

CHAPTER-II

ECONOMIC PROGRAMMES AND ACTIVITIES

2.1 The Department and its undertakings are primarily oriented towards production of coal and lignite to meet the growing demand. At the same time, due and timely action is also required to be taken on all the project cycle activities like coal beneficiation / washing, loading and despatch facilities and measures for workers' safety and welfare. Other ancillary/ value addition activities like production of soft coke, low temperature carbonisation of coal for smokeless fuel, coal gasification are also undertaken. Exploration for new deposits and research and development projects also are important activities under the Department. In addition, Neyveli Lignite Corporation is engaged in the exploitation of lignite deposits and generation of power etc. from lignite based power projects.

COAL PRODUCTION

2.2 Coal is the most important source of energy for electricity generation in India. Bulk of electricity generated (about 65.7 %) is from thermal power stations, which depend upon coal as feed stock. In addition, other industries like steel, cement, fertilisers, chemicals, paper and thousands of medium and small scale industries are dependent on coal for their process and energy requirements. In the transport sector, though direct consumption of coal by the railways is nominal on account of phasing out of steam locomotives, the increasing electrified traction of railways is dependent on coal converted to electric power. The Department of Coal is, therefore, engaged in developing coal resources of this country in a manner that requirements of coal of different consuming sectors are met in full and their dependence on oil / imported coal is minimised. All India sector-wise coal demand is given below:

ALL INDIA SECTOR-WISE COAL DEMAND

(In million tonnes)

Sl.No	Sector	2000-01 Actual	2001-02 Actual	2002-03 Actual	2002-03 RE	2003-04 BE
I Coking Coal						
1.	Steel (Indigenous)	17.70	16.79	16.21	18.05	19.49
2.	Private Cokeries/ Coke Oven	0.50	0.83	1.50	0.66	0.81
3.	Steel (Import)	11.06	10.81	16.78	11.00	11.00
Sub Total		29.26	28.43	34.49	29.71	31.30
II Non Coking Coal						
4.	Power (Utilities) RC Middling	234.62	244.58	249.50	244.02	255.37
5.	Power (Captive) RC Middling	16.03	17.41	21.15	20.97	22.49
6.	Sponge Iron / CDI	3.72	(5.10)	4.00	5.09	5.36
7.	BRK & Others / LTC/SSF	31.29	(29.30)	31.10	30.71	29.58
Sub Total (5+6+7)		51.04	51.81	56.25	56.77	57.43
		2.048	(1.64)	1.650	(1.14)	(1.25)
8.	Coke Oven (NLW)					
9.	Soft Coke / Fuel Coke					
10.	Loco / Railways	0.01	0.01			
11.	Cement	10.32	11.85	17.10	13.42	13.49
12.	Fertilizer	3.18	3.20	3.50	3.13	3.14
13.	Export	0.05	0.02	0.05	0.02	0.02
14.	Colliery Consumption	2.19	2.82	2.50	2.63	1.65
15.	N.Coking Coal Import	9.87	9.57		10.00	10.00
Sub Total		311.28	322.85	328.90	328.99	341.10
TOTAL Raw Coal		340.54	351.28	363.30	358.70	372.40
Middling		4.534	(3.50)	4.925	4.01	4.29

(Actual despatch figures do not include despatches from JKML, BSMDCL and JSPL)

* Includes 17.50 m.t. of imported coal.

2.3 Through a sustained programme of investment and greater thrust on application of modern technology, it has been possible to raise the production of coal from a level of about 70 million tonnes at the time of nationalisation of coal mines in early seventies to about 327.64 million tonnes (all India) by 2001-02. Coal production will be 350.05 million tonnes in the year 2003-04. Details of all India coal production are given below:

ALL INDIA COAL PRODUCTION

(In million tonnes)

	2000-01 Actual	2001-02 Act (prov.)	2002-03 RE	2003-04 BE	Xth Plan
Coal India Ltd	268.14	279.65	286.30	298.50	350.00
SCCL	30.27	30.81	32.50	33.50	36.13
Others	15.23	17.32	17.00	18.05	18.87
Total (All India)	313.64	327.78	335.80	350.05	405.00

2.4 With a view to meeting the increased demand of coal, new coal mining projects and welfare activities are proposed to be taken up.

