

F. No. 23011/4/2007-CPD (Pt. II)
Government of India
Ministry of Coal

New Delhi, 15th February 2008

OFFICE MEMORANDUM

Subject: Record Note of discussions held in the Conference held on 1.2.2008 under the Chairmanship of Secretary (Coal) at Delhi to discuss issues relating to coal supply to small and medium sector consumers.

The undersigned is directed to forward herewith a copy of Record Note of Chief Secretaries Conference held under the Chairmanship of Secretary, Ministry of Coal on 1.2.2008 for information and necessary action.

Encls. As above.

G. Srinivasan
(G. Srinivasan)

Under Secretary to the Government of India

To
All Chief Secretaries of States/UTs.

Copy to:

1. Chairman, CIL, Kolkata.
2. CMD, SCCL, Hyderabad.
3. Ministry of Mines, Small & Medium Enterprises, (Min. Secy. Shri. Jawahar Singh), Addl. Secretary & Development Commissioner (SM), Government of India, Address: Bhawan, New Delhi.
4. Ministry of Consumer Affairs, (Min. Secy. Shri. D.S. Khosla), Economic Adviser, Bhawan Bhawan, New Delhi.

Copy also to:

1. CMIS of all Secretary commands of IIS.
2. Director (Marketing), CIL, 15-Bank Street, Kolkata.
3. Shri P.K. Reddy, GM (Admin), CIL, New Delhi.
4. Mr. P.K. to Secretary (Coal)
5. Mr. P.K. to All (Coal)
6. Mr. P.K. to All (L&C)
7. Mr. P.K. to All (CPD)

Shri J. Harinarayan, Chief Secretary, Government of Andhra Pradesh, Hyderabad.	Shri Tabom Bam, Chief Secretary, Govt. of Arunachal Pradesh, Itanagar.	Shri P.C. Sharma, Chief Secretary, Govt. Assam, Dispur, Guwahati.
Shri R.J Mohan Pillai Chief Secretary, Govt. of Bihar, Patna.	Dr. Manjula Subramaniam Chief Secretary, Govt. of Gujarat, Gandhinagar.	Shri J.P. Singh, Chief Secretary, Govt. of Goa, Panaji.
Ms. Promila Issar, Chief Secretary, Govt. of Haryana, Chandigarh.	Shri Shivraj Singh, Chief Secretary, Govt. of Chattisgarh, Raipur.	Shri Ravi Dhingra, Chief Secretary, Govt. of Himachal Pradesh, Shimla.
Shri B.R Kundal, Chief Secretary, Govt. of Jammu & Kashmir, Jammu.	Shri P.P. Sharma, Chief Secretary, Govt. of Jharkhand, Ranchi.	Shri P.B. Mahishi, Chief Secretary, Govt. of Karnataka, Bangalore.
Shri P J Thomas, Chief Secretary, Govt. of Kerala, Thiruvananthapuram.	Shri R.C. Sahni, Chief Secretary, Govt. of Madhya Pradesh, Bhopal.	Shri Johnny Joseph, Chief Secretary, Govt. of Maharashtra, Mumbai.
Shri Jarnail Singh, Chief Secretary, Govt. of Manipur, Imphal.	Shri R.Chatterjee, Chief Secretary, Govt. of Meghalaya, Shillong.	Shri Hauzel Haukhum, Chief Secretary, Govt. of Mizoram, Aizwal.
Shri Lalhuma, Chief Secretary, Govt. of Nagaland, Kohima.	Shri Ajit Kumar Tripathi, Chief Secretary, Govt. of Orissa, Bhubaneswar.	Shri Ramesh Inder Singh, Chief Secretary, Govt. of Punjab, Chandigarh.
Shri D C Samant, Chief Secretary, Govt. of Rajasthan, Jaipur.	Shri N.D. Chingapa, Chief Secretary, Govt. of Sikkim, Gangtok.	Shri L. K. Tripathy, Chief Secretary, Govt. of Tamil Nadu, Chennai.
Shri Shashi Prakash, Chief Secretary, Govt. of Tripura, Agartala.	Shri S.K. Das, Chief Secretary, Govt. of Uttranchal, Dehradun.	Shri P.K. Mishra, Chief Secretary, Govt. of Uttar Pradesh, Lucknow.
Shri A.K. Deb, Chief Secretary, Govt. of West Bengal, Kolkata.	Shri C. Targay, Chief Secretary, Govt. of Andaman & Nicobar, Port Blair.	Shri R.K. Verma, Administrator, Govt. of Daman & Diu, Daman.
Shri Rakesh Mehta, Chief Secretary, Govt. of National Capital Territory Delhi, Delhi.	Shri B.V. Selvaraj, Administrator, Govt. of Lakshadweep, Kavaratti.	Shri Rakesh Behari, Chief Secretary, Govt. of Pondicherry, Pondicherry.
Shri R.K. Verma, Administrator, Govt. of Dadra & Nagar Haveli Silvassa.		

