waheries.

(f) Modernisation of Patherdih washery.

The Committee submitted its report in October, 1986. The short-term modifications, have already been completed and long-term modifications, excepting modernisation of Patherdih washery, are expected to be completed by June, 1995.

In so far as modernisation of Patherdih washery is concerned, it was stated that this modernisation was envisaged to be done with the collaboration of the erstwhile USSR. Due to disintegration of USSR, this project has suffered a set-back and it has been decided that this modification would be taken up indigenously. The time schedule for completion can be indicated only after the scheme for modification indigenously is finalised.

3.52 The Government has reportedly constituted a Technical Group to study all the related aspects of production and washing of coking coal with a view to reduce dependence on coking coal imports at the earliest. The Committee asked by when the recommendations of the Technical Group are likely to be fully implemented, the Ministry of Coal in a post evidence reply (in July, 1994) stated:—

"Modernisation of the existing washeries of BCCL except Patherdih washery are anticipated to be completed by July, 1995. Modernisation of Patherdih washery was envisaged to be taken up with Soviet collaboration. However, due to disintegration of the erstwhile Soviet Union, this project has suffered. Plans have now been initiated to complete this modernisation indigenously. The Action Plan for implementation of recommendation of the Technical Group for stepping up coking coal production by quick implementation of coking coal projects has been drawn.

In this behalf Coal India Limited has floated a global tender enquiry about a month back for inviting pre-qualification bids for setting up of coal washeries on Build Own Operate (BOO) principles. Some of the new coking coal washeries are expected to be taken up under this arrangement."

(i) Madhuband Washery

3.53 Audit has observed that the total expenditure incurred on this project for setting up a washery at Madhuband was Rs. 109.13 crores upto March 1993 against original estimate of Rs. 40.07 crores in 1981. The project is expected to be completed in 1994-95. Contract was awarded to an Indian Tenderer at cost of Rs. 72.50 crores against quotation for Rs. 54.35 crores by a foreign tenderer. Capacity utilisation was poor resulting in increase in cost of raw coal.

3.54 During evidence of the representatives of BCCL, the Committee wanted to know as to what prompted the Company to give the contract to an Indian tenderer as against a lower quotation from a foreign tenderer, the CMD, BCCL replied that the Government have directed the Company to do so.

3.55 The Committee during evidence of the representatives of Ministry of Coal asked the reasons for which Government had directed the Company to give the contract in respect of this washery to an Indian Company, the Secretary, Coal replied as follows:

> "The original sanction was given for Rs. 71.89 crores in March, 1985 and it was supposed to be completed by 1988 but the project was very badly delayed. In October, 1993, the cost had to be revised to Rs. 194.18 crores. The turnkey project was given to another public sector Company MAMC. It has engaged another subcontractor for structural work which again is a public sector undertaking *viz.* the Hindustan Steel Construction Limited. Original construction schedule was upto December, 1988 as per the agreement between BCCL and MAMC. We are expecting that it will be completed by March, 1995. The reasons for delay have been gone into in great depth by not only the Ministry of Coal but also by the Department of Programme Implementation. According to them, the main time and cost overrun was due to the initial mistake of choosing MAMC for awarding the turnkey project despite its poor track record. I need not go into greater details as to how it was selected. There was a letter from the Ministry of Industry to Ministry of Coal at a very high level. Several objections were raised as to why this contract was not being given to a consortium which was costing much lower than this. In the type of environment that used to obtain in those days, it was very difficult to resist the MAMC taking over. The only silver lining was that the Ministry of Industry said that they themselves would monitor it. It all came about because MAMC stated that their order book was zero. That is how this was awarded to them. At that time the decision was taken because there was a strong recommendation from the Ministry of Industry and that was accepted. I may clarify that I am not making any judgement. In the condition obtaining in those days, it might have been necessary to take such decisions."

CHAPTER IV

PERFORMANCE

A. Delivery Performance

4.1 The demand from the Steel Plants for coking coal and despatches made by BCCL during 1987-88 to 1992-93 are as under:—

(in Million Tonnes)

Year	Demand of Steel Plants	Despatch to Steel Plants
1987-88	11.64	9.37
1988-89	11.64	9.97
1989-90	11.95	9.12
1990-91	13.32	8.63
1991-92	12.83	9.99
1992-93	13.00	9.40

Despatches by BCCL to Steel Plants declined to 9.40 million tonnes against a demand of 13 MT forcing the steel plants to import coking coal.

4.2 The despatches of raw coal by CIL and BCCL during 1987-88 to 1992-93 was as shown below:

(in Million Tonnes)

Year	Despatch by CIL as a whole	Despatch by BCCL
1987-88	146.1	14.78
1988-89	157.4	16.45
1989-90	166.2	14.45
1990-91	183.15	14.81
1991-92	194.38	16.23
1992-93	N.A.	18.52

4.3 When asked as to what are the constraints causing stagnation in despatches of coal and the measures taken to improve despatch of coal by BCCL when the despatches by CIL were increasing, the Company in a written reply stated that the despatch figures of 10.38 million tonnes for

84-85 & 17.64 million tonnes for 92-93, are those of external despatch only and do not represent the total despatch. The total despatch including internal transfer to own washeries & coal consumed for hard coke & soft coke production which also are components of total despatch, has been increasing steadily barring 89-90 & 90-91. The position for the last 5 years is shown below:—

(in Million Tonnes)

Year	External Despatch	Total Despatch
1988-89	16.45	25.10
1989-90	14.45	23.39
1990-91	14.81	22.42
1991-92	16.23	25.18
1992-93	17.64	26.72

Measures taken to improve despatches are:

(i) Rationalisation of existing railways sidings;

(ii) Revamping of railway sidings to accommodate Box 'N' rakes;

(iii) Installation of feeder breakers at rake loading siding to minimise loading time; 20 feeder breakers have been installed in the last 2-3 years and a few more are in the pipe line.

B. Pace of Exploitation of Mines

4.4 During the period from 1986-87 to 1992-93 number of mines which have achieved targetted production ranged between 36 and 60 and number of mines which have not achieved targetted production between 40 to 63. It was observed that in many cases the targets fixed were below the assessed capacities.

4.5 Asked on what basis the target of production are fixed the CMD, BCCL replied that it is done on the basis of the capacity of the mines plus the previous performance records.

4.6 The Committee asked whether there is any qualitative difference between the coal earlier mined from underground mines and now being mined by opencast methods in underground mines, the Company stated that there is a qualitative difference between the coal earlier mined from underground mines and now being mined by opencast method in as much as the opencast coal gets contaminated with extraneous impurities/stones which increases the ash percentage in the run-of-mine (ROM) coal. In BCCL, most of these opencast mines are being worked in developed pillars, and even in goaved out areas, and the incidence of contamination of extraneous impurtities is far greater than in the case of normal opencast operations in virgin coal seams.

4.7 When further asked as to what extent its benefits are apparent with regard to quantity produced and corresponding increase in sales realisation, BCCL stated in a post evidence reply that there is contamination of opencast coal with extraneous impurities which results in grade deterioration of the ROM coal to some extent with corresponding loss in sales realisation. The major gain in adopting opencast method lies in the fact that the cost of production is significantly lower than what would have been the case if the developed seams were to be exploited through underground mines. The overall cost of production in the case of underground mines of BCCL is currently around Rs. 900/- per tonne whereas, in the case of opencast mines the cost of production is limited to around Rs. 300/- per tonne only. Thus, by adopting opencast method, there is a saving in the cost of production of approximately Rs. 600/- per tonne and this more than off-sets the marginal loss in sales realisation due to grade deterioration in open cast mining.

4.8 The Ministry informed Audit in December, 1991 that the capacity assessed by CMPDIL is a broad indication of production potential under ideal conditions. The Ministry had reportedly directed the Company to fix targets below the rated capacity at 28.10 MT instead of 36 MT as assessed by CMPDIL for the year 1993-94.

4.9 The overall picture on the capacity of the mines assessed by Central Mine Planning and Design Institute Limited, the targets for production and actual production are given below:

(in Million Tonnes)

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
1. Capacity of the Mines fixed by CMODIL	28.92	31.63	32.68	35.38	32.87	36.193
2. Target of production	25.10	26.10	27.50	27.80	28.00	28.00
3. Actual production	25.11	26.30	26.61	26.70	27.01	28.06

4.10 For 1993-94 also, the Committee were informed during evidence that against a capacity of 36 million tonnes, the Government directed the Company to fix a target of 28.10 MT. Asked how far the fixation of targets of production below the assessed capacities was justified for many years continuously and the reasons for directing the Company to fix its targets of production for 1993-94 at 28.10 MT though the rated capacity is much higher at 36 MTY, the Ministry replied as follows:

"The rated capacity of a coal Company as assessed by CMPDIL is the sum total of the rated capacity of all mines of the Company. This figure is arrived at on the basis of investment made, equipment supplied etc. as incorporated in the various project reports. This, however, is an ideal figure and does not take into account, or provide for, constraints and difficulties occurring on the ground which more often than not prevent the Company from attaining the rated capacity. These constraints however, get reflected in actual figures of production over the years providing a historical profile of the Company's production performance.

In BCCL, achievement of rated capacity is difficult because of endemic problems relating to power supply, low labour productivity, difficult geo-mining conditions and difficulties in absorbing underground mining technology. Notwithstanding this, however, the overall production performance of BCCL over the years has shown a definite improvement, from a total production level of 17.74 million tonnes in 1974-75 to 29.10 million tonnes (anticipated) in 1993-94. Overall OMS shall also improve from 0.45 tonnes to 0.90 tonnes during the same period.

The second reason is due to the mechanism of annual target fixation. The process begins with an exercise by the Planning Commission for projecting the total demand of coal in the country as a whole. This assessed demand is then distributed over CIL, SCCL and others. CIL target is further sub-allocated by the holding Company to its various subsidiaries including BCCL. While doing so, CIL takes into account the historical achievements and investments made in a particular Company. Overall production, therefore, has to be restricted to the overall demand projected by the Planning Commission. Fixation of a target in excesses of actual consumers' requirements would be counter-productive in that it would lead to piling up coal stocks."

C. Coking and Non-Coking Coal Production

4.11 Production of Coking Coal declined from 15.17 million tonnes in 1982-83 to 9.79 million tonnes in 1992-93 while production of Non-Coking Coal increased from 8.83 MT to 18.27 MT during the same period.

4.12 When asked the reasons for decline in production of Coking Coal, the CMD, BCCL stated:—

"The reason is that over a period of time top seams got exhausted. Bottom seams contain non-coking coal. Production from the top seams went down. That is why, production went down to nine million tonnes."

4.13 When asked the steps the Company propose to take to increase production of coking coal from the underground mines, BCCL in reply stated:

"The steps taken to augement production of coking coal are:—

(i) Introduction of intermediate technology in the existing underground mines to mechanise face loading operation; the contribution of production from intermediate mechanisation in the current year is expected to be around 1.2 million tonnes compared to almost negligible production 3 years back;

(ii) Formulation and implementation of short term marginal schemes in the existing mines for increase of production; it is expected that around 0.5 million tonnes of additional production could be available from such marginal schemes in 1994-95;

(iii) To alleviate loss of production due to power failure, arrangements are being made to obtain direct power supply to our mines from DVC. This would bring about significant reduction in power interruption. The work has already been completed in respect of around 70% of the mines and the remaining mines would be on direct supply from DVC in another 2-3 months;

(iv) Implementation of projects is being expedited so that extra contribution of coking coal would be forthcoming."