COAL DESPATCHES AND PIT-HEAD STOCKS

2.5 The despatches of coal had reached a level of 271.86 million tonnes in 2000-01 and 280.78 million tonnes in 2001-02 and the anticipated despatches during 2002-03 is around 284.50 million tonnes. Railways constitute the major system of coal transportation in India. Other important modes of transport of coal are merry-go-round system, conveyor belt, road and rail-cum-sea route. Details of despatches of coal are shown below. At the end of March '01 vendible coal stock was 20.73 million tonnes. It has come down to 17.83 million tonnes at the end of March 2002. It is anticipated that it will come down to 16.33 million tonne at the end of March, 2003.

2.6 Figures of despatches of coal for 2000-01 (actual), 2001-02 (actual) and 2002-03 (B.E) and stock (vendible) at the end of March '01, March '02 and March, 03 (anticipated) are shown below:-

COMPANY WISE COAL DESPATCHES & STOCKS (VENDIBLE)

(In million tonnes)

COMPANY	COAL DESPATCHES			COAL STOCK (VENDIBLE)		
	2000-01 Actual	2001-02 Actual	2002-03 BE	March, 01 Actual	March, 02 Actual	March, 03 Anticipated
ECL	27.77	27.80	28.40	2.32	2.47	2.47
BCCL	25.68	24.70	27.65	2.22	2.15	1.95
CCL	32.63	33.06	34.00	3.18	3.72	2.47
NCL	42.06	42.68	44.00	0.77	0.55	0.55
WCL	35.21	38.03	36.89	2.19	1.11	1.11
SECL	60.44	64.86	64.91	6.66	5.68	5.68
MCL	47.30	49.03	47.96	2.93	1.67	1.67
NEC	0.77	0.62	0.69	0.46	0.48	0.43
Total (CIL)	271.86	280.78	284.50	20.73	17.83	16.33

DISTRIBUTION OF COAL

2.7 Distribution of coal was earlier controlled statutorily under the Colliery Control Order, 1945. Control on distribution of coal has been gradually removed. The Colliery Control Order, 1945 has been superseded by a new order called Colliery Control Order, 2000. By virtue of this order all controls on distribution of coal has been removed. For consumers in the core sectors of power, steel and cement Standing Linkage Committees have been constituted which accord linkages to such consumers after taking into account availability of coal, transport infrastructure and requirement of the consuming units. Based upon the linkages accorded by the Standing Linkage Committee (Long-Term) a quarterly allocation is ordered by the Standing Linkage Committee (Short-Term).

2.8 For non-core sectors, consumers whose requirement of coal is less than 25000 tonnes per month, linkages are accorded by the Non-Core Linkage Committees of CIL/SCCL respectively. These are done taking into account availability of coal, location of the units and already committed quantities of coal from the given coalfields and availability of transport. Based upon such linkages, actual allocations of coal are made based upon the sponsorship authorised annually by the concerned State Governments to the concerned party.

COKING COAL/SOFT COKE

2.9 The coking coal to be supplied to the steel plants is required to be washed to ensure better and uniform quality of coal. Towards this purpose, at present 17 washeries are operating in CIL. The coking coal availability to the steel plants (including Durgapur Coke Oven Plant) was 10.73 m.t. in 2001-02. The anticipated availability for 2000-03 will be 12.23 m.t. Target set for the year 2003-04 is 13.34 m.t.

PRODUCTION OF LIGNITE AND ASSOCIATED POWER GENERATION

2.10 Neyveli Lignite Corporation was formed in 1956 with the objective of optimum utilisation of lignite for the generation of power and consists of two open cast mines, with a capacity of 6.5 million tonnes and 10.5 million tonnes of lignite per annum respectively. A 600MW Thermal Power Station and a Briquetting and Carbonisation (B&C) Plant with an achievable capacity of 262,000 tonnes of coke per annum are linked to the First Mine. Mine II feeds its captive Thermal Power Station II (7 x 210MW). The company has a Fertiliser Plant with achievable capacity of 129,200 tonnes of Urea per annum. In view of the market constraint the operation of B&C Plant was closed down and production of Urea in Fertiliser Plant has been suspended from January, 2002. The production programme for 2002-03 and 2003-04 in respect of Neyveli Lignite Corporation Ltd is given below :-

