

CHAPTER I

THE YEAR 2001-02 AT A GLANCE

PREAMBLE :

1.1 The Cabinet in its notification dated 6th September, 2001 notified that the two Ministries namely Ministry of Coal and 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. The two Departments are at present under the charge of one Cabinet Minister and one Minister of State.

1.2 The Department 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 Department, these key functions are exercised through the public sector undertakings, namely, Coal India Limited and Neyveli Lignite Corporation Limited. The Department 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, upto the depth of 1200m, have been estimated by the Geological Survey of India at 220.98 billion tonnes as on 1.1.2002

1.4 Currently, lignite reserves in the country have been estimated at around 34763 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 for first 9 months of 2001-2002 (upto December, 2001) has been 227.24 million tonnes (provisional) as compared to the production of 219.55 m.t. achieved during same period of the previous year i.e. 2000-2001.

Company-wise details are given below:

(In million tonnes)(Provisional)

Company	Target (Apr-Dec.,2001)	Actual Production (Apr-Dec.,2001)	Actual Production (Apr. -Dec,2000)
CIL	197.36	196.36	190.12
SCCL	22.74	21.90	21.17
OTHERS	8.00	8.98	8.26
TOTAL	228.10	227.24	219.55

1.6 About 86% of the total coal production in the country comes from the collieries of Coal India Ltd.

DEMAND AND SUPPLY

1.7 During the year 2001-2002(April-December,2001), CIL and SCCL supplied the following quantities of coal to various consumers:

COAL INDIA LTD.

(Million Tonnes) (Provisional)

Sector	Target Offtake (Apr-Dec,2001)	Actual Offtake (Apr-Dec,2001)	Supply % against Target
Power	150.15 (1.97)	156.78 (1.53)	104 (78)
Steel	12.03	8.49	71
Loco	0.00	0.00	-
Cement	4.82	5.72	119
Fertilizer	2.40	2.44	102
Others	31.67	28.26	89
Colly.Cons.	1.60	1.27	79
Total	202.67	202.96	100

Note: The figures in brackets indicate washery middlings.

SINGARENI COLLIERIES COMPANY LTD.

(Million Tonnes) (Provisional)

Sector	Target Offtake (Apr-Dec,2001)	Actual Offtake (Apr-Dec,2001)	Supply % against Target
Power	17.99	17.53	97
Loco	-	-	-
Cement	2.44	3.10	127
Fertilizer	-	-	-
Others	2.55	1.76	69
Colly.Cons.	0.23	0.11	48
Total	23.21	22.50	97

NEYVELI LIGNITE CORPORATION

1.8 The table below indicates the major products of Neyveli Lignite Corporation and their respective targets for the year 2001-02 and actual performance **upto the end of December 2001**

Product	Target for 2001-02	Achievement April'2001 to December'2001
Lignite LT	175.00	132.25
Power Generation MU	13083.00	10582.79
Power Export MU	10553.00	8867.67

Urea	T	150000	51660
Coke	T	160000	260
Raw lignite sales	T	800000	453402

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 gradewise 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 In 1993 the Act was 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 in addition to the existing provision for production of iron and steel. Cement production was subsequently notified as a specified end-use for the purposes of captive coal mining. One hundred fifteen (115) captive blocks have been identified, out of which 27 blocks stand allotted so far, and 3 blocks have started production.

1.15 Coal mining continues in the public sector except for captive mining purposes and a Bill has already been introduced in Parliament to open up the coal sector to private investment. Meanwhile, a new policy dimension has been added by a policy decision taken by the Government. Under this decision, the State Government companies or undertakings are allowed to do mining of coking and non-coking coal or lignite reserves, either by opencast or underground method, anywhere in the country without restricting them to mining in isolated small pockets, subject to the following conditions:

- i) The State Government company or undertaking (referred to as the 'company' hereafter) is authorised to do coal or lignite mining by its Memorandum and Articles of Association.
- ii) The company will do coal or lignite mining in accordance with the provisions of the Coal Mines (Nationalisation) Act, 1973, the Mines & Minerals (Development & Regulation) Act, 1957, the Contract Labour (Regulation & Abolition) Act, 1970, and all other mineral, environmental and labour laws and other regulations governing the Indian coal industry.
- iii) For coal the company shall obtain a certificate from Coal India Limited to the effect that the latter has no plan or willingness to undertake mining operations for coal in the concerned area. For lignite, the company shall obtain a certificate from Neyveli Lignite Corporation.
- iv) The proposed mining area has not been allotted to a captive mining company under the provisions of Section 3(3)(a)(iii) of the Coal Mines (Nationalisation) Act, 1973.
- v) No financial assistance from the Central Government or Coal India Limited or Neyveli Lignite Corporation shall be provided to the company for coal or lignite mining in the concerned area.
- vi) None of the coal or lignite mines operated by the company will be taken over by the Central Government or Coal India Limited or Neyveli Lignite Corporation in the event of closure of such a mine or otherwise.
- vii) No employee of the company, engaged in a coal or lignite mine operated by it, will be absorbed in Coal India Limited or Neyveli Lignite Corporation at any point of time.

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

1.16 The private coal mines of the country were nationalised in two phases during 1971-1973. In the first phase coking coal mines were nationalised. In the second phase non-coking coal mines were nationalised. Ever since the nationalisation 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.

1.17 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 had 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.

1.18 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.

1.19 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 (Nationalisation) Act, 1973 to promote non-captive mining of coal.

1.20 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.

1.21 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-nationalisation ills of the nature of unscientific mining, environmental degradation, exploitation of labour etc. observed in private coal mining do not re-occur. 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.

1.22 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 (Nationalisation) Act, 1973 for allowing non-captive coal mining by Indian companies. The Coal Mines (Nationalisation) Amendment Bill, 1999 for amending the Nationalisation 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 were completed. However, the Bill could not be introduced in the Parliament, since the Parliament was adjourned since -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 (nationalisation) 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 on 31.8.01, recommending for passing of the Bill subject to certain conditions.