4.14 Asked what are the reasons for shortage of indigenous supply of coking coal for steel plants and the remedial measures being taken to improve the position, the Ministry of Coal in a written reply stated as under:—

"The main reasons of shortage of indigenous supply of coking coal for steel plants are:—

(a) Increase in demand due to increase in hot-metal production, indigenous production could not match with increase in demand, hence the shortfall;

(b) The good quality source of prime coking coal *i.e.* upper seams of Jharia Coalfields got depleted over the years;

(c) The performance of the washeries in terms of ash content in clean coal started deteriorating because of supply of raw coal feed with higher ash content on account of depletion of original source and opening up of opencast mining where quality deterioration was more pronounced;

(d) Old washeries started ageing requiring modifications and setting up of new washeries got delayed due to various reasons;

(e) De-linking of so called offending sources of raw coal supply to the washeries in October, 1993 as a result of which about 2.6 mt. of raw coal was de-linked and the overall availability of washed direct feed got reduced.

The problem of indigenous availability of coking coal for the steel plants has been studied by many Committees since 1979. Efforts have been continuously made to increase indigenous supplies. The entire issue was again gone into by the Technical

Group constituted by the Ministry of Coal. The Group comprised of representatives of Ministry of Coal, BCCL, CFRI and SAIL.

As per projections made by this Group the coking coal requirement (washed coal as fed to overruns) will increase to a level of 26.40 mt. in the year 2001-2002 from the present level of 18.53 mt. for achieving a hot metal production of about 24 mt. in that year (from a present level of about 17 mt.) the Group has further projected that if the recommendations made by the Group are implemented the imports which are recently around 7 mt. can come down to 3 mt. by increasing the indigenous availability of washed coal. Some of the steps suggested by the Group are mentioned below:—

(i) Expediting completion of all modernisation works in the existing washeries by March, 95 so as to supply 17+0.5% ash coal to steel plants;

(ii) Early commissioning of the coking coal washery under construction at Madhuband (2.50 mty) in BCCL;

(iii) Increase the raw coal availability through close monitoring of various coking coal projects already under implementation;

(iv) Setting up of additional washery capacity to wash low volatile medium coking coal."

D. Underground Vs. Open Cast Production

4.15 Coal production from underground, manual opencast and mechanised opencast mines in BCCL during 1987-88 to 1992-93 is given below:

(in Million Tonnes)

Year	Underground	Manual (OC)	Mechanised (O.C)	Total production
1987-88	13.81	0.43	10.87	25.11
1988-89	14.35	0.30	11.65	26.30
1989-90	13.29	0.28	13.04	26.61
1990-91	12.29	0.26	14.15	26.70
1991-92	12.08	0.27	14.66	27.01
1992-93	11.55	0.19	16.32	28.06

4.16 It would be seen from the above table that production from underground mines has been declining, while prime coking coal of superior grade is mostly in underground pillars awaiting extraction. Further, the coking coal reserves lie in the deeper layers below the existing mines.

4.17 Asked what are the reasons for shift in emphasis from underground to opencast mining by the Company in recent years, BCCL in a written reply stated that with the advent of Heavy Earth Moving Machinery (HEMM), it was possible to extend opencast working to greater depths economically, which was not feasible earlier, by employing this method, substantial reserves on pillars could be exploited with almost hundred percent extraction thus eliminating loss of coal inherent in underground mining methods, and lower gestation period.

Thus, larger emphasis on opencast mining was purely due to the techno-economic reasons.

4.18 Asked further as to the difference in coal quality in respect of coal from underground mines from that of opencast mines, the Company stated that coal produced in opencast mining gets contaminated with extraneous stones in varying degrees depending upon the local conditions. In BCCL, where large number of opencast mines are worked in developed seams and even in goaved out areas, the degree of contamination is larger. Another factor which makes the quality of opencast coal inferior is that it is not possible to do selective mining in mechanised opencast mining and bands in the seams have to be mined along with the coal.

Extraneous impurities may increase the ash in the run-of mine (ROM) coal obtained through opencast mining by five to ten units.

E. Shortage of Coal

4.19 The shortage in stock of coal as per production records and figures of measured stock of coal as at the end of each of the last six years is as shown below:

(Fig. in Lakh Tonnes)

As on	Book Stock	Measured Stock	Shortage	Shortage to book stock(%)	Shortage in excess of 5%
31.3.1988	103.40*	62.22	41.18	39.82	4.35
31.3.1989	99.04*	77.17	21.87	22.08	8.07
31.3.1990	118.18*	113.85	4.33	3.66	4.28
31.3.1991	113.18	100.53	12.65	11.18	3.59
31.3.1992	125.41	89.91	35.50	28.31	34.14
31.3.1993	147.32*	133.92	13.40	9.10	7.60

*Figures include washed coal, Hard Coke, Soft Coke and washery products.

4.20 It would be seen that shortage in stocks of coal was highest during 1987-88 when it touched 39.82% of the total book stock. The Company wrote off booked production stock during the period 1987-88 to 1992-93 which is as indicated below:

(Rs. in Crores)

Year	Value written off
1987-88	11.97
1988-89	17.79
1989-90	9.02
1990-91	11.57
1991-92	130.79
1992-93	29.97

4.21 Audit observed that shortages in stock of coal in BCCL is mainly attributable to (i) less coal accounted for in the colliery books; (ii) admixture of stone and rejects in the coal raised from opencast mines; (iii) errors in reporting production; and (iv) compressed stock carpet coal not taken into account at the time of measurement. Upto 5% discrepancy in booked production and measurement figures is considered reasonable.

4.22 When asked as to the measures that have been/are being taken to avoid/minimise shortage in stock of coal, BCCL in a written reply stated that the measures taken to avoid/minimise shortage in stock of coal include the following:—

(i) A system of monthly coal stock measurement in all collieries has been introduced. That Area is to send colliery-wise statement to the Company Headquarters periodically.

(ii) The Area Office has been advised to conduct quarterly survey of coal stock of the collieries engaging survey personnel from the Area.

(iii) The Headquarters conducts mid-term coal stock measurement in October/November.

(iv) Annual stock verification by teams deputed by Coal India Limited.

4.23 When asked in what manner accountability of officials is being ensured and why the Company failed to fix responsibility on officials of the Company for such major lapses and what measures have been taken in that direction, the Company in a written reply stated that it has fixed responsibility on the officials responsible for coal stock shortage lapses. As soon as coal stock shortage comes to the notice of the Competent Authority, disciplinary action is initiated and persued. Delay in action is regularly reviwed. Major punishment has been awarded to officials as noted below:

Table showing the Number of Officials Against whom Disciplinary Action has been taken by BCCL for Coal Stock Shortage year-wise from 1988-89 to 1993-94.

	Type of Disciplinary Action	88-89	89-90	90-91	91-92	92-93	93-94
1.	Dismissed from service	—	—	—	—	—	1
2.	Reduced in Rank	—	—	—	1	5	—
3.	Promotion withheld	—	—	—	—	2	—
4.	Increament stopped in the same rank	—	1	—	1	7	6
5.	Reduced to lower scale	—	—	—	—	—	—
6.	Censured	—	—	1	2	1	1
7.	Warned	1	—	1	2	3	4

4.24. When asked whether a Committee headed by Shri R.N. Mishra, the then CMD, CMPDIL was constituted in 1992 by Government to carry out an indepth study into the matter of shortage of coal stocks in BCCL and found huge stock shortages and if so, the findings thereof, the Ministry of Coal informed the Committee in a written note of 13th December, 1994 as under:

> "Yes, Apart from recommendations regarding System improvement in the mine working, the Committee has recommended for disciplinary actions against the persons responsible for stock stortages etc. Show-cause notice have been served against the persons for alleged over-reporting, over-payment of incentive, falsification of records and also against the CIL Measurement Teams who could not detect the stock shortages in the collieries where they carried-out Annual Coal Stock Measurements."

4.25 When asked further as to the details of the action taken against officers responsible for the reported irregularities in stock measurements in BCCL, the Ministry of Coal in a written note informed the Committee that Coal India Limited have taken the following steps to prevent irregularities in Stock Measurement and their timely detection:—

(a) Periodic regular check of coal stock in mines. monthly measurement by Colliery Surveyors, quarterly measurement by Area level Surveyors, half yearly measurement by Company level Surveyors and Annual coal stock measurement by teams from CIL.

(b) The periodic measurements of Coal Stock so done, are to be tabulated in Coal Stock register to have a check on any irregularities.

(c) Random check measurements have been conducted in identified high stock mines in subsidiary Companies by appointing outside agency Surveyors. These check measurements have to be conducted just after Annual Coal Stock measurement as a measure of check.

(d) The collieries have been advised to keep optimum stock of coal equivalent to 2 months production in a colliery and equivalent to 1 month's production in the Company level.

4.26 The Ministry of Coal have further clarified that on the basis of the Committee's report received towards end of 1993, action taken so far on the officers is indicated below:—

"Statement indicating the No. & designation of officers against whom action has been taken in terms of the recommendations of the Governmental Committee which went into the matter of shortages of Coal Stocks in BCCL."

Completed Cases

Removed from Service	1 General Manager
	3 Agents
Exonerated	6 Agents

Pending Cases

No.	Designation	Date of showcause notices or charge sheet	Present Status
1	2	3	4
		Showcause	
1	Chief General Manager	25.10.1994	Under Examination
		Showcause	
7	General Manager	4-14.6.1994 2-24.6.1994 1-11.7.1994	All Under Examination
		Chargesheet	
2	General Manager	1-04.7.1994 1-27.9.1994	Under Examination
		Showcause	
26	Agents	1-10.6.1994	No Reply
		12-14.6.1994	Under Examination
		7-14.6.1994	No Reply
		1-24.6.1994	Under Examination
		2-26.6.1994	Under Examination
		2-10.9.1994	No Reply
		1-15.9.1994	Under Examination

1	2	3	4
		Chargesheet	
5	Agents	2-28.4.1994 1-28.10.1994 2-30.10.1994	Under Examiaation No Reply No Reply
		Showcause	
15	Managers	1-27.4.1994 2-01.6.1994 8-14.6.1994 4-24.6.1994	All Under Examination
		Chargesheet	
4	Manager	1-28.6.1994 1-28.10.1994 2-7.11.1994	Enquiry report awaited No Reply No reply"

Subsequently, the Minister of Coal in reply to a Parliamentary Question informed the Lok Sabha on 22nd December, 1994 that showcause notices have been issued to about 152 officials of BCCL on the basis of the recommendations of the Government Committee which went into stock shortage in BCCL.

(F) Sand Stowing

4.27 Stowing (generally sand) into the mines is done for conservation and safety, particularly in thick seams or where a number of seams occur in close succession. The Ropeways were installed for extraction and transporting sand from Damodar River to the collieries for stowing. The capacity of these Ropeways in the Project Report prepared by CMPDIL in 1982 was assumed at 36 lakh tonnes per annum, while the two Ropeways could attain a capacity of only 12 lakh tonnes per annum. The Company paid Rs. 74.18 crores to contractors for supply of sand during the period 1987-88 to 1992-93.

4.28 When asked the measures Government have suggested to imporve the capacity utilisation of Ropeways and remove the malpractices allegedly prevailing in the system of transportation of sand by contractors, the Ministry of Coal in a written reply stated as noted below:—

> "The scheme for revamping of D&F Ropeways was sanctioned in January 1987 the same could not be implemented particularly in respect of repairs/revamping work to be carried out on 'D' Ropeways because of certain ground problems like opencast mines coming up at North Tisra and Kusunda, damage to Trestles.

However, repairs and revamping work of 'F' Ropeways was taken up at slow speed. Dredgers were also not procured.

In 1992 BCCL prepared a fresh report for revamping the Ropeway system. This scheme was approved by BCCL Board in June, 1992 envisaging implementation in two phases. Phase-I Rs. 7.39 crores and Phase-II Rs. 19.32 crores. Expenditure till date as reported by BCCL is Rs. 5.36 crores against Phase-I provision of Rs. 7.39 crores.

The Coal Company has reported that the entire Ropeways System has again been reviewed by them and they do not plan to implement Phase-II scheme in near future.

Since the available infrastructure for collection and transportation of sand was and continues to be inadequate, contractual arrangement has to be resorted to for ensuring sand supply which is very much required to ensure sand stowing in the underground mines as well as for continuing coking coal production from these mines."