PRODUCTION PROGRAMME FOR NLC

Item	2001-02 Actuals	2002-03 BE	2002-03 RE	2003-04 BE
1. Lignite (m.t.)	18.37	19.95	18.85	20.90
2. Power (M.U)	14451	14638	12350	15006
3. Urea (L.T.)	61950	120000	0	0
4. Coke (L.T.)	11965	0	0	0

EXPLORATION

2.11 Exploration of coal reserves in the country is carried out in two stages. In the first stage, Geological Survey of India (GSI) undertakes regional exploration for locating the potential coal bearing areas on a continuous basis in order to supplement the efforts of the GSI for regional exploration, services of CMPDI/GSI and Mineral Exploration Corporation Limited (MECL) have been engaged for carrying out promotional (regional) exploration. Department of Coal has made a separate provision for this under the plan scheme "Regional Exploration" for coal and lignite. The Sub-Committee on coal and lignite (Group VIII of Central Geological Programming Board) with representatives of GSI, CMPDIL, Singareni Collieries Company Limited (SCCL), Neyveli Lignite Corporation Limited (NLC), etc. programmes, coordinates and reviews the regional exploration work. CMPDIL acts as the nodal agency for disbursement of funds to the exploration agencies besides supervising the work of MECL in the area of promotional exploration for coal. NLC was monitoring the promotional lignite exploration activity in the country upto 1.9.2002. CMPDI started monitoring of lignite exploration activities from 2.9.2002 on wards.

2.12 In the second stage, detailed exploration is carried out in potential blocks identified through regional/promotional exploration in consultation with coal company, State Government, CFRI etc. The blocks for detailed exploration are prioritised taking into account the demand of consumer and their location, availability of infrastructure for coal evacuation, techno-economics of the mining project, coal quality and problem associated

with the capital budget and is executed by CMPDIL and SCCL directly as well as through State Govts in limited manner for the formulation of Geological Reports, Mine Feasibility Studies and Project Reports are prepared. The reports are used for exploration of coal reserves for meeting the demand of coal in the country.

2.13 Till 1997-98, coal companies have been funding for Detailed Exploration in all the blocks. After finalisation of the list of the blocks to be retained by CIL in December 1996, the coal companies stopped funding of Detailed Exploration in Non-CIL blocks from 1998-99. MOC approved the proposal of CMPDIL for funding of Detailed Exploration in Non-CIL Blocks during the remaining period of IX Plan. This was done to maintain the pace of exploration and provide adequate information for the participated of private entrepreneurs in coal mining. The Working Group on Coal and Lignite has recommended the continuation of schemes of "Detailed Drilling in Non- CIL Blocks" and "Promotional Exploration of Coal & Lignite" in Xth Plan.

2.14 The details of promotional / drilling achievements for 2001-02, 2002-03 and 2003-04 excluding NE Region are given in the table below:

Command Area	(Drilling in meter)			
	2001-02 Actual	2002-03# B.E	2002-03# R.E	2003-04 # B.E
CIL	45680	48800	48800	48800
Singareni Collieries Company Limited	17993	17200	17200	17200
NLC	64198	54300	54300	54300#
TOTAL	127871	120300	120300	120300
Total expenditure on Promotional Exploration etc. (Rs. in crores)	31.63	44.27	44.27	56.10

* Tentative, this will be finalised the Sub Committee Meeting.

2.15 As a result of exploration carried out (down to a depth of 1,200 metres) by the GSI and other agencies, a cumulative total of 240.74 billion tonnes of coal reserves have been estimated in the country as on 1.1.2003.

The State-wise distribution and its categorisation are as follows:-

STATE-WISE RESERVES

States	(in million tonnes)			
	Proved	Indicated	Inferred	Total
Andhra Pradesh	7744	6122	2518	16584
Arunachal Pradesh	31	40	19	90
Assam	279	27	34	340
Bihar	0	0	160	160
Chhattisgarh	8561	25409	4165	38135
Jharkhand	35266	29552	6326	71143
Madhya Pradesh	7100	7888	3217	18205
Maharashtra	4508	2151	1534	8194
Meghalaya	117	41	301	459
Nagaland	4	1	15	20
Orissa	14302	29516	15285	59103
Uttar Pradesh	766	296	0	1062
West Bengal	11207	11570	4475	27252
TOTAL	90085	112613	38050	240748

The formation – wise and type – wise coal reserves of India as per the estimates of GSI as on 1.1.2003 is as follows.