15/11/02

Record Note of Discussions held in the Conference held on 1.2.2008 under the Chairmanship of Secretary (Coal) at Delhi to discuss issues relating to Coal supply to small and medium sector consumers

List of participants is at **Annexure** .

Shri Rajiv Sharma, Additional Secretary, Ministry of Coal welcomed Secretary (Coal), representatives of various State Governments/Union Territories and other participants. He requested Chairman, Coal India Limited to make opening remarks.

2. Chairman, CIL welcomed all participants and informed the background relating to formulation of New Coal Distribution Policy. He requested Secretary (Coal) to address the Conference.

3. Secretary (Coal) welcomed all the Officers and representatives from different States/Union Territories, Coal India Ltd., and other participants. He informed that distribution of coal to Small and Medium Enterprises is having a long history with associated problems and various schemes for supply of coal were tried in the past by Coal India Limited. However, supplies and delivery systems were not satisfactorily working. Until now, the system of distribution of coal to Small and Medium Enterprises was restricted to those consumers whose annual requirement was less than 500 tonnes per annum. A total quantity of 3 million tonnes was earmarked for State Governments and 2 Million Tonnes to NCCF against which the lifting has been very poor. Some Court cases were also filed in the Hon'ble Supreme Court and the Hon'ble Supreme Court, inter-alia, directed that a Committee may be constituted under Chairmanship of Secretary Coal to discuss and finalise a new coal distribution policy. Accordingly a committee was constituted for evolving a better coal distribution policy. In Oct. 2007 New Coal Distribution Policy was finalized and notified to all concerned.

3. As per new coal distribution policy, allocation of coal to Power, Cement, Fertilizer consumers would be directly be handled by CIL through a system of Fuel Supply Agreement whereas for Small and Medium Enterprises, the coal distribution will be through state agencies to be nominated by the concerned State Governments/Union Territories. He had already written a letter to all Chief Secretaries of State explaining the salient features of the new policy with reference to coal supplies to small and medium consumers and this meeting has been called to clarify any points that State Governments may wish to raise and to impress upon State Governments/UTs to take necessary action, as per provisions of the policy, so that the new policy can become effective from April, 2008.

4. He further informed that the new policy provides that any small/medium consumer, whose annual requirement is less than 4200 tonnes per annum can be allocated coal by State Govt. nominated agencies. All new consumers who do not have agreement with CIL will be getting coal through

State Govt. Agencies. Initially, 8 million tonnes per annum has been earmarked for these consumers. Quantity allocated should be lifted and

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distributed among the Small & Medium Enterprises. As a matter of principle, each Union Territory has been allocated 50 thousand tonnes and each State has been allocated 1 LT of coal. Over and above this quantity, based on past lifting, from various State Governments/UTs, the annual quantity has been fixed and notified by Coal India Limited to all States/UTs.

5. The New Coal Distribution Policy will be implemented from 1st April 2008. The State-wise agencies are to be nominated by the States. More than one agency can also be nominated. Industries Associations can also be nominated for equitable distribution of coal. Choice will be entirely of the concerned State Govt. The State Govt. will decide the norms and appropriate steps should be taken by State Govt. within 2 months. He was of the view that since coal is no longer an essential commodity, perhaps State Government may not be able to take criminal action against misuse of this commodity. However, they should evolve an effective mechanism which will enable them to have a check on mis-utilization of coal allocated to such consumers and in case of any misutilisation/diversion of coal, action should be taken to cancel allocation etc. .