(G) Machine Utilisation

4.29 The percentage availability of plant and machinery (P&M) as per standards for Shovels, Dumpers, Dozers and Drills varied from 70 to 80 and percentage utilisation varied from 15 to 73 during 1982-83 to 1992-93.

4.30 When asked what steps have been taken to improve the availability and utilisation of plant & machinery and reduce the downtime of machines to avoid production loss, the Company in a detailed written reply stated:—

"Steps taken to improve availability & utilisation and reduce down time of P&M in the Company are:

1. *Introduction of Hot Seat Change:* This is basically to avoid idle time of the equipment at the beginning/change over of the shift. This has already been started;
2. *Introduction of Walkie Talkie System of communication in major OCPs.* This will help in organising mine operations and equipment maintenance with minimum loss of time;
3. *Introduction of Operator's Log Book:* By introduction of this Log Book the actual behaviour of the machine and other problems faced during operation can be known immediately and suitable action required can be taken;
4. *Introduction of Condition Based Maintenance of major equipment:* This will be definitely of help in reduction of down time due to timely action taken to correct the defects of the equipment and thus improving the reliability;
5. *Improve Lighting/working condition of faces, haul-road etc:* All possible steps are being taken to improve the haul-road condition by way of grading and suppression of dust which will improve utilisation of the transport equipment.

6. *Improved Power Supply:* Steps are being taken to get the power directly from DVC which will result in more utilisation of Electrical Equipment. Supervision has been strengthened which will improve the utilisation of equipment by reduction of down time."

CHAPTER V

MARKETING

A. Coal Supplies

5.1 The marketing division of the holding Company (CIL) is responsible for overall policy on coal distribution, linkage of customers to coal fields and liaison with major consumers. Government consumers account for 85% of the sales of BCCL. The Company has still to enter into firm agreements with Railways and Steel Plants. Coal is being supplied on credit in the absence of specific contracts with major consumers.

5.2 The Committee asked about the problems being faced by the Company in Marketing Sector, CMD, BCCL during evidence replied as under:

> "We produce three types of coal. One is coking coal, the other is non-coking coal and the third is washed coal. Whatever coking coal we produce, we have to wash it and then sell because we keep the ash as low as possible. In the case of low ash raw coking coal, we sell it to steel plants. Everybody wants to take this coal because it is cheaper. The other variety is the non-coking coal which goes mostly to power stations and other industries. This is really a problem area. We have to mainly pick up stones from the coal and make it fit for consumption by the power houses. The offtake of coal has gone up to twenty eight million tonnes. The target is 29.5 million tonnes, which we shall be touching this year. Previously, we were loading only 2,100 wagons per day but now we are loading 2,900 wagons per day. So, there is no problem of marketing of coking coal.
>
> We have to really work hard to sell our coal. In coking coal there is no problem. In non-coking coal the saturation point has been reached in the country and there is no demand for it now."

5.3 Asked whether the Company had approached the Ministry to take up with the concerned Ministries the matter of entering into firm agreement with Railways and Steel Plants and the action taken by the Ministry in the matter, the Ministry of Coal in a written reply stated that BCCL is the bulk supplier of prime coking coal to steel plants. Every year agreement is entered into between BCCL and SAIL governing terms of supply. Whenever there is delay in finalising a new agreement, the terms and conditions of the old agreement continue to operate till such time as the new agreement is entered into.

Only nominal quantities of raw coal/middling are supplied to steel plants for which there is no agreement. Efforts are being made to negotiate and finalise such an agreement. However, with regard to sampling and analysis as well as payment, the same terms as are applicable to washed coal by and large govern the Raw Coal/Middling. Presently, no Raw coal is being supplied to Railways from BCCL. Earlier, there had been agreements with Railways for supply of Raw Coal. This agreement has not yet been renewed, but its terms still govern the supply of Hard Coke by BCCL to Railways.

In view of this, BCCL did not consider it necessary to approach the Ministry in this regard.

5.4 Asked by when Government is likely to reach commercial agreements with the major bulk consumers of BCCL coal like Railways, Steel Plants, Power Houses etc. to enable the Company improve its financial position and the steps initiated by the Government in this regard, the Ministry of Coal in a post evidence reply stated that for coal supplies to steel plants the coal companies and the steel plants are already having a separate agreement over price to be paid for washed coal supplies. Coal supplies to other consumers are being made at administered prices.

A proposal to allow coal companies to enter into bilateral agreements with the bulk consumers for supply of coal at negotiated prices is under consideration of the Government. This proposal if accepted should help BCCL in realising a better price from bulk consumers thereby improving its financial position.

B. Centralised Coal Dumps

5.5 Audit reported that in December 1981 a plan was drawn up for setting up five Centralised Coal Dumps at Katras, West Mudidih, East Basuriya, Alakdiha and Ramkrishna (Dahibari) by December 1982. The execution was delayed but even after completion at a cost of over Rs. 3 crores, only 70.40 lakh tonnes of coal were despatched from the Central Coal Dumps in the 8 years (1985—92) instead of 24.60 lakh tonnes per year envisaged. Coal despatched from Centralised Coal Dumps in 1992-93 was 12.27 lakh tonnes against installed capacity of 15.80 lakh tonnes.

5.6 The Committee asked as to the reasons for delay in the construction of coal dumps, the Company stated in reply that the original scheme for stockyards/dumps envisaged commissioning by Dec.' 82. This schedule, however, could not be adhered to on account of delay in land acquisition and procurement of steel, cement, tippers, payloaders, weighbridges manpower etc. There was, therefore, marginal slippage in the commissioning schedule and four dumps out of five were commissioned for operation indicated as under:

Name of the dump	Date of commissioning
Ramakrishna	29.7.83
East Basuriya	1.8.83
West Mudidih	-do-
Katras	-do-

The 5th Stockyard named as Alakdiha was fully mechanised one and the same was commissioned for 1st trial run on 01.06.85 but even during the second trial run on 18.2.86, a number of rectifications were still to be made by the turnkey contractor namely M/s. Rehabilitation Industries (RIC), a Govt. Undertaking. Here also, land problem and the lack of experience on the part of the turnkey Contractor delayed execution.

5.7 Audit observed that the Company informed in April, 1988 that time was lost in laying down administrative and operational guidelines. The operation of the dumps was affected, to some extent, by transportation and loading constraints.

5.8 When asked the reasons for delay in framing administrative and operational guidelines and the details of these guidelines, if framed, the Company in reply stated:

"Loss of sometime in laying down proper administrative and operational guidelines, was in relation to the original date for commissioning the operation of the stockyards/dumps. These guidelines, however, were framed and circulated to all concerned, well before the rescheduled date of commissioning *i.e.* w.e.f. 01.08.83. The extract of those guidelines is given as under:—

1. Linking of collieries/areas with each stockyard/dumps.
2. Defining responsibility in respect of functional, administrative & accountal control of these stockyards.
3. Preparation of model layout in respect of positioning various equipments for efficient operation.
4. Laying down detail procedure in respect of receipt of coal from linked collieries.
5. Laying down detail procedure in respect of booking of orders, delivery and billing under "OFF THE SHELF SCHEME". These guidelines were however, subsequently revised to accommodate supplies/under sponsorship/linkage/bulk sale categories when the said "OFF THE SHELF SCHEME" was advised to close down.

6. Laying down detail procedure in respect of accountal of receipt/despatch /billing/realisation.
7. Laying down guidelines in respect of submission of various reports.
8. Fixation of loading charges and pool price.
9. Preparation of various formats (about 30 in number), its printing and circulation for proper maintenance of records and reporting.
10. Preparation of an action plan for completion of remaining jobs related with installation of dumps including actions for registration of tippers, payloaders, etc.
11. Deployment of essential manpower at the dumps from the existing personnel in the collieries by way of transfers."

5.9 When asked further if the coal despatches from coal dumps improved consequent to the laying of administrative & operational guidelines, the Company stated that despatch from coal dumps gradually improved consequent to laying of administrative & operational guidelines.

5.10 The Ministry has reportedly expressed dissatisfaction and stated that it was a case which showed callous negligence by the management of Bharat Coking Coal Limited in implementing a project which was conceived as a means of eliminating corruption and malpractices in the sale of coal from the collieries of Bharat Coking Coal Limited.

5.11 Asked whether the Ministry ordered any probe/enquiry into the failure on part of the Company in not setting up & utilizing the coal dumps to their capacities which was aimed at eliminating corruption & malpractice in sale of coal from collieries of BCCL and the manner in which Govt. proposed to tackle this problem, the Ministry in a written reply stated as noted below:

"An enquiry into working of these dumps was ordered, by CIL. It was conducted by Shri K.A. Sinha the then Director (Tech.), CIL, Calcutta. The report was submitted in 1986.

Various measures were taken by BCCL in line with recommendations of the Committee to improve the capacity utilisation of the stockyards. The despatches from these stockyards have improved as seen from the figures of despatches from 1989-90 onwards given below:

(Figs. in lakh tonnes)

Year	Despatch
89-90	8.23
90-91	11.97
91-92	15.89
92-93	21.71
93-94	18.09
Provisional	

As regards fixing up of responsibility for the delay in execution of this project, the Investigating Officer had concluded that the entire delay was an organisational failure for which the system as a whole was responsible rather than any one individual."

5.12 On the question of the areas of Organisational failure and steps Government have suggested to BCCL to overcome these drawbacks for quicker execution of coal dumps project the Ministry have stated that the scheme of operation of stockyards by the coal companies was reviewed by the Ministry. As a result of the review it has been decided that the responsibility of setting up and managing the stockyards should basically be left to the State Governments or their Undertakings. Coal Companies including BCCL, are no longer required to set up coal dumps. However, coal to the dumps set up by the State Governments or their undertakings, would be supplied by the coal companies on the basis of the sponsorships issued by the State Government concerned.

C. Outstanding Debts

5.13. It has been observed in Audit that there were large outstandings for coal supply from Power Houses, Steel Plants, Railways and the amount lying outstanding was Rs. 432.52 crores as on 31.3.1993. Out of this, Rs. 35.50 crores had been considered bad and doubtful debts and provision made for the same in the accounts.

5.14 Asked how much of Rs. 432.52 crores is due to disputed deductions and whether the remaining outstandings have been confirmed by the debtors, the Company in a written reply stated:

"Rs. 432.52 crores is not for disputed outstanding only. The disputed outstanding is Rs. 35.50 crores out of Rs. 432.52 crores. Hence Rs. 397.02 crores is undisputed outstanding as on 31.3.1993. But the confirmation of outstanding as on 31.3.1993 has been received from the following consumers:

(Rs. in crores)

Name of the Consumer	Amount of outstanding confirmed by the consumer as on 31.3.1993
WBSEB	9.67
WBPDC	20.86
DPL	9.83
BTPS(Badarpur)	33.19
DVC	64.01
DESU	6.06

Name of the Consumer	Amount of outstanding confirmed by the consumer as on 31.3.1993
RSEB	2.13
TNEB	5.64
GSEB	8.25
FCI	14.58
Total	174.22

The balance amount is to be confirmed. Reconciliation is in progress."

5.15 According to the Company, a Committee was constituted in October, 1986 for settlement of disputes with customers. Asked further as to the number of cases and the amount settled by the Committee constituted in October, 1986 since its formation, the Company stated in reply that the Committee has settled the dues only with PSEB and Rs. 5 crores has been realised as on 31.3.1989 out of the settlement against disputed outstanding.

5.16 Asked whether Government was aware that the Committee constituted in October 1986 for settlement of disputes with consumers in respect of disputed outstandings have so far settled the dues of only one customer amounting to Rs. 5 crores and whether it considers the functioning of the Committee to be satisfactory, the Ministry of Coal in a written reply stated that in accordance with the decision taken by Secretary (Expenditure) Govt. of India, the then Deptt. of Coal had set up a Standing Committee on 18.6.86 with Coal Controller as Chairman to settle claims for deductions made by consumer Deptts. and agencies of Central Govt. e.g. Railways, SAIL, GOI Power Organisations etc. from the coal bills of CIL. The Standing Committee has not succeeded in its work because the consumer Deptts. and agencies declined to accept the decision of the Standing Committee as binding and final. Besides most of the despatches of coal companies relate to State Electricity Boards and other Power utilities which did not fall within the jurisdiction of this Committee.