TYPES OF RESERVES

(in million tonnes)

Type of Coal	Proved	Indicated	Inferred	Total
Gondwana Coal	89653	112507	37681	239841
Tertiary Coal	432	106	369	907
Total	90085	112613	38050	240748
Coking Coal				
Prime Coking	4614	699		5313
Medium coking	11325	11839	1889	25053
Semi-coking	482	907	221	1610
Sub-total (Coking)	16421	13445	2110	31976
Non-coking Coal*	73664	99168	35940	208772
Total (Coking & Non-Coking)	90085	112613	38050	240748

- including coals of North Eastern Region.

DETAILED EXPLORATION

2.16 CMPDI is continuing the Detailed Exploration in CIL Blocks as per the programme. Ministry of Coal and Mines has submitted a proposal to Planning Commission for allocation of Rs. 70.66 crore for carrying out 2.13 lakh meter of detailed drilling in Non-CIL Blocks during X Plan. A total of 41650 M of drilling in Non-CIL Blocks was proposed to be carried out in 2002-03, at an estimated cost of Rs. 12.53 crore excluding NE Region after the approval of scheme by the Govt.. The programme of CIL funded drilling will be revised accordingly.

2.17 The detailed drilling in CIL command areas in terms of meterage and corresponding figures of expenditure for detailed exploration excluding NE Region are as follows:-

DETAILED EXPLORATION PROGRAMME OF COAL & LIGNITE

(In metres)

	2001-02 Actual		2002-03 BE		2002 R.E	2003	2003-04 Proposed BE	
	Funded By CIL	Funded By DoC	Funded By CIL	Funded By DoC	Funded By CIL	Funded By DoC#	Funded By CIL	Funded By DoC
COAL INDIA LTD (DRILLING)								
i) CMPDIL	115634	67778	180000	41650#	180000	41650#	180000	41650
ii) MECL	-	38518	-	-	-	-	-	-
iii) Others	9125	-	10000	-	10000	-	10000	-
<i>Total (CIL)</i>	<i>124759</i>	<i>106296</i>	<i>190000</i>	<i>41650#</i>	<i>190000</i>	<i>41650</i>	<i>190000</i>	<i>41650#</i>
Budget Provision (Rs.in crores)	42.10	45.85	63.31	12.53#	65.90	12.53	64.20	12.52#

Continuation of Scheme of Detailed Exploration in Non-CIL blocks in X Plan has been recommended by Working Group on Coal and Lignite for formulation of X Plan. The scheme is yet to be approved by the Govt. on approval of scheme, CMPDIL drilling in CIL block will be proportionately reduced to take up the work in Non-CIL blocks.

ENVIRONMENTAL MEASURES AND SUBSIDENCE CONTROL

2.18 Environmental upgradation and association mitigation measures for pollution control are ongoing process. Preparation and approval of Environmental Management Plans (EMP) are a prerequisite for sanction of a coal mining project by Government. Accordingly, implementation of Environmental Control Measures, as laid down in the EMPs are taken up simultaneously for implementation of the project.

2.19 Major thrust areas in Environmental Management during the Xth Plan period have been the following :

- Control of subsidence in the old, abandoned waterlogged workings in Raniganj Coalfield.
- Control of mine fires and subsidence in Jharia Coalfield.

(c) Reclamation of mined out areas in older coalfields like Ranigunj, Jharia, Bokaro, Karanpura etc.
 2.20. The problem of subsidence in the old, abandoned and water-logged workings has arisen due to unscientific mining, carried out under shallow cover in the past and is mainly confined to Ranigunj coalfield of West Bengal.

2.21. For this problem of Ranigunj Coalfield, an Apex Monitoring Committee consisting of representatives of coal company, District Administration, Director General of Mines Safety, Central Mining Research Institute and People representatives (M.P, MLA etc.) was constituted by CIL in 1990. The committee was to examine 49 reported unstable localities of Ranigunj Coalfield. This committee had opined that 38 localities are unsafe. Out of these 38 localities, stabilisation work in the abandoned water-logged workings has been taken up at nine localities and the work has completed at three localities i.e Borachak village, Fatehpur village (Phase –I) and Haripur village(Phase-I). Work at Porarbandh and Bhutdoba is expected to be complete in 2002-03.