6. Secretary Coal once again thanked all and invited Shri K.Ranganath, Director (Marketing), CIL, to make a presentation on New Coal Distribution Policy. Shri K.Ranganath, Director (Marketing), CIL, on salient provisions envisaged in the new coal distribution policy viz. Nomination of State Govt. Agencies through single window, need to sign Fuel Supply Agreements by nominated agencies FSAs with Coal India Ltd. or its subsidiary companies, Penalty clauses, Earnest Money Deposit, (EMD), service charges that can be charged by state government nominated agencies etc.

7. After the presentation by Director (Marketing), CIL, Secretary Coal invited Shri Jawahar Sircar, Development Commissioner, Ministry of Small and Medium Enterprises, to put forward his views on the subject. Shri Sircar pointed out that coal and steel distribution in the country has been a nagging point. He informed that the limits of investment in Plant and Machinery for Small and Medium Scale industries have now been enhanced to Rs.5 Crore and Rs.10 Crore, respectively under the new Act. He was happy to note that coal allocation which was 5 million tonnes million tonnes in previous years has now been increased to 8 million tonnes. He also pointed out certain problems associated with Pit head lifting, loading etc. and requested coal companies to take effective steps to resolve such issues. He also suggested that the State Govt. Distribution Agencies may consider nominating agencies like National Small Industries Corporation (NSIC), Cluster Associations prevalent in some states etc.

8. Secretary Coal then invited the State Representatives to put forward their comments/views, if any, on the subject.

(a) **West Bengal** – Representative welcomed the new policy and informed that Mineral Development Trading Corporation has been nominated by West Bengal Govt. District Magistrate is carrying out the exercise to ascertain the demand of coal for different industries. Lifting of coal has been low. He noted that Govt. agency will also be equally responsible for short receipt due to pilferage en-route. He was of the view that the service charges of 5% over the base price is lower and hence requested to look into the matter.

(b) **Uttar Pradesh** – Representative informed that nomination will be intimated shortly. He admitted that in the past there was poor performance as far as lifting of coal is concerned. He mentioned that quality issues are to be sorted out by CIL also. Since FSAs are to be concluded by nominated agencies, Quantity and quality of coal is to be considered. Statistical and analytical studies are going on and assured that they will be completed with the prescribed time frame.

(c) **Uttarakhand** – Representative mentioned that small consumers from their states do not have FSA with CIL and requested that supplies may be continued. They are likely to nominate an agency shortly. Secretary Coal clarified that while supply to state government nominated agencies will continue as per present dispensation but FSA are required to be signed by all such agencies with Coal India Limited, as per new policy.

(d) **Rajasthan** – Representative informed that nomination of agency has been done. He also enquired about the difference between the Notified Price and Base Price. He also enquired as to whether the coal supply will be continued to the units who have already signed FSA with the coal companies. Requisite clarifications were provided by Dir (Marketing), CIL and Chairman, CIL.

(e) **Pondicherry** - Representative informed that the coal allocation to his state is 50 thousand tonnes per annum by CIL. He pointed out that sometimes the allocation is given from the collieries which are far away from the state and requested supply from nearby sources. He also complained about the quality of the coal being received from time to time. He made a point that suitable provisions should be included in FSA regarding quality aspect and penalty for non-lifting. It was noted that such provisions will exist in FSA.

(f) **Punjab** – Representative informed that his state has nominated some agencies. He referred to certain problems of Law & Order etc.. at the loading point and requested for intervention in the matter so that transportation cost on account of pilferage be minimized. Secretary Coal assured that all possible measures are being taken by coal companies and sought cooperation of concerned state government (s) in tackling law and order problems.

(g) Meghalaya - Representative informed that the state produces approximately 5 mt annually out of which it exports some quantity to Bangladesh and Pakistan. He noted about high percentage of sulphur contents in the coal. He also requested to supply coal from nearest possible source.