5.17 When asked what coordinating efforts were made by Government during last three years to help the Company realise its dues particularly from Power Houses/State Electricity Boards etc. the Ministry of Coal stated that it is the responsibility of the Coal Companies to conduct their own commercial transactions including realisation of their dues. However, efforts are made to help the Coal Companies to realise their dues from major defaulters including power utilities. The undisputed dues of CIL as on 31.5.90 from power utilities amounting to Rs. 1093.45 crores have been recovered by Govt. of India from the plan assistance payable to concerned State Governments in four annual instalments from 90-91 to 93-94. The share of BCCL of this amount was approximately Rs. 195 crores. Further, the Govt. advised CIL that beginning 1st October, 1991 all Coal should be supplied to power stations only against cash payment. Despite this, it is not always possible to stop supplies to defaulting power stations. In the event these instructions are enforced strictly, some of the power stations may close down creating grid failures in some regions including National Capital Region. Further, in some cases supplies have to be continued to State Electricity Boards from which Power is being drawn for production of Coal.

According to latest available information, as on 31.1.94, the total overdues of CIL from all Coal Consuming Sectors was Rs. 3714.69 crores of which Rs. 2991.34 crores (80.5%) was from Power Sector. The corresponding figures for BCCL were Rs. 958.67 crores and Rs. 674.82 crores (70.4%). An amount of Rs. 216.23 crores was due from steel sector.

5.18 It is understood that Coal India Limited introduced the system of 'Cash and Carry' with some of the State Electricity Boards. But out of the 9 State Electricity Boards to which the Company is supplying coal only DESU is following the Cash & Carry System.

5.19 When asked the reasons for failure of the 'Cash and Carry' scheme, and the bottlenecks identified and the measures proposed to restructure the system, the Ministry stated that it is not true to say that 'Cash and Carry' scheme has failed to take off. In some cases the discontinuation of supplies would have meant accumulation of Coal stocks at the pitheads and eventual closing down of the mines. The main problem of defaults is in respect of State Govt. owned power utilities. These power utilities are unable to meet their financial obligations for several reasons including low and concessional tariffs specially for agriculture, high T&D losses and thefts and uneconomic working. Thus the problem of payments from power utilities is related to the reforms in the power sector. The Ministry of Power is aware of these problems and has been trying to enforce a minimum return on investments made by these power utilities.

(D) Quality Control

5.20 The Quality Control in Bharat Coking Coal Limited is done in 17 analytical laboratories in various areas for analysis of Coal, coke, mine gas, dust etc. In addition, public analysts are appointed by the Company and Coal India Limited. Despite all these measures the deduction from Company's bill by customers on account of quality variation has been increasing. The deductions made by the various customers in 1992-93 was Rs. 60.82 crores while it was only Rs. 12.94 crores in 1981-82.

5.21 Asked to clarify the steps taken to avoid huge quality deductions by the customers, the Company in a written reply stated that the following steps were taken:

1. Coal in Opencast Mines trom pillar edges is going to separate stock-pile which is being manually loaded after picking, whereas clean Coal from pillar centres is going to separate stock-pile which is being mechanically loaded.

2. More frequent inspection by Quality Control Department:

Month (1993)	No. Of Inspections
April	297
May	387
June	369
July	350
August	311
September	344
October	404
November	360

3. Installation of Feeder Breakers, whose shear pins shear on receipt of large stones and thus reject them and do not allow them to be part of uncrushed coal.

4. Increasing the frequency of sampling by Coal Controller Organisation:

Month (1993)	% coverage of all Power rakes
April	98.3
May	98.8
June	92.7
July	97.8
August	98.0
September	97.0
October	99.0
November	98.8

5. 6(six) Colliery Agents/Project Officers were charge-sheeted and one was suspended. Number of Loading Supervisors/Clerks have been chargesheeted and in some cases suspended.

5.22 The Government is recently stated to have downgraded the quality of certain types of Coal being produced by the Company.

5.23 On the criteria/guidelines laid down for determining the grading of Coal, the Company stated that the following criteria/guidelines are laid down for determining the grade of Coal:

(a) In the case of coking Coal, grades are fixed on the basis of ash content of Coal. Six grades have been formulated within the ash range of 15 to 35%.

(b) In the case of non-coking coal, the grading is based on 'Useful Heat Value.' It may be pointed out that CIL has been impressing upon all concerned to modify the system of grading of non-coking Coal on the basis of Gross Calorific Value as done in other countries. The system of grading based on useful heat value is irrational and BCCL particularly stands to loose heavily by the system because of inbuilt penalty on account of low volatile content in BCCL coals.

5.24 On the question of supply of unwashed coking Coal to steel plants, and its quality, the CMD, BCCL stated during evidence that to some extent unwashed Coal is being despatched to Steel Plants. This is particularly the case when the ash content is less than 20%, it is sent as direct feed. If the ash content is more than 20.5%, then the Coal is washed and sent to steel plants.

CHAPTER VI

FINANCIAL PERFORMANCE

A. Cumulative Losses

6.1 The profit/loss of the Company during the last five years was as under:

(Rs. in Crores)

Year	Profit/Loss
1989-90	(−) 51.33
1990-91	(−) 96.27
1991-92	(−) 48.13
1992-93	(−) 73.84
1993-94	(+) 21.56

6.2 The cumulative losses of the company as on 31.3.1994 stood at Rs. 1138.40 crores wiping out the entire paid-up capital. The losses are stated to be mainly due to unremunerative administered prices for coal and soft coke fixed by Government.

6.3 Enquired about the measures Government have suggested to the Company to arrest the growing losses, the Ministry have stated as follows:—

"The main reasons for the losses in BCCL are as follows:—

(i) In Bharat Coking Coal Limited (BCCL) the Composition of undergroud production to the total production is higher. Cost of Underground mining per Unit is generally higher than the Cost of opencast mining.

(ii) The average size of the mines in BCCL is small. The size of the mine determines the economics of production. By and large, due to the presence of various geo-mining problems, even after reorganisation of some of the mines, the average size of the mines in BCCL is small.

(iii) Most of the mines in BCCL have adverse geo-mining conditions and require stowing of sand in winning of Coal. This adds to the costs of winning of Coal.

(iv) Surplus manpower of BCCL.

(v) Problems of availability of power and acquisition of land is more pronounced.

(vi) Non-inclusion of certain components of cost namely interest, depreciation and return on equity in the administered price of Coal on a number of occasions in the past.

(vii) Time lag between incidence of wage revision as well as escalation in price of inputs and revision of Coal price.

Government has been suggesting strict cost control including cost audit, control on manpower and improved production and productivity as the main measures to improve financial performance of the Company.

Measures taken for checking and reducing the losses include the following:

(i) Various measures have been taken to effectively control and contain the cost of production so as to have an adequate margin for sustained growth with consistent improvement in over-all productivity. There has been reduction in the unit cost of production in terms of rate of inflation.

(ii) Following additional steps have been taken for achieving higher production and productivity so that the cost of production is kept to the minimum:—

(a) Improved manpower planning including redeployment of surplus workers and restricting the intake of new hands.

(b) Control of increase in manpower through voluntary retirement.

(c) Concept of "all men all jobs" is being tried on experimental basis.

(d) Improvement in availability and utilisation of Heavy Earth Moving Machinery by providing adequate workshop support, improved management of spares and timely rehabilitation of equipment. Procurement of Heavy Earth Moving Machinery and other equipment are scrutinised more closely so that addition to plant and machinery is minimised.

(e) Special emphasis on underground mines to improve the productivity and profitability.

(f) Steps taken for maintaining better coordination with State Governments so that the mining activities can be taken as per schedule.

(g) Capital expenditure reduction without impairing short-term/long term production potential so that impact of interest and deprecation in the future cost of production is minimised."

6.4 The Committee during evidence of the representatives of Ministry asked as to the measures Government are taking to review the situation arising out of the mounting accumulated losses of BCCL, the Secretary, Coal in a detailed reply stated:—

"We get reports under the MIS on all the major parameters including sales realisation, cash flow and the resultant operation —whether profit or loss. As I had earlier mentioned, I also take a meeting every week wherein these factors are noticed and directions are given. Apart from that more important is since these are operational areas, the Company Board themselves review all this. Both Coal India and the BCCL at every sitting review the financial performance and take appropriate measures. BCCL had got lot of quality problems. So its customers all the time were complaining of it. We, therefore, took a decision that they should immediately go in for installation of feeder breakers and crushers at the loading point. Earlier they were sending big boulders of Coal. Sometimes shales were mixed up with it. This problem has been solved by installing 19 feeder breakers. Six more will be installed shortly. This was one concrete measure which increased the acceptability of BCCL Coal more. This has resulted in the improvement of realisation of sales money from Rs. 379 per ton in 1992-93 to Rs. 447 per ton in 1993-94. This is a substantial improvement in the sales realisation.

We should concentrate on production of Coking Coal. Because Coking Coal is very important in order to arrest the rising import trend. Consequently during 1993-94, production of Coking Coal has gone up. Then there were always problems like complaints coming from the management that they have far too many people in different mines and how to tackle them. We have said that it is better that you have an interaction with those workers themselves and give them a choice to go on voluntary retirement. This voluntary retirement scheme has to be seriously looked into and if this happens, it will improve both the atmosphere as well as cost factor. If you take the labour aspect in the cost of per tonne of Coal, 58% of the cost goes towards labour in BCCL. Added to this, there have been frequent power interruptions. But now the power situation has improved and therefore the production has gone up to 29.5 million tonnes this year."

6.5 In this context, the Company in a written reply stated that in the year, 1994-95 the loss will be drastically reduced and an attempt will be made to reach the break-even point. In 1995-96 the Company is expecting to make profit.

6.6 When asked the maximum break-even point at which the Company could earn a profit, the CMD, BCCL stated during evidence that at the current prices, the break-even point would be at 36 million tonnes while last year the production was 28 million tonnes.

B. Coal Price Regulation Account (CPRA)

6.7 The Company has reported that it receives subsidy every year from Government under the Coal Price Regulation Account for the administered prices fixed by it.

6.8 When asked as to what is the criteria for fixing the amount to be received under this account and the amount of subsidy received by the Company under CPRA during the last three years, the Company stated in reply:—

"The retention price is fixed by the Government of India. This varies from Company to Company. The factors considered for fixing this retention price are:

(i) outside despatch of raw Coal;

(ii) the cost of production; and

(iii) the total profit/loss of CIL.

The amount to be received by each Company under this A/c is the difference between A and B below:—

(A) Total retention value calculated by multiplying the outside despatches of raw Coal with the retention price fixed.

(B) Total amount of sales of raw Coal *i.e* billed amount excluding taxes and other levies.

The amount of subsidy received by BCCL under CPRA was Rs. 236.74, Rs. 331.97 and Rs. 296.42 crores in 90-91, 91-92 and 92-93 respectively."

6.9 Asked since when Government is resorting to the mechanism of compensating the Coal Companies through the Coal Price Regulation Account (CPRA), the Ministry of Coal in a written reply stated:

> "It is felt that Coal being a very important raw material, its pithead price should be more or less uniform throughout the country. As such uniform grade-wise prices are fixed for Coal produced by all subsidiary companies of Coal India Limited. Separate prices are however being fixed for Coal produced by Singareni Collieries Company Limited.
>
> Since the cost of production varies widely within CIL from subsidiary to subsidiary a concept of retention price has been evolved under clause 4A of Colliery Control Order, 1945 which prescribed that the Central Government may, having regard to all the relevant factors, including the geological and mining conditions of and the mining technology employed in the collieries by the owner, as well as the estimated Cost of production of Coal and coke produced by such colliery owner, fix by notification in the official Gazette, the retention price in respect of each class, grade of all size of Coal and Coke produced and sold by such colliery owner.