2.22. Occurance of fires in coal mines is due to the phenomonon of spontaneous combustion which is inherent in Indian coals. The first occurrence of coalfield fire in Jharia was reported in 1916. At the time of nationalisation of coking coal mines in 1972 there were 70 active fire sites spread over an area of about 17 sq. km. Out of these, 10 fires have been extinguished so far. Further work is in progress.

2.23. For dealing with the problem of subsidence and fire in Ranigunj and Jharia Coalfields, in a comprehensive manner, a Committee was constituted by Govt. of India in December 1996 with Secretary(Coal) as Chairman and representatives of Planning Commission, Ministry of Labour, Govt. of West Bengal, Govt. of Bihar, Director General of Mines Safety, CIL, CMPDI, BCCL and ECL as members. The Committee submitted its report in December 1997. The recommendations of the Committee have been accepted by the Government. Accordingly, Master Plans for rehabilitation of unstable and fire affected areas have been drawn for Jharia and Ranigunj Coalfields. In first stage, two schemes , one each in BCCL and ECL command areas with estimated cost of Rs. 33.88 crore and Rs. 32.52 crore respectively have been sanctioned.

The status of the schemes under implementation by ECL and BCCL are as follows :-

Status of the scheme "Stabilisation of four unstable locations in ECL"

S.No.	Name of unstable locality	Status as on 01.11.2002
1	Samdih village (Salanpur Area)	Last meeting was held on 04.06.2002 in GM office Salanpur Area. Villagers are insisting on cash compensation in lieu of their houses etc. This proposal is yet to be moved through Core Group for competent approval
2	Kenda Village (Kanda Area)	Last meeting was held in August 2002 at BDO office Jamuria. Alternative site for rehabilitation is yet to be finalized.
3	Bangal Para (Pandaveswar)	The Last meeting was held on 22.8.2002 in the office of BDO, Pandaveswar. Village rs agree to shift to Baidyanathpur – Govindpur abandoned siding. Details are being worked out.
4	Harishpur village (Kajora Area)	Last meeting of Core Group was held in BDO office, Andal on 27.7.2002. No solution could be found as villagers were not present.

Status of the scheme "Scheme for skiftium of people from the most endangered areas of BCCL :-

This scheme envisages 4600 houses (1500 for BCCL employees and 3100 for non-BCCL persons). Work order for construction of 344 houses for BCCL employees were placed by BCCL in 1999. Out of 344 houses being constructed 284 houses have been completed. 32 families have been shifted. Construction of 60 houses is going on. For construction of 3100 non-BCCL houses, a committee was constituted vide order no. BM/17/96/980/M dated 2.3.98 by the Govt. of Bihar to deal with the matter of construction of 3100 houses for non BCCL. This committee was headed by Commissioner, North

Chotanagpur Division of Bihar State. During the detailed deliberations of the above committee, on the subject of rehabilitation of non-BCCL personnel from the endangered areas, it was found that there were several inherent shortcomings on the basic features of the conventional Indira Awas Yojna Type houses. The philosophy behind such conventional type of units has been construction of housing units primarily for rural people whereas in the present situation rehabilitation relates to the urbanised section of people, even though economically they are very poor. As a result of which, it is felt that this type of houses may not be liked by the people and they will be reluctant to shift in such houses at a place which is away from their existing habitat. Therefore the committee suggested to provide Visthapit Awaas with better facilities meeting basic requirements. Hence the scheme was to be revised. The original scheme has been revised to a capital cost of Rs. 61.09 crore. The departmental EFC has approved the revised scheme on 8.11.2002.

2.24. In the older coalfields, like Ranigunj, Jharia, Bokaro and Karanpura, mined out areas, both due to underground mines and opencast mines were left unreclaimed specially during the pre-nationalisation period. To reclaim these degraded areas, reclamation schemes have been prepared in the command areas of ECL, BCCL and CCL. Two schemes in BCCL, one each in ECL and CCL are under implementation.

2.25. The actual disbursement under the EMSC schemes excluding NE Region till 30.11.2002 is Rs. 50.25 crore including four RCFC schemes sanctioned in 2001-02. RE 2002-03 and BE 2003-04 are Rs. 20.50 crore and Rs. 27.56 crore respectively excluding NE Region.