(h) Maharashtra - Representative informed that nomination already exists. She informed that the quantity of 3.75 MT may not be sufficient to cater to the demand. Secretary Coal assured that any genuine requirement of any of the States/UTs would be considered by CIL.

(i) Madhya Pradesh – Representative informed that projected requirement is about 3.60 lakh tonnes per annum and may go up to 4.50 lakh tonnes. Laghu Udyog Limited has been nominated by the State. The state get coal from WCL and SECL. The State representative requested to adjust the short fall in receipt on quarterly basis. He also requested the supply from nearest source of SECL. He requested that the details of FSA with the different consumers should be put up on web site and circulated to nominated agencies. It was clarified that at present, it would not be proper to allow carry forward of lapsed allocation, however, such issues could be revisited in due course by coal companies.

(j) Karnataka – Representative informed that nomination of the agency has already been done and they are ready to conclude FSA soon.

(k) Jammu & Kashmir – Representative informed that there is a Nodal Agency already nominated. Being the far off state, the lifting has not been very good. The State representative appreciated the policy and pointed out possibility of misuse of the commodity in their state is remote, as there is a cess on in-coming as well as out going commodity. Presently there are no large units but some re-rolling mills and paper mills are going to be set up in near future, which may require coal. Therefore, he requested to permit the existing agency to re-distribute coal to the new units. It was clarified by Secretary Coal that state can nominate the Industries Association for distribution of coal but no private agency can be authorized for the same. The representative pointed out He that 10% penalty for the quantity short lifted need to be reviewed and may be reduced.

(l) Himachal Pradesh – The representative explained the procedure being followed by them for distribution of coal and requested for enhancement of the quantity.

(m) Haryana - The representative informed that state has number of brick kilns. The coal is purchased from local market and the consumers are generally not interested in coal supply through Govt. agencies, as supplies cannot be made on credit by state agencies.

(n) Chattisgarh – The representative pointed out that allotment made by MOC is less than requirement but SECL is supplying even less than this

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allotment. There are 76 units lifting the coal. “A” and “B” grade coal is required for the re-rolling mills, but inferior quality coal is being supplied to such units. He requested for early settlement of certain refund cases pending in SECL. He asked for reduction in short lifting from 10% to 1%. It was pointed out that such issues would be examined and considered in due course by CIL.

(o) Bihar - The State representative complained about receipt of inferior quality of coal and short receipt. He also pointed out pit head problems. He requested to reduce penalty for quantity not lifted from 10% to 1 or 2% and deposit of Earnest Money should be on a token amount, say Rs.10 lacs, instead of amount equivalent one month's basic price.

(p) Assam - Representative informed that nomination has been conveyed. There are 32 Coke Manufacturing companies and 400 tea gardens in the state. They are also receiving coal from Meghalaya. As the new industries and new development policies are going to be implemented, they requested for enhancement of allocation.

(q) Arunachal Pradesh – Representative informed that nomination will be done within the time frame. The requirement is being assessed and will be informed to CIL.

(r) Andhra Pradesh – Representative welcomed the new policy and informed that SCCL is the distributing agency in the State. He welcomed the allocation of 1 Lakh Tonne by CIL which he felt was highly inadequate. The supply demand gap is there. Short fall in the demand may be met with imported coal by SCCL on the imported price. In this context, it was clarified that the present meeting was with reference to allocation to small and medium consumers and requirements of other sectors would be taken up as per provisions of the new coal distribution policy.

Chairman, CIL, after hearing the views of the State Representatives, clarified that CIL will try to address issues highlighted during the discussions. He admitted that certain problems are there at some of the loading points. He informed that recently BCCL held e-auction and the rail loading and rake movement was done under supervision of CISF guard. He requested the State Agencies to consider taking appropriate security measures at loading points as well to avoid pilferage en-route.