This scheme is made effective in CIL from the year 82-83. Under this scheme, CIL operates a Coal Price Regulation Account. This Account is utilised for receiving and disbursing funds to subsidiary companies in accordance with retention prices fixed by them."

6.10 When asked further the advantages of this mechanism over the BICP recommendation of decontrolling the coal prices, the Ministry clarified that the retention price scheme only aims at inter-subsidiary company adjustments of profits and losses while over all position of CIL remains unaltered. This becomes necessary since CIL is being allowed uniform coal price for all its subsidiaries and therefore it should be taxed only on the total profits/losses made by it.

The main advantages of the retention price scheme were stated to be:—

(a) Adjustment in profit by operating the scheme is recognised for the purpose of assessment of Corporate Tax. In other words, the taxable income of profit-making companies gets reduced by the amount of contribution they make to the Coal Price Regulation Account.

(b) The difficult mining conditions and therefore higher costs prevailing in loss making companies like ECL and BCCL are recognised and the contributions are made to these companies from Coal Price Regulation Account for reducing their losses.

In the event of decontrol of coal price, there is likely to be increase in revenues of ECL (non-coking coal of higher grade) and BCCL (washed coal). This means additional revenue for CIL as a whole. However viability of individual companies would have to be reassessed based on their costs and sales realisations.

C. Coal Prices

6.11 The prices for Coal are fixed by Government under Clause 4 of Colliery Control Order. These prices are uniform all over the country for same grade of Coal for all subsidiaries of Coal India Limited. No separate prices are fixed for various subsidiaries.

6.12 When asked whether BCCL has ever represented to the Ministry for getting remunerative prices fixed for Coal, the Secretary, Coal during evidence stated as under:—

"I do not think so. All those concerned such as the BICP, CIL and the Ministry sit together and thrash out the matter. There is no occasion for anybody to protest. There is no scope. Probably they might have represented on soft coke because the Government has not revised its price since 1982. It is selling at Rs. 175 per tonne, whereas it should really be selling at Rs. 590. BICP has taken note of it. Another problem is that both the State Governments and local population are protesting vehemently against the pollution caused by the soft coke production. But the fact is that its price is heavily subsidised by BCCL and Coal India."

6.13 Asked to state the reasons for not revising the prices for soft coke which are stagnant at the 1982 level of Rs. 175-/per tonne, the Ministry in a detailed post evidence reply stated as under:—

"Bureau of Industrial Cost & Prices in their interim recommendations during January, 1992 had observed that in view of the mounting losses, liquidity problem and withdrawal of budgetary support, commercial considerations do not permit Coal India Limited to subsidise soft coke any longer. The Government have to change the current approach to ensure a fair return to CIL on sale of soft coke. The Core Group of Secretaries have also approved acceptance of this recommendation. In pursuance of above recommendation, Government is considering to revise prices of soft coke both for domestic consumption and industrial use at the price of its manufacture by Coal Companies. It is also proposed to go in for yearly revisions in the prices of soft coke so that there is no subsidy on account of coal companies for soft coke production and sales, henceforth.

The present prices of soft coke are Rs. 175/-per tonne for domestic consumption and Rs. 300/-tonne for industrial use. These prices have not been revised for quite sometime. The main reason for not revising these prices is the fact that soft coke is mainly used by poor people and it was felt that they should, to the extent possible be protected from the price increases. Secondly, non-revision of price of soft coke has been due to its declining production. The process of production of soft coke causes heavy pollution of air and water and State Governments have objected and even prosecuted the Coal companies under Pollution Control legislations. Availability of railway sidings for burning and rail loading has been another factor for dwindling soft coke production. It was, therefore, felt that increasing prices would cause further avoidable irritation."

6.14 When asked further as to what other remedial measures are being contemplated by Govt. to reduce the heavy subsidy and consequential loss being incurred by the Company, the Ministry informed the Committee as follows:

"Efforts are being made to substitute soft coke with other Coal based domestic fuels like briquettes, special smokeless fuel and CIL-COKE (soft coke being produced in Dankuni Coal Complex by CIL). The production of briquettes and soft coke is being encouraged in the private sector. However, all these alternative fuels are more expensive than soft coke, the price of which has not been revised for a long time.

The non-revision of price of soft coke is therefore to some extent hindering development of alternative Coal based fuels. It is also noticed that the subsidy in most cases is not being passed on to the consumers. It is, therefore, proposed that the price of soft coke should be enhanced and subsidy on this account by Coal Companies should be eliminated."

D. Decontrol of Coal Prices

6.15 BICP has reportedly recommended to Government to decontrol the Coal prices. When asked, if, Government had reassessed the viability based on cost of production and sales realisations of individual Coal companies including BCCL as a prelude to decontrol Coal and the outcome of such reassessment, the Ministry replied that based on the recommendations of Bureau of Industrial Costs & Prices, Govt. is considering decontrol of prices of coking coals and grades 'A', 'B' and 'C' of non-coking Coal.

Generally, the Coking Coals and higher grades of non-coking coals are in short supply and some consumers who are allotted these coals reportedly sell part of their allotment at prices which are higher than the controlled price. BICP has recommended that the difference between the price fetched by such coals in open market and the controlled price could be mopped up by the producing Coal companies consequent to the decontrol.

The extra realization by Coal Companies as a result of decontrol would depend on the market behaviour and cannot be assessed accurately. However, to the extent the prevailing market price remains higher, the economic viability of Coal producing companies including BCCL would improve as a result of decontrol.

6.16 Asked the reasons for not accepting the BICP recommendations made in January, 1992 with regard to decontrol of coal prices, the Ministry of Coal in a post evidence reply stated that the Bureau of Industrial Costs & Prices in their Interim Recommendation recommended in January, 1992 partial decontrol of 'A' and 'B' grades of coals and also that of Coking Coals. These recommendations were considered by the Core Group of Secretaries in the Government in September, 1992 who recommended that the prices of 'C' grade of Coal be also decontrolled.

The proposal is under active consideration of the Government.

CHAPTER VII

MANPOWER

A. Surplus Manpower

7.1 At the time of nationalisation 1.25 lakh workers were producing 14 MT of Coal per annum. The Company is producing 28.06 MT of Coal in 1992-93 employing 1.60 lakh workers. The manpower employed peaked in 1984-85 with 1.73 lakh workers, thereafter there has been a gradual decrease in manpower employed.

7.2 During evidence of the representatives of BCCL, the Committee asked if the Company was over staffed and as to what is the actual problem being encountered, CMD, BCCL replied as under:

> "Manpower is surplus in the female sector because lady employees do not work overtime. We have 14,000 female employees. They cannot be transferred.
>
> The excess manpower position is that different trade unions over a period of time have been able to induct a lot of persons. Today, it is one lakh sixty thousand manpower. They control the loading, despatch, transport etc. They try to squeeze the management. We have taken very stern action. I have dismissed 981 persons last year."

7.3 When asked about the latest position of surplus manpower in BCCL, the Company replied that in view of the available surplus/under utilisation of manpower, the manpower rationalisation and identification of surpluses have been taken up as thrust area and accordingly every year a comprehensive Manpower Budget of the Company is prepared showing likely reduction, redeployment of existing manpower through transfer and also after training/retraining etc.

For 1993-94, 7854 employees were identified as surplus/underutilised as per details given below:—

Redeployment through transfer	— 3642
Redeployment through training	—1661
Non-deployable surplus	— 2551

7.4 It has been observed in Audit that the labour productivity was very low despite huge mechanisation. The Ministry informed Audit that Coal India Limited has been asked to study the position of surplus manpower.

7.5 Asked what has been the report of Coal India on the surplus manpower in BCCL, the Company in a written reply stated as follows:

"Main features of the Report of Coal India on surplus manpower in BCCL are:—

(i) Special emphasis on development and upgradation of skill of potential employees for gainful utilisation in the Projects/Mines having deficit manpower.

(ii) Acceleration of the process of identification of potential trainees and on the job training through Company Institute and through outside Agencies.

(iii) Intensive drive for identification of surpluses and gainful re-deployment to improve the economic viability.

(iv) Grooming and developing surplus manpower in BCCL for re-deployment in NCL, SECL and MCL."

B. Productivity of Manpower

7.6 The overall output per manshift (OMS) and earning per manshift (EMS) stand at 0.85 tonnes and Rs. 187.60 in 1992-93.

7.7 On the question of output per manshift (OMS), the cost of production and earning per manshift (EMS) in underground, Opencast mechanised and non-mechanised mines during the last three years, the Company stated in a written reply that during the last three years, the OMS, EMS & Cost of production have been as under:

Year	O.M.S (tonnes)		Cost of production (per tonne)		E.M.S	
	UG	OC	U.G.	O.C.	U.G.	O.C.
1990-91	0.45	1.92	Rs.617.22	Rs.219.84	Rs.152.99	Rs.152.83
1991-92	0.44	2.10	Rs.718.81	Rs.251.25	Rs.173.55	Rs.177.26
1992-93	0.45	2.16	Rs.804.29	Rs.275.09	Rs.193.75	Rs.206.87

The Company clarified that there are no non-mechanised Opencast Mines in BCCL.

7.8 Asked as to what are the reasons for low productivity and the remedial measures contemplated, the Company in a written reply stated:

"Reasons for low productivity include the following:—

(i) Ageing of the miners/loaders. The average age of the miners is 45 whereas underground mines are becoming more arduous every day.

(ii) Loss of production due to power failure. This reduces the number of working hours for both miners and machines effecting productivity.

(iii) General indiscipline amongst the workmen and law and order situations in the Jharia Coalfield. Efficient operations require disciplined workforce.

(iv) Difficult geomining conditions severely limit scope of mechanisation.

(v) Due to geomining and environmental constraints, even mechanised Opencast mines in BCCL have inherently low productivity.

The remedial measures proposed to be implemented include the following:—

(i) In underground mines side discharge loaders have been introduced as intermediate technology to start with mines producing coking Coal.

(ii) Power situation has improved after changing over to high tension DVC.

(iii) Disciplinary action has been taken on habitual offenders/workmen.

(iv) Priority is being given to timely procurement of spares of machinery deployed for production directly."

7.9 When asked in what manner Government propose to overcome the problem of surplus manpower in BCCL, the Ministry of Coal in a written reply stated that BCCL is implementing voluntary retirement scheme to tackle the problem of surplus manpower. Besides, payment of gratuity and Contributory Provident Fund as per rules, the scheme provides, *inter-alia*, for an *ex-gratia* payment equivalent to one and a half month's wages for each completed year of service or monthly wages at the time of retirement multiplied by the balance number of months of service left before normal date of retirement, whichever is less. Since BCCL, is finding it difficult to find funds for meeting the expenditure involved, a sum of Rs. 60 crores has been made available to BCCL from the National Renewal Fund, for financing the above-mentioned scheme. It is expected that BCCL would be in a position to reduce the extent of surplus manpower in the Company by about 5000 during 1994-95.

B. Transfer of NCDC Projects

8.4 In April 1975, the Sudamdih and Moonidih Coal Projects were transferred from National Coal Development Corporation (NCDC) (now Central Coalfields Limited) to Bharat Coking Coal Limited. However, a comprehensive bill to legally transfer these 2 projects to BCCL was still to be enacted.

8.5 Asked what are the reasons for not enacting legislation with regard to legal transfer of these two coal projects to BCCL, the Secretary, Coal stated during evidence as follows:—

> "In 1989, we had decided for asset transfer by legislation. We took the Cabinet approval. There was change of Government. Again we had to go to Government. That happened in February, 1990. A Bill, namely The Coal India (Regulations and Transfers Validation) Bill, 1990 was introduced in Lok Sabha on 30th May, 1990. The Bill could not be considered by the Lok Sabha for want of time and the Bill lapsed consequent upon dissolution of Lok Sabha in 1991. Again according to the established procedure, the Bill has got to be approved by the Government. For this purpose fresh consultations have taken place with the Coal Company regarding the Bill. After the Coal India examined it afresh, we consulted the Ministry of Law and Company Affairs. They have approved the proposal in January. We are going for Government approval. We propose to introduce the Bill during this year. It may be in the Monsoon Session."