RESEARCH & DEVELOPMENT PROJECTS

2.26 The R&D activities in Coal sector are administered through an apex body namely Standing Scientific Research Committee (SSRC) with Secretary (Coal) as its Chairman. The other members of this apex body include Chairman of CIL, CMDs of CMPDIL, SCCL and NLC, Directors of concerned CSIR laboratories, representatives of Department of S&T, Planning Commission and educational institutions, amongst others. The main functions of SSRC are to plan, programme, budget and oversee the implementations of research projects and seek application of the findings of the R&D work done. For in-house R&D work of CIL, an R&D Board headed by Chairman, CIL is also functioning.

2.27 The SSRC is being assisted by four Standing Sub-Committees, each dealing with one of the four relevant major areas of research viz. (i) Production, Productivity & Safety (ii) Coal Beneficiation (iii) Coal Utilisation (iv) Environment & Ecology.

2.28 CMPDIL acts as the Nodal Agency for co-ordination of research activities in the coal sector, which involves identification of Thrust Areas for research activities, identification of agencies which can take up the research work in the identified fields, processing the proposals for Government approval, monitoring the progress of implementation of the projects, preparation of budget estimates, disbursement of funds etc.

2.29 During the IXth Plan period a total 48 projects have been completed by various agencies.

Status of coal S&T Projects in the IXth Plan and X th Plan Period are as follows :-

i)	Projects on-going as on 1.4. 2002		
	(Spill over projects from IXthePlan)	-	42
(ii)	Projects approved during the Xth Plan till (30.11.02)	-	10
(iii)	Projects completed in Xth Plan till (30.11.02)	-	Nil
(iv)	Projects terminated in Xth Plan till (30.11..02)	-	Nil
(v)	Projects on-going as on 30.11..2002	-	52
(vi)	Project in final stage of completion	-	19

2.30 A budget provision of Rs.6.78 Crore excluding NE Region was made for the year 2002-03 for R&D activities in the Coal Sector which was revised to Rs. 9.50 Crore at RE Stage. A provision of Rs. 22.48 Crore excluding NE Region has been kept for 2003-04.

2.31 Under the provisions of Coal Mines (Conservation & Development) Act, 1974 an excise duty @ Rs. 3.50 per tonne for non-coking coal despatches and Rs. 4.25 per tonne on coking coal despatches is levied for supporting the activities of coal companies for conservation efforts i.e. stowing operation, protective works and development of transport infrastructure in coalfield areas etc. The Coal Controller collects excise duty from the different coal companies. A total amount of Rs. 113.51 crore was collected towards excise duty during the year 2001-02, against RE 109.59 crore. The collection during 2002-03 is Rs. 78.63 crore (up to November 2002) against B.E. of Rs. 111.96 crore and RE of Rs. 114.26 crore. The B. E. for 03-04 is Rs. 117.53 crore.

2.32 Under the above Act, a Committee known as a Coal Conservation & Development Advisory Committee assesses the actual expenditure incurred by the coal companies on the sand stowing and protective works in coal mines and makes necessary recommendation to the Government for grant of assistance for stowing & protective works. The committee also recommends grant of assistance to the coal companies for development of transport infrastructure in coalfield areas. The Committee also scrutinises the projects related to coal beneficiation, development of new technology, environment etc.

2.33 The amount of excise duty realised under the provision of the Act is treated as revenue of the Government and the expenditure towards the eligible activities as approved by the CCDA Committee is met out of the fund collected under the Act. The expenditure for such activities and provision in the Budget from the net proceeds of the excise duty are indicated below :

Description	Rupees in Crores			
	2001-2002 Actuals	2002-2003 BE	2002-2003 RE	2003-2004 BE
Conservation including Stowing, Protective work & R & D	73.82	72.90	60.96	64.00
Development of Transport Infrastructure in coalfield areas	40.00	40.00	25.05	50.94
Total	113.82	112.90	86.01	114.94

2.34 Under the existing guidelines, the Government reimburses up to 60% of the cost of Stowing as derived through the normative cost in mine, while the balance cost has to be borne by the concerned coal companies. The Government also reimburses a maximum of 75% of the cost of Protective Work while the concerned coal companies meet the balance cost. In case of stowing, the quantities of sand are related to the quantity of coal production from underground mines where stowing is carried out and estimate of the expenditure on this item is worked out.

