

CHAPTER I

THE YEAR 2002-03 AT A GLANCE

PREAMBLE :

1.1 The Cabinet in its notification dated 30th January, 2003 bifurcated the Ministry of Coal & Mines into two separate Ministries namely Ministry of Coal and Ministry of Mines. The Ministry of Coal is at present under the charge of one Cabinet Minister as Minister of Coal.

1.2 The Ministry of Coal has the overall responsibility of determining policies and strategies in respect of exploration and development of coal and lignite reserves, sanctioning of important projects of high value and for deciding all related issues. Under the administrative control of the Ministry, these key functions are exercised through the public sector undertakings, namely, Coal India Limited and Neyveli Lignite Corporation Limited. The Ministry of Coal also acts in close association with Singareni Collieries Company Limited, which is a joint sector undertaking of Government of Andhra Pradesh and Government of India with equity capital in the ratio of 51:49

1.3 The coal reserves of India up to the depth of 1200m, have been estimated by the Geological Survey of India at 240.78 billion tonnes as on 1.1.2003

1.4 Currently, lignite reserves in the country have been estimated at around 35362 million tonnes, most of which, occur in Tamil Nadu. Other states where lignite deposits have been located are Rajasthan, Gujarat, Kerala, Jammu and Kashmir and Union Territory of Pondicherry

COAL PRODUCTION

1.5 Coal production achieved during the year 2002-2003 (up to December, 2002) has been 239.76 million tonnes (provisional) as compared to the production of 227.36 m.t. achieved during same period of the previous year i.e. 2001-2002.

Company-wise details are given below:

(In million tonnes)(Provisional)

Company	Target (Apr-Dec.,2002)	Actual Production (Apr-Dec.,2002)	Actual Production (Apr. -Dec,2001)
CIL	203.36	205.73	196.31
SCCL	23.07	24.76	21.90
OTHERS	9.10	9.27	9.15
TOTAL	235.53	239.76	227.36

1.6 About 86% of the total coal production in the country comes from the collieries of Coal India Ltd. CIL is also the biggest supplier of coal in the country.

DEMAND AND SUPPLY

1.7 During the year 2002-2003(April-December, 2002), CIL and SCCL supplied the following quantities of coal to various consumers:

COAL INDIA LTD.

(Million Tonnes) (Provisional)

Sector	Target Offtake (Apr-Dec,2002)	Actual Offtake (Apr-Dec,2002)	Supply % against Target
Power	155.09(2.86)	162.00(0.83)	104(29)
Steel	10.20	8.47	83
Loco	0.00	0.00	-
Cement	5.08	5.85	115
Fertilizer	2.21	1.78	81
Others	32.92	31.72	96
Colly.Cons.	1.40	1.04	74
Total	206.90	210.86	102

Note: The figures in brackets indicate washery middlings.

SINGARENI COLLIERIES COMPANY LTD.

(Million Tonnes) (Provisional)

Sector	Target Offtake (Apr-Dec,2002)	Actual Offtake (Apr-Dec,2002)	Supply % against Target
Power	18.23	19.51	107
Loco	-	-	-
Cement	2.77	3.30	119
Fertilizer	-	-	-
Others	1.89	2.22	117
Colly.Cons.	0.13	0.09	73
Total	23.02	25.12	109

During 2002-2003(April-December,2002) offtake of coal from SCCL has been 25.12 million tonnes against target of 23.02 million tonnes. This reflects a demand satisfaction of 109%.

NEYVELI LIGNITE CORPORATION

1.8 The table below indicates the major products of Neyveli Lignite Corporation and their respective targets for the year 2002-03 and actual performance **up to the end of December 2002.**

Product		Target for 2002-03	Achievement April, 2002 to December, 2002
Lignite	LT	199.50	125.93
Power Generation	MU	14638.00	10719.09
Power Export	MU	12058.00	9027.20
Urea	T	120000	0.00
Raw lignite sales	T	800000	158652
Lignite Sales to ST -CMS	T	1250000	275817.39

PRICE OF COAL

1.9 Prior to 1.1.2000 the Central Government was empowered under section 4 of the Colliery Control Order, 1945, as continued in force by the Essential Commodities Act, 1955

to fix the grade-wise and colliery-wise prices of coal. The prices of the administered grades of coal were last revised w.e.f. 17.6.94. The price notification had been amended in December 1995, January 1996 and April 1996 to enhance the differential between run of mine, steam and slack coal, to increase the transportation charges and also to provide for additional prices for coal produced from Ramagundam OCP of SCCL and Rajmahal OCP of Eastern Coalfields Limited.