8.6 When asked further why there was so much delay, the Secretary, Coal stated that they had to consult various agencies all over again.

PART B

Recommendations/Conclusions of the Committee

1. The Committee note that BCCL came into existence with the nationalisation of 214 Coking Coal Mines in 1972. The Company was further entrusted with the operation and management of some non-coking Coal mines after their nationalisation in 1973 before it became a subsidiary of Coal India Limited in November, 1975.

The examination of Bharat Coking Coal Limited by the Committee has revealed that BCCL—the prime producer of Coking Coal for the national requirements is making losses year after year, has failed to evolve proper project formulation, implementation and monitoring systems even after more than two decades of operations. It has become an undertaking plagued with increasing losses, lower production and productivity, a very heavy number of surplus manpower coupled with huge outstandings from bulk consumers of Coal. The Company is now in the midst of varied problems relating to completion of mining projects, resources crunch for modernisation of washeries as also their under utilisation of capacities, failure to recover its bills from power utilities, steel plants and others etc. A review of the findings of the Committee on various aspects of the working of the Company and also Governments supervisory role is dealt with in the succeeding paragraphs.

2. The Committee note that BCCL was established with the main objective of promoting development and utilisation of Coal reserves in the country and to raise the productivity of coal mining and related activities. They are, however, constrained to observe that though the Company has been able to increase the output per manshift (OMS) to 0.85 tonne in 1992-93 against 0.40 in 1972-73, this is admittedly not sufficient to make the operation of BCCL financially viable. The Committee are of the opinion that the inherent geo-mining constraints might be one of the factors responsible for low productivity, there is still scope for further increase in productivity through introduction of improved technology and improving the skills and motivation of the work force. The failure of BCCL in raising the production to the desired level has forced the steel plants to import huge quantities of Coking Coal resulting in heavy foreign exchange outgo in recent years.

3. The Committee are unhappy to observe that the Board of Directors of BCCL as constituted at present is not in conformity with the guidelines on the subject issued by the Department of Public Enterprises in March 1992. According to these guidelines, the Government Directors on the Board of a Public Undertaking should not exceed two. However, BCCL has taken the

plea that appointment of more than two Government Directors on its Board has become necessary because representation has to be given to the State Government for tackling the problem of law and order, Railways for movement of Coal, Damodar Valley Corporation as an important source of Power and Steel Authority of India Limited as a bulk consumer.

The matter regarding the number of Government Directors on the BCCL's Board as also the filling up of position of Management Expert on the Board, which fell vacant about two years back is still to be sorted out by the Ministry of Coal with the Department of Public Enterprises. The Committee recommend that this should be done without any further delay and the Board reconstituted accordingly. Besides, the Committee are not convinced that with the provision of alternative forums for obtaining feedback from the consumers, the representation on the Board provided since 1991 to consumers/trade may be dispensed with. They desire that the representation of consumers/trade such as FICCI/ASSOCHAM on the Board of coal companies should continue.

4. The Committee are perturbed to note that BCCL has defaulted in payment of PF dues of its employees for two years. The Company reportedly finds itself in such a situation owing to acute cash crunch as a result of its failure to realise its dues from its bulk consumers viz. Power houses, State Electricity Boards etc.

What is more distressing to find is that in a case of such a serious violation of statutory norms on payment of PF dues of workers, the Finance Director of the Company did not think it appropriate to inform even the CMD of the Company before withholding the payments. It is disconcerting to note that no responsibility has been fixed for such a serious lapse. It is all the more disquieting that Ministry of Coal too has failed to initiate any action in this regard and tried to justify the line of action of the Company. The Committee now understand that the entire PF arrears due upto Feb., 1994 in respect BCCL have been cleared by Coal India Limted. At this stage, the Committee cannot but express their displeasure over this lapse and desire that in future the Government as well as the Company should be more vigilant on this account.

5. The Committee are distressed to note that the Company was able to complete only 38 projects out of 73 projects taken up for implementation upto March, 1993. The Committee find that a number of projects suffered due to improper geo-mining surveys, delays in selection of proper technology and mismatch of equipment etc. Some of the projects are even being withdrawn by Government due to non-availability of land and adverse mining conditions. The Committee are constrained to find that the views of the Company and the Ministry of Coal are at variance with regard to sanction of many projects by Government at a time for implementation by the Company. While the Company's contention is that these projects were sanctioned in one swing without adequate geological data, according to

the Government, whatever comes to it has already been formulated with the help of the Coal Company concerned and Central Mine Planning and Design Institute (CMPDIL). The Committee can not but deprecate such an attitude both on the part of BCCL and Ministry of Coal to disown responsibility for sanctioning of projects. The Committee desire that all infrastructural aspects been taken care of in future before sanction for projects is conveyed by Government to the Company.

6. The Committee observe that one of the prime reasons for delays in project implementation in BCCL is the problem of land acquisition and the subsequent rehabilitation of the evacuees of land acquired by the Company for project implementation purposes. According to Secretary, Ministry of Coal, the main problem occurring in land acquisition cases in Bihar is that the land records are not upto date. Besides, State Governments are not providing substitute lands for afforestation purposes which is required by the Company in lieu of forest land made available for projects.

The Committee understand that Standing Committees have been set up at State levels for expediting land acquisition cases for the Company's projects. However, they are distressed to find that the Special Empowered Committee constituted in Bihar for the purpose has not held any meeting after 2.4.1991 which speaks volumes about the efficacy of these Committees in resolution of land acquisition problems being faced by BCCL. The Committee desire that the guidelines issued by Ministry of Coal recently for formulation of rehabilitation package for evacuees be fully adhered to by the Company. The Committee recommend that Government should form some high powered regulatory body comprising the representatives of State Government and the Coal Company concerned to coordinate and monitor the land acquisition problems between State Governments and the Coal producing companies including BCCL so as to check/remove the bottlenecks in the area for effective and quicker implementation of mining projects. The Committee would like to be apprised of the action taken by Government in this regard.

7. It is disconcerting to find that though the Company is engaged in the production of Coking Coal for over two decades now, neither the Company nor the Government have been successful in developing a mechanism for an effective review and monitoring system so as to ensure timely and cost effective implementation of various projects undertaken by the Company. Some of the projects have not been completed even after two to five years of the original scheduled dates of completion. Apart from problems relating to land acquisition, there have been delays on account of various factors such as selection of appropriate technology, delays in shaft sinking and fund constraints etc.

8. The Committee also note that Ministry of Coal had set up a Committee in 1990 under the Chairmanship of Adviser (Projects) in Ministry of Coal to review the entire system of project formulation, implementation and

monitoring as prevalent in BCCL. The Committee examined all issues concerning project formulation within the existing framework as well as the issue relating to inclusion of the cost escalation factor similar to the ones being followed in World Bank Projects. This Committee among other measures also suggested certain guidelines laying special emphasis on exploratory studies prior to project formulation, active participation of the planner alongwith the implementing officers to facilitate close monitoring for taking effective corrective measures in the event of any change in any of the parameters of the project during its implementation, setting up of an Internal Appraisal Cell (IAC) in CMPDI to be manned by an Economist who is to work on the lines of Project Appraisal Division of the Planning Commission and making available IAC's comments/views at the time of final decision by the Board etc. The Committee also suggested timely and regular reviews at the level of Director (Project), CMD of the subsidiary Company and CIL and Ministry of Coal and close interaction with State Governments specially with regard to Land Acquisition and rehabilitation of land oustees, forestry clearance etc. The Committee desire that in the light of these comprehensive guidelines, BCCL and the Government should henceforth take suitable steps to avoid delays and consequential time and cost over-run in the project implementation. The Committee would like to be informed of the action taken in this regard.

9. The Committee's examination of BCCL in the context of new mining technologies being used in the Company has revealed that despite major advancements in the field of Coal mining/production technologies presently available worldwide, the Company failed to absorb fully the technologies available in these areas. It also failed to evolve better technologies for coal mining suitable for Indian conditions. The Committee are distressed to note that the maximum the Company could achieve in this field was solely limited to the mechanisation of face loading operations which BCCL termed as 'Intermediate Technology' as against total mechanization of the entire system. The contribution of these technologies ranged between 0.212 to 1.24 million tonnes during 1990-91 to 1993-94 which in percentage terms comes to around 10% of UG production in BCCL. It is disconcerting to note further that the meagre extent to which the Company has absorbed/applied the intermediate technology in its operations, could not contribute towards increase in production/productivity of Coal/miners to a level which could have resulted in substantial increase in sales and consequent increase in profitability of BCCL.

The Committee are constrained to further observe that the induction/absorption of new mining technologies in BCCL is very unsatisfactory owing to slow pace of development of indigenous availability of spares both in quantitative and qualitative terms, resistance to new technologies at all levels of workforce in BCCL, geo-mining problems, low motivation etc., besides absence of continuous support from suppliers of technology and equipment. The Committee, therefore, recommend that BCCL and Ministry of Coal should immediately take appropriate measures to pep up motivation levels in BCCL with particular referene to absorption of new and useful technologies as also training of workforce and promote indigenous manufacture of both machinery and spares for better availability and utilisation of equipment. The Committee desire that they should be apprised of the measures taken in this regard.

10. The Committee note that out of the many delayed mining projects of BCCL — one is the Moonidih Project which got badly delayed by nearly two decades and suffered due to occurrence of geological defects and selection of inappropriate technology. The Company could not get geological defects properly prospected resulting in mismatch of the longwall equipment which further contributed to the lower production from this mining project. The cost of the project also increased during this period exorbitantly from Rs. 16.09 crores to Rs. 179.81 crores. The rated capacity of the project was also derated from 2.1 mt. to 1.5 mt.

It is disconcerting to note that the Company/Government after operating the project for many years continually came to the conclusion that this project is not a viable one and derated its capacity. The Committee are constrained to observe that basic requirements viz. adequacy of ventilation and evacuation capacity was not assessed properly beforehand which primarily resulted in derating its capacity. The Committee also note that Balram Committee appointed by the Department of Programme Implementation with regard to review the progess of implementation of this project had found that lack of mine ventilation and Coal evacuation capacities, improper selection and inadequate training of personnel to operate the project, non-motivation and lack of incentives etc. were the main reasons for the tardy progress of the project. The Committee desire that proper diagnostic studies be conducted to avoid the pitfall of geological defects that are being encountered in this project. They, also recommend that BCCL should implement all the improvements recommended by the Balram Committee especially with regard to preparation of Cadre Scheme for longwall mining technology. The Committee further desire that the minimum the management should take all necessary steps to overcome the shortcomings being faced by it in the operation of longwall equipment take other corrective steps with a view to and improve their performance at the earliest. The Committee would like to be informed of the efforts made in this direction by Government.

11. The Committee note that in another mining project viz. Open Cast Project Block-II sanctioned in 1982 at a cost of Rs. 103.15 crores could be completed only in March, 1993 resulting in cost escalation by Rs. 50.40 crores and a delay of more than 6 years against the original completion date of 1986-87. The project reportedly suffered delays due to fire, land acquisition and rehabilitation problems. The Company could rehabilitate only 183 families as against 675 families affected due to acquisition of 559.43 ha. of land so far. The Committee desire that all the land oustees of

the project may be rehabilitated by the Company suitably within a period of six months in coordination with the State Governments.

12. The Committee are constrained to observe that of the 9 ongoing mining projects, the North Amlabad Project which was to be completed by 1984-85 as per the original schedule and by March, 1994 as per the revised schedule has not so far been completed. Similarly, Pootkee-Balihari project is now scheduled for completion only by March, 1995 as against original schedule of March, 1994. It is disquieting to note that both the projects have been badly delayed, costs increased considerably and capacities derated by more than half. Both the projects got delayed due to adverse geomining conditions, mid-way change in technology and high degree of gassiness etc. The Committee are distressed to note that in the case of North Amlabad project, supply of equipment for the degassification plant by the French suppliers took four years against the lead time of two years mainly on account of delay in supply of data by BCCL and CMPDI themselves. It took another two years in its commissioning by BCCL. The Committee desire that further exploratory studies being conducted should be completed at the earliest to avoid any further delay in commissioning of this project.

