

CHAPTER I

THE YEAR 2004-05 AT A GLANCE

PREAMBLE

1.1. The Cabinet in its notification dated 12th January, 2004 notified that the two Ministries namely Ministry of Coal & Ministry of Mines may be merged into one single unit i.e. Ministry of Coal & Mines consisting of two Departments namely Department of Coal and Department of Mines. On 24th July, 2004 Sh. Shibu Soren, Minister of Coal & Mines relinquished the charge of the office of Minister of Coal and Mines and Prime Minister assumed the charge. Subsequently, on 27th November, 2004, Sh. Shibu Soren again assumed the charge of the Ministry of Coal as Cabinet Minister. Presently, Ministry of Coal is under the charge of Cabinet Minister and one Minister of State (Dr. Dasari Narayana Rao).

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. These key functions are exercised through its public sector undertakings, namely, Coal India Limited(CIL) and Neyveli Lignite Corporation(NLC) Limited and Singareni Collieries Company Limited(SCCL), 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 247.85 billion tonnes as on 1.1.2005.

1.4. Currently, lignite reserves in the country have been estimated at around 36009 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 in the country (excluding Meghalaya) during the year 2004-05 (April-December) has been 266.77 million tonnes (provisional) as compared to the production of 249.87 m.t. achieved during same period of the previous year i.e. 2003-2004 showing a growth of 6.8%. Company-wise details are given below:

(In million tonnes)

Company	Target 2004-05 (April-December)	Actual Production * (2004-05) (April-December)	Actual Production (2003-04) (April-December)
CIL	221.77	228.57	213.95
SCCL	25.76	25.08	24.65
OTHERS	10.60	13.12	11.27
TOTAL	258.13	266.77	249.87

* Provisional (figures excluding Meghalaya)

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 2004-05(April-December), CIL and SCCL supplied the following quantities of coal to various consumers:

COAL INDIA LTD.

(Million Tonnes) (Provisional)

Sector	Target	Offtake	Actual	Offtake	Supply % against Target
Power	182.17	(1.21)	181.81	(1.19)	99.8
Steel	9.43		8.38		88.9
Loco	0.00		0.00		-
Cement	7.21		7.30		101.2
Fertilizer	1.79		1.82		101.7
Others	39.64		34.83		87.9
Colly.Cons.	0.88		0.79		89.8
Total	241.12		234.93		97.4

(figures in bracket indicate middlings)

SINGARENI COLLIERIES COMPANY LTD.

(Million Tonnes) (Provisional)

Sector	Target	Offtake	Actual	Offtake	Supply % against Target
Power	19.20		18.33		95.5
Loco	0.00		0.00		-
Cement	3.53		3.54		100.3
Fertilizer	0.00		0.00		-
Others	2.82		3.02		107.1
Colly.Cons.	0.09		0.09		100.0
Total	25.64		24.98		97.4

During 2003-04 offtake of coal from SCCL was 33.95 million tonnes against target of 33.50 million tonnes. This reflects a demand satisfaction of 101%.

NEYVELLIGNITE CORPORATION

1.8 The table below indicates the major products of Neyveli Lignite Corporation and their respective targets for the year 2004-05 and actual performance **up to the end of December' 2004**

Product		Target for 2004-2005	Achievement April 2004 to December 2004
Lignite	LT	210.00	150.48
Power Generation	MU	15286	11872.31

EXPERT COMMITTEE

1.9 An Expert Committee has been constituted for comprehensive review of Coal sector and make recommendations for improving productivity and technological up-gradation in the industry. The composition of the Committee is as under:

1. Shri T.L. Shankar, IAS(Retd)- Chairman of the Committee.
 2. Dr. J.J. Irani, Director, TATA
 3. Shri P.K. Sen Gupta- former CMD, Coal India Ltd.
 4. Shri P.V. Sridharan, Sr. Visiting Fellow, TERI.
 5. Shri S.K. Mahajan, former Adviser (Coal & Mines), Planning Commission.
 6. Shri S.P .Sethi, Adviser(Energy), Planning Commission.
 7. Shri Pradeep Kumar, Additional Secretary- Member-Secretary of the Committee.
2. The items of reference of the Committee are as follows:
- i. Measures for meeting the demand - supply gap in Coal in the short, medium and long - term.
 - ii. How to improve productivity of man and machinery in Indian Coal Sector, particularly in Coal India
 - iii. Introduction of cutting edge technology in Coal Sector.
 - iv. How to convert CMPDIL into a Center of Excellence for Planning and Research in Coal Sector
 - v. Restructuring of CIL to make it a World class Company
 - vi. Other matters that the Committee may consider important for the general improvement in the functioning of the Coal Sector.
 - vii. Examining the merits of opening up trading in coal.
 - viii. Examining the current policy of providing captive coal mining, and considering recommendations which might reduce the demand - supply gap.
3. The Expert Committee is also to examine major recommendations suggested by M/s KPMG Consulting Private Limited.

4. The Committee will submit its report within a period of three months. The report is yet not been submitted.

PRICE OF COAL

1.10 Prior to 1.1.2000 the Central Government was empowered under section 4 of the Colliery Control Order, 1945, as enforced 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 in 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.

1.11 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. 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. This decision was implemented with effect from 12.3.97.

1.12 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. Accordingly, instructions to this effect were issued to CIL and SCCL on 13.3.97.

1.13 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 price of coal.

LEGISLATION

Legislative History of Coal Mining since 1971 and latest status

1.14 Coal mines were nationalized in early seventies because of prevailing unsatisfactory 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 term requirements of coal in the country.

1.15 The 1973 Coal Mines Nationalisation Act was amended on 27.5.1976 to allow captive coal mining by private companies engaged in the production of iron and steel and sub-leasing of isolated small pockets not amenable to economic development and not requiring rail transport to private parties. 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.

Status of the Coal Mines (Nationalization) Amendment Bill.

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

1.17 The Bill was referred to the Standing Committee on Industry on 27.4.2000 and then to the Standing Committee on Energy on 22.11.2000 for examination and report. The Committee, after having extensive and wide-ranging discussions and consultations with the State Governments, Trade Unions/Officers' Associations, apex Chambers of Trade and Commerce, and Central Ministries submitted its report which was tabled in both the Houses of Parliament on 31.8.2001. The Committee recommended that the Bill be passed to facilitate Indian private companies to explore and mine coal and lignite without the existing restriction of captive mining.

1.18 The Trade Unions have been opposing the Bill. Matter was discussed with them many time initially at the level of Minister for Coal and Mines and subsequently with the Group of Ministers(GOM).

1.19 With the change of Government at Centre, the GOM is required to be reconstituted. Accordingly, Cabinet Secretariat has been requested to reconstitute the GOM. Further discussions will be held with the Trade Unions after the GOM has been reconstituted.

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