He noted that while State Governments have welcomed the provisions of New Coal Distribution Policy, to implement the provisions of the policy, onus is on CIL to increase production. He pointed out that to increase production, CIL has to overcome bottlenecks associated with Land and Forest clearances, Law and Order problems etc. He stressed that

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consumers are getting coal on cheaper prices than before and noted that Notified price is far lower than market price. He emphasized on check of misuse of the coal by states/UTs. He also asked the state agencies to have a proper monitoring to implement the provisions of new distribution policy. He assured that penalty and refund clauses will be looked into by the concerned coal companies. The State Agencies should inform the Director (Marketing), CIL, Kolkata. The issues will be settled within as short a period as possible.

Secretary(Coal) informed that Coal India Limited would re-visit the provisions relating to Earnest Money Deposit, Penalty for short lifting etc. He requested all States/UTs to cooperate in making a beginning and as the scheme progresses, measures required for effective implementation, as and when required, would be taken by the Government. He thanked everybody for active participation in the Conference.

ANNEXURE

List of Participants

MINISTRY OF COAL

1. **Shri H.C. Gupta, Secretary - In Chair**
2. Dr. S.P. Seth, Additional Secretary
3. Shri Rajiv Sharma, Additional Secretary
4. Shri A.K. Jyotishi, Director (CPD)
5. Shri G. Srinivasan, Under Secretary (CPD)
6. Shri Chander Shekhar, Section Officer (CPD)
7. Shri Hukam Chand, Section Officer

MINISTRY OF MICRO SMALL & MEDIUM ENTERPRISES

1. Shri Jawahar Sircar, Additional Secretary & Development Commissioner

MINISTRY OF CONSUMER AFFAIRS

1. Shri D.S. Kolamkar, Economic Advisor

COAL INDIA LIMITED

1. Shri Partha S. Bhattacharyya, Chairman, CIL
2. Shri K. Ranganath, Director (Marketing), CIL
3. Senior Officers of CIL and Subsidiary Coal Companies were also present.

SINGARENI COLLIERIES COMPANY LIMITED

1. Shri Saurabh Prakash, Liaison Officer, SCCL

REPRESENTATIVES OF STATE GOVERNMENTS/UNION TERRITORIES

1. Shri N.K. Prasad, Commissioner, Industries, Government of Andhra Pradesh.
2. Shri H.K. Sharma, Secretary (Industries) Government of Assam.
3. Shri B. Talukdar, Dy. Resident Commissioner, Govt. of Arunachal Pradesh
4. Shri I.D. Thakur, Government of Andaman & Nicobar.
5. Shri Phool Singh, Pr. Secretary, Mines & Geology, Government of Bihar
6. Shri Vinod Gupta, Government of Chhattisgarh
7. Shri R.K. Rakesh, Joint Director, FCS&CA, Government of Himachal Pradesh
8. Shri P.K. Mahapatra, Resident Commissioner, Government of Haryana
9. Shri B.S. Dua, MD, J&K SSIDC, Government of Jammu & Kashmir
10. Shri Arvind Risbud, Secretary (Industries), Government of Karnataka
11. 1. Shri Seva Ram, Secretary, HRD, Government of Madhya Pradesh
2. Shri S.K. Mishra, MD, MPLNU, Madhya Pradesh.
12. Smt. Malini V. Shankar, Development Commissioner, Industries, Government of Maharashtra.
13. Shri S.S. Gupta, Principal Resident Commissioner, Govt. of Meghalaya
14. Shri V.K. Janjua, Director (Industries), Government of Punjab
15. Shri Rakesh Behari, Chief Secretary, Government of Puducherry
16. 1. Shri Ravi Agarwal, Secretary, RSIC Ltd., Rajasthan
2. Shri B.K. Mathur, Government of Rajasthan
17. 1. Shri R.C. Srivastava, PS(SSI), Government of Uttar Pradesh
2. Shri S. Kumar
3. Shri Ajay Sharma, D.C. Planning
4. Shri A.K. Bajpai, MD, UPSIC
18. Shri Rajeev Gupta, Principal Resident Commissioner, Govt. of Uttaranchal
19. Shri Bhaskar Khilbe, Advisor, Industry, Government of West Bengal