2.35 Construction of roads and bridges is the responsibility of the State Government. However, the roads connecting the points of production, processing and despatches of coal which are required by coal industry may also be constructed/developed by Coal Companies. The road constructed for transportation of sand, steel, machinery etc. relating to mining activity may also be constructed by Coal Companies. The CCDA Committee approved assistance for construction of some of such roads as per the present policy. The CCDA Committee also considers the proposal for reimbursement of expenditure on railways related projects associated with coal projects/mines.

2.36 The Government bears normally 50% cost of construction of roads in coalfield areas. The balance expenditure is met either by the concerned State Government or the coal company sponsoring such road construction. For loss making companies, however, even 100% assistance has been considered in certain specific cases.

VOLUNTARY RETIREMENT SCHEME

2.37 Coal India Ltd. has formulated Voluntary Retirement Scheme (VRS) so as to reduce its surplus manpower based on the guidelines issued by the Dept. of Public Enterprises (DPE). For implementation of VRS in loss making subsidiaries ECL, BCCL and CCL, CIL had received the Grant of Rs.880.00 crs. during IX Plan and against this, Grant utilized by these subsidiaries is Rs. 716.46 crs up to 2001-02. The balance amount available for the year 2002-03 is Rs.163.54 crs. The total manpower reduced is 34,675. The Government have approved the amount of Rs. 425.06 crs. for VRS of loss making subsidiaries of CIL for the Xth Plan period as per details given below excluding NE Region:

	2001-02 Actual	IX Plan Total	2002-03 (BE)	2002-03 (RE)	2003-04 BE	X Plan (Proposed)
Fund Allocation (Rs. in cr)	192.38	716.46	185.40	107.02	138.40	425.06
Manpower reduction through VRS	7520	34675	7485	5600	5200	15500

2.38 The entire BE 2002-03 provision of Rs. 20.60 crore for North Eastern Region and Sikkim has been surrendered to non lapsable pool of Central resources. No provision has been made in RE 2002-03 for North Eastern Region and Sikkim.

COAL PRICE

2.39 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 has been amended in December 95, January,96 and April,96 to enhance the differential between run of mine, steam and slack coal to increase the transportation charges and also to provide for additional prices of coal produced from Rajmahal OCP of Eastern Coalfields Limited.

2.40 Following the recommendation of Bureau of Industrial Costs and Prices, a decision was taken by the Government to deregulate the prices of all grades of coking coal and A,B, C& D 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 deregulate 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.

2.41 The Government also decided to allow CIL and SCCL to fix the 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. Following these instructions, CIL fixed their coal prices on 1.4.97,1.10.97, 21.8.98,5.1.99 and 31.5.99 and SCCL did show on 15.3.97, 29.8.98 and 19.9.99. The pricing of coal has been fully deregulated after the Colliery Control Order,2000 was notified with effect from 1.1.2000 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 and CIL as the producer of coal automatically vests with the power of fixing the prices of coal depending on the economies of coal like the demand and supply, competitiveness of Indian coal over imported coal and the increase in the prices of inputs, required for producing the coal.

ROYALTY AND SALES TAX/ CESS TO STATE GOVERNMENT

2.42 Royalty is an amount payable by a lessee to the lessor for removing or consuming a mineral. Section 9 (1) of the Mines and Minerals (Development & Regulation) Act requires the holder of a mining lease or his agent, manager, employee, contractor or sublessee to pay royalty in respect of any mineral removed or consumed from the leased area at the rate specified in the Second Schedule of the Act. Section 9(3) of the MMRD Act empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the Official Gazette with effect from such date as may be specified in the notification. This revision is done by amending the particular entry of the royalty rate for

the respective mineral in the Second Schedule of the Act. The provision to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years. The Act also does not mandate that royalty on coal should be revised after every three years.