In the case of the Pootkee-Balihari Project, the Committee have been informed that World Bank had withdrawn financial assistance to the project on the ground that the geomining conditions make it unviable for attaining the planned capacity of 3 mtpa by using the longwall technology. The Committee further understand that this project is now being implemented by Ministry of Coal/BCCL at a derated capacity of 1 mtpa to be completed by March, 1995 within the sanctioned cost of Rs. 199.87 crores*. The project would still be losing marginally. The Committee would like to stress here that in view of the availability of prime coking coal from this mine for supply to steel plants, Ministry of Coal/BCCL should strive to make allout efforts to complete the project within the sanctioned cost and revised time schedules and attain the maximum possible turnover from the project which would help in reducing coking coal imports to a certain extent.

13. The Committee are not at all satisfied with the tardy pace of implementation of the 22 projects so far taken up to control the 70 odd fires as existing at the time of nationalisation of Jharia Coalfields in the year 1971. The Committee note that only 7 projects have been completed till March, 1993 after having incurred an expenditure of Rs. 73 crores out of total envisaged investment of Rs. 114.57 crores. The Committee are further dismayed to learn that even after more than 2 decades of nationalisation of these coalfields, the Company has not been able to adopt and apply fire controlling techniques comparable to those in developed countries.

The Committee learn that 'Diagnostic Studies' for the Jharia Fire Control Technical Assistance Project with World Bank financial assistance has been initiated by Government in April, 1993 and is to be completed by June, 1995. The Committee are at a loss to understand the reasons behind not

*At the time of factual verification, BCCL stated: "RPR of capacity of 0.80 MT with a capital investment of Rs. 196.95 crores is under finalisation to be completed by March, 1997."

[BCCL letter No.IA/COPU/2218 dated 3.2.1995] taking up or initiating such a study by Government earlier in view of the fact that till date the country has irrevocably lost nearly Rs. 1000 crores worth good grade Coal in JCF. It is needless for the Committee to emphasise here that fire control measures are very much essential to reduce the dependence of the nation on imports of Coking Coal. The Committee, therefore, desire that the 'Diagnostic Study' initiated by Government should be got completed expeditiously by June, 1995 as already decided upon and based on the results of this study, steps to control the JCF fires may be taken up in the shortest possible time. The Committee would like to be apprised of the results of the 'Diagnostic Study' and the steps taken by Ministry of Coal/BCCL in this regard at the earliest.

14. The Committee observe that the Company had so far set up 4 coal washeries to meet the requirement of washed prime Coking Coal by the Steel Plants. The Company estimated a shortfall of 10.21 mt. of Washed Coal by the year 1994-95. It is disconcerting to note that the pace of setting up of washeries and their modernisation was very slow. The capacity utilisation of the existing washeries of BCCL stands at 65% which is below the break even level of 80%. The operable capacity of the washeries stands at 11.83 mt. One of the main reasons advanced by BCCL for the poor performance of the Company's washeries was the non-availability of raw Coking Coal which is resulting from the dwindling production of Coking Coal over the years. This situation has also resulted in high outgo of foreign exchange on account of import of Coking Coal by Steel Plants. The idle time of the washeries increased the cost of Washed Coal. Another inhibiting factor for poor utilisation of washery capacity is the slow progress of completion of new mining projects by the Company. Apart from these the lopsided emphasis by BCCL on mining UG Coal by OC methods resulted in restriction of feed rate of washeries due to presence of shales, boudlers etc.

15. The Committee further note that Government had set up a Committee headed by Dr. V.A. Altekar with a view to study the operation of the washeries in BCCL and suggest measures for their modification. This Committee in its report submitted to Govt. in October 1986 suggested installation of Deshaling Plants at Dugda I & II, Sudamdih and Bhojudih washeries and modernisation of Patherdih washery etc.

The Company had reportedly carried out all short-term modifications and the long-term modifications except the modernisation of Patherdih washery, which is likely to be completed by June, 1995. The Committee understand that modernisation of Patherdih washery has suffered a set-back owing to the earlier tie up getting jeopardized due to disintegration of USSR. The Committee, therefore, desire that the Company and Ministry of Coal should take all necessary steps to ensure that all long term modifications suggested by the Altekar Committee are completed by June 1995. As regards, the modernisation of Patherdih washery, the

Committee recommend that BCCL and Ministry of Coal may take up this matter of modernisation indigenously without further wasting any time. The Committee may be apprised of the efforts made in this direction.

16. The Committee also observed that the Ministry of Coal constituted a Technical Group to Study all related aspects of production and washing of Coking Coal in order to minimise the burden of Coking Coal imports on the national exchequer. This Technical Group had reportedly suggested modernisation of existing washeries of BCCL, stepping up Coking Coal production by quicker implementation of Coking Coal projects in the Company. Coal India Limited had also drawn up an Action Plan in this regard and intends setting up Coal washeries on Build-Own-Operate-(BOO) principle. While setting up of coal washeries on BOO principle might be necessary in the overall need for augmenting the capacity of washeries, the Committee would like to emphasise that such capacity may remain under-utilised unless the coking coal projects of BCCL are implemented expeditiously as suggested by the Technical Group. They would, therefore, suggest that an integrated plan for matching the setting up of new washeries with the commissioning of coking coal projects should be drawn up and it should be strictly adhered to.

17. The Committee are perturbed to find that the contract for setting up of a Coal washery at Madhuband was awarded to a PSU viz. MAMC at cost of Rs. 72.50 crores against a lower quotation by a foreign tenderer (Rs. 54.35 crores) which only reveals that neither the Company nor the Ministry have taken commercial consideration into account. It is, furthermore, disconcerting to note that on a recommendation at a very high level, Ministry of Coal directed BCCL to award the contract to MAMC on the assurance given by the Ministry of Industry that it would monitor the progress of implementation of the project as also the fact that at the time of award of this contract to MAMC its order book position was zero. Thereafter, neither of the Ministries of Coal or Industry bothered to review its progress of implementation. Ministry of Coal conceded that this is a big mistake. This view had also subsequently been corroborated by a review taken by the Department of Programme Implementation who felt that choosing MAMC with a poor track record for such a turnkey project was a mistake. The Committee, therefore, cannot but conclude that it was a case based on total demerits right from the word go which resulted in cost and time overruns. In view of the circumstances in which the contract was awarded, the Committee at this stage cannot but express their unhappiness over the issue and desire that in future such consideration which are other than the commercial ones should not be allowed to outweigh the prudent business and commercial practices particularly so far as award of various contracts are concerned.

18. The Committee regret to note that in BCCL, the number of mines which did not attain the targets of production was higher than those which

achieved the set targets. During the period 1986-87 to 1992-93, the number of mines which achieved the targeted production ranged between 36 and 60 while the number of mines which failed to achieve the targets ranged between 40 and 63. The Committee's examination of the system of target fixation revealed that there is no relationship whatsoever between the targets fixed by CIL/Govt. and the capacity assessed by CMPDI. It is also disturbing to note 'that in many cases targets fixed were much below the capacity of the mine. The Committee therefore desire that Govt. should make concerted efforts to ensure that the targets fixed even though below the assessed capacities are attained as a minimal requirement for improving the overall financial viability of the Company.

The Committee regret to note further that due to shift in emphasis in the mining of coal from Under Ground mines by Open Cast methods by BCCL, the quality of coal obtained by such methods has vastly deteriorated in that the Coal mined is getting contaminated with extraneous inpurities thereby increasing the ash percentage in the run-of-mine (ROM) coal fed into washeries. This also affects the quality of washed coal in terms of ash content. It is also disquieting to note that the only gain of mining coal from UG mines by open cast methods is the saving in cost of production which according to BCCL more than offsets the loss on account of sales realisation on the quality coal. The Committee in this context, need hardly stress the fact the better quality of coking coal is required for steel plants which is the need of the hour. Greater emphasis should, therefore, be laid on production of quality coal.

19. The Committee observe that production of Coking *vis-a-vis* non-coking Coal has declined during the period 1982-83 to 1992-93. While the production of coking and non-coking coal during 1982-83 was 15.17 million tonnes and 8.83 MT respectively, the figures for 1992-93 were 9.79 MT & 18.27 MT respectively. The Committee are not inclined to agree with the contention that due to exhaustion of top seams, production of Coking Coal decreased. They are of the firm opinion that owing to the shift in emphasis of mining by OC methods as also the eagerness on the part of management of BCCL to attain the set targets coupled with delayed implementation of new Coal projects, the production of Coking Coal has declined over the years. The Committee desire that in view of the existing shortfall in Coking coal supplied to steel plants, Government should take necessary steps in right earnest to augment Coking Coal production by implementing the measures suggested by the Technical Group constituted for the purpose by Ministry of Coal.

20. The Committee are perturbed to find that the shortage in stock of coal as per production records and actual figures of measured stock is very much on the high side. The shortage to book stock in percentage terms ranged from 3.66% to 39.82% during the year 1987-88 to 1992-93. Not only that the shortage in excess of 5% discrepancy between booked production and measurement figures which is considered reasonable has increased

from 4.35% as on 31.3.1988 to 34.14% as on 31.3.1992. It is equally disconcerting to note that value of written off stock during 1987-88 to 1992-93 comes to a staggering Rs. 211.11 crores with more than half of it, *viz* Rs. 130.79 crores being written off in one year *viz.* 1991-92. The Committee find that keeping in view the enormity of value of stocks written off and the very high order of discrepancies in measurement of stocks and records of production, only a small number of officers of BCCL were subjected to disciplinary action resulting in minor punishments for such enormous shortages of coal stocks. A Committee constituted by Government in 1992 to carry out an indepth study into the matter of shortage of coal stocks in BCCL also found among several other deficiencies that even the CIL measurement teams could not detect the stock shortages in the collieries where annual stock checks were conducted by them. Obviously, the annual stock verification by the CIL measurement teams leaves much to be desired.

The Committee understand that based on the findings of the Committee headed by Shri R.N. Mishra, the then CMD, CMPDIL constituted in 1992, show-cause notice have been served against officers for alleged over-reporting, over payment of incentive, falsification of records and also involvement of CIL teams in the cases. The Committee note that 1 General Manager and 3 Agents have been removed from service of the Company while 6 agents have been exonerated in the cases completed so far. The Committee note further that after receipt of the report of the Government Committee on stock shortages a total of 152 cases of show cause notices and charge sheets which have been initiated are pending including among others Chief General Managers, General Managers, Agents and Managers. The Committee at this stage cannot but express its displeasure over the matter. The Committee, however, desire the Company/ Ministry to get the pending cases expeditiously investigated and also evolve a mechanism to avoid over reporting of stocks and the consequent loss to the Company. The Committee would like to be apprised of the action taken in this matter within 3 months of the presentation of this report.

21. The Committee have been informed that a Ropeway system was installed by BCCL in 1982 for extraction and transportation of sand from Damodar River for stowing in the mines as a conservation and safety measure. The Committee are constrained to observe that the ropeways could not attain even 1/3rd of the assessed capacity of 36 lakh t.p.a. The Company, thus, failed to utilise capacity of these ropeways and in turn it had incurred an expenditure of Rs. 74.18 crores during 1987-88 to 1992-93 towards transportation of sand for stowing purposes by private contractors. The Committee are distressed to find that revamping of D&F Ropeways by the Company was also not implemented. The Committee do not agree with the contention that to continue coking Coal production from mines contractual arrangement had to be resorted to, due to inadequacy of

infrastructure available with BCCL for the purpose. The Committee recommend that the work of revamping of D&F Ropeway Phase-I may be expeditiously completed so as to minimise, if not, altogether eliminate certain malpractices reportedly prevailing in the transportation of sand by contractors in BCCL.