1.10 Following the recommendations of Bureau of Industrial Costs and Prices (BICP), a decision was taken by the Government to deregulate the prices of all grades of coking coal and A, B, & C grades of non-coking coal and this decision was implemented with effect from 22.3.96. Subsequently in consideration of a recommendation of the Committee on Integrated Coal Policy, the Government decided to de-regulate the prices of soft coke, hard coke and D grade of non-coking coal and this decision was implemented with effect from 12.3.97.

1.11 The Government also decided to allow CIL and SCCL to fix prices of E, F and G grades of non-coking coal once in every six months by updating the cost indices as per the escalation formula contained in the 1987 report of the BICP and necessary instructions to this effect were issued to CIL and SCCL on 13.3.97.

1.12 The pricing of coal has been fully deregulated after the Colliery Control Order, 2000 was notified with effect from 1st January 2000 in supersession of the Colliery Control Order, 1945. Under the Colliery Control Order 2000, the Central Government has no power to fix the prices of coal.

LEGISLATION

Legislative History Of Coal Mining since 1971 and latest status

1.13 Coal mines were nationalized in early seventies in view of the then existing dissatisfactory mining conditions e.g. slaughter mining, violation of mine safety laws, industrial unrest, failure to make investments in mine-development, reluctance to mechanise etc. and in order to meet the long range coal requirements of the country.

1.14 The 1973 Act was amended on 27.5.1976 terminating all the mining leases on coal held by the private lessees to allow captive mining by private companies engaged in the production of iron and steel and sub-leasing to private parties of isolated small pockets not amenable to economic development and not requiring rail transport. In 1993 the Act was further amended to allow captive coal mining in the private sector for power generation, washing of coal obtained from a mine and such other end uses as may be notified by the Central Government from time to time. Cement production was subsequently notified as a specified end-use for the purposes of captive coal mining. 128 captive blocks (121 of CIL plus 7 of SCCL) have been identified, out of which 27 blocks stand allotted so far, and 4 blocks have started production.

COAL INDIA (REGULATION OF TRANSFERS AND VALIDATION) Act, 2000

1.15 The private coal mines of the country were nationalized in two phases during 1971-1973. In the first phase coking coal mines were nationalized. In the second phase non-coking coal mines were nationalized. Even since the nationalization of the coal industry, though the land or right in or over such land acquired under various Acts and the rights, title

and interest in relation to a coal mine or a coke oven plant were directed to be vested in the Coal India Limited or its predecessor in title, its subsidiary companies were de facto managing such land, coal mines, or plants.

1.16 The absence of a formal legal title to the land or the right over such land or the right, title and interest in relation to a coal mine or coke oven plant, in the subsidiary companies has exposed them to litigation and other legal infirmities. While the Companies Act, 1956 contains provisions for reconstruction and amalgamations, such reconstruction or amalgamation could be given effect to prospectively only under that Act.

1.17 It was, therefore, considered necessary to empower the Central Government to direct the transfer of land or the rights in or over such land or the right, title or interest in relation to a coal mine or coke oven plant vested in the CIL to a subsidiary company, or where such land or mine are vested in a subsidiary company, to another subsidiary company. It was also considered necessary to validate all purported transfers of land or the rights in or over such land or the right, title and interest in relation to a coal mine or coke oven plant from CIL to a subsidiary company and from one subsidiary company to another subsidiary company before the commencement of the proposed Legislation.

1.18 The Bill was introduced in the Rajya Sabha on 14.2.95 and thereafter it was referred to the Standing Committee on Energy for consideration. The Committee after detailed deliberations recommended adoption of the Coal India (Regulation of Transfers and Validation) Bill, 2000 and submitted their report on 27.7.2000 in the Parliament. The Bill was passed by Parliament during the Winter Session 2000. The President has given his assent to the Bill. Thus the Act has come into force, with effect from its publication in the Gazette of India on 8.12.2000.

Amendment to the Coal Mines (Nationalization) Act, 1973 to promote non-captive mining of coal.