LEGAL PROVISION ON ROYALTY

2.43 The coal royalty rates fixed in 1971 ranged from Rs. 1.50 per tonne for low quality coal to Rs. 2 per tonne for high quality coal. The royalty rates on coal were subsequently revised in July, 1975, February, 1981, August, 1991, October, 1994, and August, 2002. A comparative statement of coal royalty rates fixed on 13.2.81, on 1.8.91, 11.10.94 and the existing royalty rates fixed on 16.08.02 is given below :-

(Rs. per tonne)

Coal Group	Coal Royalty Rates w.e.f. 13.2.81	Coal Royalty rates w.e.f. 1.8.91	Coal Royalty rates w.e.f. 11.10.94	Coal Royalty rates w.e.f. 16.8.2002
Group-I Coking Coal SG-I,II WG-I	7.00	150.00	195.00	250.00
Group - II Coking Coal WG – II, III Non-coking AB Semi – coking Gr. I Semi – coking Gr. II	6.50	120.00	135.00	165.00
Group III Coking coal WG – IV Non-coking - C	5.50	75.00	95.00	115.00
Group – IV Non-coking D,E	4.50	45.00	70.00	85.00
Group – V Non-coking F,G	2.50	25.00	50.00	65.00
Group – VI Coal produced in Andhra Pradesh	5.00	70.00	75.00	90.00

(the 1981 coal royalty rates are still continuing for the State of West Bengal on the ground that the Government of West Bengal is continuing to levy cesses on coal which have been withdrawn by other State Governments.)

Methodology for fixing royalty Rates

2.44 For fixing the rate of royalty on coal/lignite, the Department of Coal constitutes a Study Group headed by the Additional Secretary. The Study Group interacts and takes views of all the stakeholders, viz., the producing states, the consuming states and the consumer sector like power, iron and steel, cement etc. After taking into account views of all the stakeholders and other relevant factors, the Study Group makes its view to the Department. The Department after considering the recommendations moves a proposal for Government decision (CCEA). The consequent decision is then notified and the new rates of royalty come into effect from the date of such notification. The above process is objective, transparent and has served well.

Recommendations of 1997 Study Group on Royalty

2.45 Section 9(3) of MMDR Act empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the Official Gazette with effect from such date as may be specified in the notification. The proviso to section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in the respect of any mineral more than once during any period of three years. Thus, there is no compulsion to revise royalty rates every three years. The Central Government has the option to keep the royalty rates unchanged as was done during 1981-91. A Study Group under the chairmanship of Additional Secretary of the Ministry of

Coal was set up on 28.1.97 to consider all aspect relating to revision of rates of royalty on coal and made recommendations to the Government. The Study Group recommended that royalty rates on ad-valorem basis, i.e., as a percentage of base prices of coal per tonne as fixed from time to time may be adopted and the various Groups of Coal may be divided into two groups for the purpose of fixing coal royalty rates. The recommendations of the 1997 Study Group) were, however, never implemented.

Recommendations of Study Group 2000 on royalty

2.46 Due to consistent demand front coal producing States, a Committee was set up in July, 2000 under the Chairmanship of Additional Secretary (Coal) to look into the matter of revision of royalty on coal. The Committee submitted its report in December, 2000 and recommended the adoption of tonnage basis for fixation of royalty rates on coal in preference to ad-valorem rates and increase in royalty rates of all gades of coal. However, this increase has been only a marginal.

Reasons for not revising the royalty rates on coal in 1997-98

2.47 **The reasons for not revising the royalty rates on coal are as follows: -**

- i) Coal companies receive only about 40-45% of the landed price of coal on an average. The larger proportion of the price is on account of cost of railway freight and the various levies such as royalty, excise duty, cess and sales tax. As a consequence, Indian coal is getting priced out in several locations and consequently there is a sharp increase in the import of coal.
- ii) The major coal consuming sectors such as steel, cement and power etc. have been passing through a recessionary phase. Any increase in royalty on coal at this stage may well deepen the crisis for the power sector, steel sector and most importantly for the coal sector.
- iii) The imported coal is not subjected to any royalty and the other Government levies like stowing excise duty and sales tax. As a result, domestic coal is being outpriced within the country. Any further increase in coal royalty rates will prompt the coal consumers to go in for more coal imports.
- iv) The State Electricity Boards are struggling hard to make both ends meet specially in the context of the power reforms.
- v) The existing coal royalty rate is already affecting the marketability of Indian coal particularly, of the coal dispatches from ECL, CCL and BCCL which are under serious financial distress.

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