22. The Committee regret to learn that both the availability and utilisation of Plant & Machinery (P&M) was very dismal resulting in production loss and heavy down time. The percentage availability of Dumpers, Shovels, Dozers and Drills varied between 70 to 80 and percentage of utilisation varied from 15 to 73 during 1982-83 to 1992-93. This was reportedly due to lack of proper communication systems in mines, bad lighting/working condition of faces, haul-road and above all due to the power problem. BCCL has recently switched over to DVC power supply which it hopes, apart from other measures would help in improving the availability of plant and machinery and reduce down time of equipment. The Committee would like to be apprised of the improvement achieved in availability and utilisation of P & M as a result of these measures.

23. The Committee regret to learn that CIL which is responsible for the overall policy on Coal distribution, linkage of consumers to Coal fields etc. in respect of BCCL has not entered into any firm agreements so far with major consumers of BCCL Coal. It is noteworthy here that Government consumers account for 85% of total sales of the Company. The Company is presently supplying coal to the major consumers on credit basis based on agreements with Railways and Steel Plants. Government is reportedly considering a proposal to allow coal companies to enter into bilateral agreements with bulk consumers for Coal supplies at pre negotiated prices which when implemented would help BCCL in realising better price for its Coal, whenever implemented. The Committee, therefore, desire that Government may expeditiously decide over the matter of bi-lateral agreements which the Committee believe would go a longway in helping BCCL emerge out of the woods it presently finds itself in.

24. The Committee regret to note that the implementation of the plan drawn up in 1981 for setting up 5 Centralised Coal Dumps was delayed. The Committee are distressed to learn that even after their delayed completion in 1982 only 70.40 lakh tonnes of coal was despatched from them during the 8 years (1985—92) as against 24.60 lakh tonnes per annum envisaged earlier. The delay in this case like many other mining projects of BCCL was attributed to land acquisition among other constraints. Another significant reason for this delay was loss of much time in laying down operational & administrative guidelines for the operation of dumps by BCCL. It is disquieting to note further that in a project aimed at curbing corruption in sale of coal from BCCL Collieries, no responsibility has been fixed even after an inquiry by Ministry of Coal and instead the delay in setting up and operation of Coal Dumps was termed a systemic failure rather than that of any one individual.

The Committee note further that the scheme of operation of stockyards by Coal companies was reviewed by Ministry of Coal and it was decided that setting up and management of dumps be left to the State Govt. or their undertakings with role of Coal companies being restricted to supply of Coal to such stockyards. The Committee, therefore, cannot but conclude that the entire scheme of setting up Centralised Coal dumps by BCCL was ill conceived which broughtout its organisational failures to the forefront. The Committee desire that such slackness in implementation of schemes should not be allowed to crop up in future.

25. The Committee are distressed to note that BCCL is encountering various problems in realising its outstanding dues. It has been noted that majority of the outstandings are from the bulk consumers of BCCL Coal *viz.* Railways, Steel Plants and Power Houses & Electricity Boards. The outstandings stand at Rs. 432.52 crores as on 31.3.1993 of which Rs. 35.50 crores were considered by BCCL to be doubtful debts. The Committee are shocked to learn that only about Rs. 175 crores of the dues were confirmed by various power utilities so far and the reconciliation process is stated to be on. The outstanding as on 31.1.1994 have increased to Rs. 958.67 crores. The Committee observe that in October, 1986 a Committee was constituted for settlement of disputes with customers. It is very much disconcerting to find that this Committee could settle only one case of disputed outstanding amounting to only Rs. 5 crores so far. Ministry of Coal is reportedly not satisfied with the functioning of this Committee. The abysmal pace of working of this Committee is stated to be due to refusal of various consumer Departments to accept the decision of this Standing Committee as binding and final. The Committee are not in agreement with Ministry of Coal that realisation of dues is the sole responsibility of Coal Companies especially when Ministry of Coal itself admits that instructions for stopping coal to power utilities against cash if followed strictly might result in closure of some of the power stations creating grid failures in some regions. The Committee, are therefore, of the view that the Ministry can play a crucial role in this regard as a coordinating body and help CIL in realisation of the outstanding dues by exerting influence on various bodies.

26. The Committee regret to note that 'Cash & Carry' system introduced by CIL in October, 1991 has been a total failure in so far as this scheme is being adhered to only by DESU out of the 9 State Electricity Boards to which BCCL is supplying Coal. Keeping in view the failure of this system and the poor performance of the Standing Committee, the Committee, recommend that Government may consider setting up a Statutory Regulatory Body with wide acceptability and jurisdiction to adjudicate in respect of disputed outstandings of all Coal Companies in CIL. This is all the more necessary when viewed in the context of the competitive element now being introduced by Government in the power sector which would effect the viability of Coal companies in the long run, if, the outstandings are

allowed to increase unchecked. The Committee would like to be apprised of the steps taken in this direction by Government at the earliest.

27. The Committee note that the quality control aspect of Coal in BCCL is being looked after in 17 analytical laboratories. CIL/BCCL have also appointed public analysts for the purpose. The Committee regret to note that despite all these measures, the deductions on account of quality from BCCL's bills by consumers has shown an increasing trend. The deductions have increased from Rs. 12.94 crores in 1981-82 to Rs. 60.82 crores in 1992-93. Needless to say, urgent efforts need to be made to ensure quality of coal so as to avoid deductions on this account. The Committee are also unhappy to note that the number of inspections by Quality Control Department has shown a declining trend over the last eight months of this year. The Committee understand that Government have recently down graded quality of certain grades of Coal. The grading of non-coking Coal based on the 'Useful Heat Value' is reportedly irrational and BCCL stands to loose heavily on this account. The Committee, desire that grading of non-coking Coal based on 'Gross Calorific Value' as is being done in other countries may be earnestly considered by Government which the Committee hope would increase the acceptability of BCCL Coal.

28. The Committee observe that as at the end of 1992-93, the Company is overstaffed with 1.60 lakh workers on its rolls. During evidence, the CMD, BCCL had informed the Committee that the problem of overstaffing is more pre-dominant in the female sector who cannot be transferred or redeployed. The Committee had been informed that during 1993-94, 7854 employees were identified as surplus/under utilised, coupled with this, BCCL is also stricken with problem of low labour productivity. It is observed that output per manshift (OMS) in BCCL has been stagnant at around 0.45 tonnes over the last three years in respect of underground mines while it has marginally increased from 1.92 tonnes in 1990-91 to 2.16 tonnes in 1992-93 in respect of opencast mines. On the otherhand the cost of production per tonne over the same period has increased from Rs. 617.22 to Rs. 804.29 in respect of UG mines and from Rs. 219.84 to Rs. 275.09 in the case of OC mines. The Committee, therefore, desire that urgent steps should be taken to increase the OMS. As recommended elsewhere in this report, there is need for introduction of improved technology and improving the skill and motivation of the workforce.

The Committee are further given to understand that BCCL is implementing a Voluntary Retirement Scheme (VRS) to tackle the problem of surplus manpower and that a sum of Rs. 60 crores have been made available for this purpose from National Renewal Fund (NRF) owing to its acute cash crunch. The Committee would like to be informed, how far the implementation of voluntary retirement scheme has succeeded in reducing the manpower in BCCL. They also desire that the feasibility of redeploying the surplus manpower of BCCL in other subsidiaries of CIL should also be examined.

29. The Committee are distressed to observe that the accumulated losses of BCCL as on 31.3.1994 are at Rs. 1138.40 crores which have wiped out the entire-paid up capital of the Company. According to the Company, these losses are primarily due to unremunerative administered prices for coal and soft coke. However, the Committee would like to point out that losses in BCCL are also due to various other factors *viz* low productivity, power interruptions, uneconomic size of mines, surplus manpower, higher cost of production, delays in implementation of mining and washery projects, land acquisition and rehabilitation problems etc.

The Committee understand that Government have suggested various measures for reducing losses to BCCL during the course of its reviews in the last three years. The suggested measures included strict cost control, reduction in surplus manpower through redeployment & Voluntary Retirement Scheme, training, improved utilisation of Heavy Earth Moving Machinery, switching over to DVC power supply and reduction of capital expenditure etc. BCCL now expects that with switching over to DVC power supply for 90% of its mines, productivity is likely to go up and viability would also be improved. The Committee hope that with continuous monitoring by BCCL, Coal India and Ministry of Coal and implementation of corrective measures the losses would be brought down. They would however, like to be apprised of the improvements made in various parameters as a result thereof.

30. The Committee observe that Government is doling out subsidies to Coal Companies under Coal Price Regulation Account (CPRA) since 1982-83 to offset the loss incurred by Coal companies on account of the administered prices for Coal fixed by it. Government is reportedly resorting to this mechanism of compensating Coal companies because uniform grade-wise prices are fixed for Coal produced by all subsidiaries of CIL. This is due to the concept of retention price evolved under clause 4A of Colliery Control Order, 1945. The retention price scheme only aims at inter-subsidiary adjustments of profits and losses. The Committee direct Ministry of Coal to review the efficacy of CPRA and reassess the viability of individual Coal companies based on their costs and sales realisation which is particularly imperative in the liberalised economic scenario in which the public enterprises have to work now.

31. The Committee note that the Coal prices are uniformly fixed for a particular grade of Coal for all subsidiaries of CIL. The Coal prices are fixed after Bureau of Industrial Cost & Prices, Coal India Limited & Ministry of Coal take all factors into consideration. The Committee are dismayed to learn that prices of soft coke have not been revised by

Government since 1982. The BICP has reportedly reviewed the pricing system prevalent in CIL/BCCL and in their interim recommendations made in January, 1992 had observed that it is no longer advisable for CIL to subsidise soft coke in view of the mounting losses, liquidity problem and withdrawal of budgetary support to BCCL and other Coal companies. The Committee understand that based on the BICP recommendations, the Core Group of Secretaries have approved in September, 1992 decontrol of soft coke and grades A, B and C of of non-coking Coal. This proposal is stated to be still under active consideration of Government. The Committee, therefore, desire that Government should decide without any further delay the issue of decontrol of Coal in order to improve the viability of the Coal companies particularly the likes of BCCL which are running under heavy accumulated losses.

32. The Committee are distressed to note that BCCL could not make much headway in the field of promoting R&D activities which was one of the objectives for setting up the Company. It is disconcerting to learn that the steps taken by BCCL in this direction have neither yielded any significant results nor contributed substantially to increase the production especially from the UG mines. The Company also failed to develop any substitute derivatives for soft coke which reportedly causes avoidable air & water pollution during its production process.

The Committee are dismayed to find that the Standing Scientific Research Committee (SSRC) of Ministry of Coal under the stewardship of Secretary, Coal has also failed to inspire development of any special areas in the field of Coal mining, benification and utilisation. The total amount incurred by BCCL under Science and Technology was just Rs. 13.61 Crores for the period 1976-77 to 1993-94. The Committee, therefore, desire that Government should make concerted efforts to step up the level of R&D activities in CIL in general and BCCL in particular as also the level of funding towards R&D activities in the Company. The Committee would like to be apprised of the steps taken by Government in this direction.

33. The Committee find that two Coal Projects of National Coal Devleopment Corporation viz. the Sudamdih and Moonidih Coal projects were transferred to the Company and that a Bill to legally transfer these projects to the Company is yet to be enacted. The Committee are surprised to note that Government has failed to bring forth the legislation in time in view of the fact that these projects were transferred to the Company way back in 1975. A Bill introduced in Lok Sabha in May 1990 lapsed, consequent to the dissolution of Lok Sabha and since then no fresh Bill has been introduced. Even though the Committee were assured that the relevant Bill would be brought forward during Monsoon Session, 1994, this has not

been done. The Committee desire that no further time be lost by Government in this regard and that a suitable legislation be enacted before the end of budget Session of Parliament.

NEW DELHI;
February 15, 1995
Magha 26, 1916 (Saka)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.