1.19 The proposal of Ministry of Coal to amend the Coal Mines (Nationalisation) Act, 1973 to allow non-captive coal mining was approved by the Cabinet on 11.2.97 and subsequently on 27.5.97 after the change of Government in April 1997. The draft Bill for the amendment was got vetted from the Legislative Department, Ministry of Law and Justice on 8.7.97. Before the Bill could be introduced in the Parliament, this Ministry received a strike notice from the trade unions demanding withdrawal of the Bill. The matter was discussed with them on several occasions. While the unions recognized that a demand supply gap will remain at the end of the IX Plan, they insisted that increased production by the nationalized coal companies should be made possible by increasing budgetary support to them. It was explained to them that provision of budgetary support to Coal India Ltd. has been stopped since 1995-96 and it is not possible for the Government to restore the support. Unfortunately, despite several rounds of discussion with the trade unions, they did not appreciate the need for amendment to the Act.

1.20 In 1998, the matter was examined afresh and it was felt that certain standards would have to be maintained in non-captive coal mining by the private sector so that the pre-nationalization ills of the nature of unscientific mining, environmental degradation, exploitation of labour etc. observed in private coal mining do not recur. A proviso to the Bill providing for powers of the Central Government to lay down such standards for the private companies in terms of location and minimum size of the coal and lignite mines having regard

to the rational, coordinated and scientific development and utilization of the coal and lignite resources, was evolved.

1.21 On 4.2.99 a fresh Note for the Cabinet was submitted to the Cabinet Secretariat seeking approval of the Cabinet to this Ministry's proposal to introduce the Bill with the proviso in the Parliament. The Cabinet in its meeting held on 17.2.99 approved the proposal of the Ministry of Coal to amend the Coal Mines (Nationalization) Act, 1973 for allowing non-captive coal mining by Indian companies. The Coal Mines (Nationalization) Amendment Bill, 1999 for amending the Nationalization Act was got vetted from the Legislative Department, Ministry of Law, Justice and Company Affairs and all the procedural requirements of introduction of this Bill in the Parliament during the last Budget Session were completed. However, the Bill could not be introduced in the Parliament since the Parliament was adjourned sine-die on account of dissolution of the Lok Sabha. As per the latest instructions of the Cabinet Secretariat, the proposals for legislation approved by the previous Cabinet which are yet to be introduced as Bill in the Parliament are required to be submitted before the new Cabinet for obtaining fresh approval of the Government. Accordingly, approval of the new Cabinet was obtained to introduce the Coal Mines (Nationalization) Amendment Bill in the Parliament. After completing all the formalities the Bill was introduced in the Rajya Sabha on 24.4.2000. The Bill was referred to the Standing Committee on Industry for examination and report. However, since the Ministry of Coal was subsequently brought under the Standing Committee on Energy, the Bill was referred to this Committee. The Standing Committee on Energy after detailed hearings and examination of the Bill submitted its report to the Parliament 31.8.01 recommending for passing of the bill by Parliament. Notice of the motion for taking up the Bill for consideration and Passing by the Rajya Sabha will be required to be given before the Bill is taken up for consideration.

1.22 The Trade Unions operating in the coal industry have been demanding the withdrawal of the Bill in addition to a number of other demands. These are being looked into by a Group of Ministers constituted for the Department of Coal to look into various problems of the coal industry. The GOM has convened a number of meetings and it has met last on 9.4.2002. No final decision has been taken by the GOM on the issue of whether to pursue the Coal Mines (Nationalization) Amendment Bill 2000 in the Parliament in view of the threat of strikes by the Trade Unions. The GOM has been reconstituted a number of times in view of changes in incumbencies of the Minister-in-charge of Department of Coal. Because of the current change in the incumbent Minister for the Ministry of Coal, GOM will again require reconstitution before the matter is considered and a decision is taken.

1.23 A Memorandum of Settlement has been signed between the Coal India Management and the five central trade union organizations representing the workers of the coal industry on 1.8.2002. Based on the assurance given in the said Memorandum a meeting between the representatives of the Trade Unions and the Government (Department of Coal) was held at the level of the Minister for Coal and Mines on 27.1.2003. As per another assurance given in the Memorandum of Settlement the Trade Union representatives of the workers would have a discussion with the Group of Ministers on the Bill. This can take place only after the GOM is reconstituted.

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