

*PART IV*

**RATIONALISATION OF THE  
FUNCTIONS, ACTIVITIES  
AND STRUCTURES  
IN THE  
MINISTRY OF COAL**

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## **Chapter I**

### **Introduction**

1. Coal plays a key role in India's economic development meeting over 63% of country's commercial energy demand. With over 75% of electricity being generated from coal, power sector is the major consumer of coal. Present coal consumption in the country is around 310 million tonnes of which the requirement of the power industry (including captive plants) is about 240 million tonnes. It is well recognized, in view of limited known hydrocarbon resources and the environmental issues associated with exploitation of hydel potential as well as setting up of nuclear power projects, that coal will continue to be the major source of commercial energy in our country at least for next few decades. In order to meet the rising coal demand for power industry and other consumers it is estimated that an additional annual availability of around 25 million tonnes will be required by the year 2015. Having regard to the need for achieving an optimum level of self-sufficiency in a crucial area such as energy and also considering the heavy dependence of the railway system on transport of coal for their revenue – it accounts for 48% of railways freight earnings - it is evident that bulk of the additional coal demand in the coming two decades has to be met only through increasing domestic output.

2. In view of the projected additional power generation capacity of about 1,00,000 megawatt in 15 years time frame, of which at least 70 % would be coal based, there is need for massive investments in coal development. This could well call for an investment of about Rs.40,000 crore at current prices. Government budgetary support to the coal companies has gradually come down from 90% at the end of seventh five-year plan to less than 10% of the Plan outlay in 1999-2000. In view of the continuously widening resource gap, there is an imperative need for the public sector coal companies to improve their efficiency of operation and maximize internal resources generation on the one hand and on the other promote private sector investment in a big way in this sector.

3. Major coal consuming sectors have already become market oriented and are demanding quality, quantity, and delivery schedules in line with internationally acceptable commercial practices. In the circumstances the production, distribution and pricing pattern in this sector has to adjust itself to meeting these emerging challenges. The management pattern of this sector needs to be reviewed from the energy security angle keeping in view its criticality for power generation as well as the

emerging market driven economic scenario in India. It is for this reason that the Commission has had to go well beyond its mandate and addressed some issues of importance for the proper development of this sector and for making the field formations in the central public sector more efficient and competitive.

#### **Functions of Ministry of Coal:**

4. Under the GOI (Allocation of Business) Rules, 1961, as amended from time to time, the Ministry of Coal has been allocated the following subjects:

- a) Exploration and Development of coking coal, non-coking coal and lignite deposits in India.
- b) All matters relating to production, supply, and distribution and pricing of coal.
- c) Development and operation of coal washeries other than those for which Ministry of Steel is responsible.
- d) Low temperature carbonization of coal and production of synthetic oil from coal.
- e) Administration of Coal Mines (Conservation and Development) Act, 1974.
- f) The Coal Mines Provident Fund Organisation.
- g) Administration of Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
- h) Administration of rules under the Mines Act, 1952 for levy of excise duty on coal and coke produced and despatched from mines.
- i) Administration of Coal Bearing Areas (Acquisition and Development) Act, 1957.
- j) Administration of public enterprises dealing with coal and lignite.
- k) Administration of Mines and Minerals (Regulation & Development) Act, 1957 and other Union laws relating to coal and lignite and sand for stowing.

**Source:** *Annual Report of Department of Coal for 1999-2000.*

#### **Existing Structure:**

5. The Department of Coal has sometimes been an independent ministry, sometimes part of another ministry. Since end-May 2000, it is an independent ministry of Coal headed by a Minister of State. It has a Secretary, an Additional Secretary, 3 Joint Secretaries, a Project Advisor and total officers and staff strength of 171. This does not include staff of the Minister's Office and 22 officials of Coal India Ltd. working in the Ministry.

6. There are two subordinate offices viz. : the Coal Controllers' Office at Calcutta, with a branch at Dhanbad with a total staff strength of 222, not including

about 60 officers drawn from the various coal companies and working under the Coal Controller in various field units and the Commissioner of Payments Office, also at Calcutta, with a staff strength of 23 for dealing with pending cases relating to payment of compensation to erstwhile colliery owners/organizations.

The Coal Mines Provident Fund (CMPF) Organisation is an autonomous body with a staff strength of 1346 located at its head quarters at Dhanbad and 23 regional offices operating at 16 different locations, including one at Jammu. Recently one liaison office has been opened at New Delhi for coordinating/dealing with the Ministry of Coal.

7. Manpower details of the Ministry, Subordinate/ Autonomous Offices are given in Appendix -I.

8. At the field level, coal mining is undertaken by seven public sector coal companies – Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Northern Coalfields Limited (NCL), Western Coalfields Limited (WCL), South Eastern Coalfields Limited (SECL) and Mahanadi Coalfields Limited (MCL), with a total manpower of over 5.62 lakh. These, together with the Low Temperature Carbonization (LTC) Unit at Dankuni in W.Bengal (included under SECL), North Eastern Coalfields (a Division of CIL, undertaking coal mining in N E Region) and the Central Mine Planning and Design Institute Limited (CMPDIL) function under the umbrella of the Holding Company, the Coal India Limited (CIL) headquartered at Calcutta. Coal India Limited has a total staff strength of 1854, of which 1451 are at the head office at Calcutta and the remaining 403 spread over 21 regional offices some of which are reported to have been closed. In addition, the various coal companies have around 828 officials in their offices at Calcutta primarily to liaise with Coal India Limited. Singareni Collieries Company Limited (SCCL) is a joint venture of the central government and the Government of Andhra Pradesh, with the latter holding 51% of the equity, while mining of lignite, in the central public sector is undertaken by Neyveli Lignite Corporation in Tamil Nadu which functions directly under the ministry. The total output of all these units is around 300 million tonnes of coal and 16 million tonnes of lignite. The details of manpower in all these units are set out in Appendices II to IV.

### **Some important aspects and recent developments:**

9. While reviewing the functions, activities and structures in this sector, in addition to the broad picture set out in the earlier paragraphs, several inherent aspects, as well as major changes that have taken place in recent years in the sector have also to be borne in mind. These are set out in the succeeding paragraphs.

10. Until the early eighties, all investment proposals of PSUs above Rs.2 crore were referred to the government for approval. With the gradual increase of financial delegation to CIL and its subsidiaries, as well as to NLC and SCCL, only projects over

Rs.100 crore now require government approval. Correspondingly, the number of cost estimates/ revised cost estimates proposals requiring government approval has also come down substantially, resulting in significant reduction in workload of Ministry of Coal. During three year period from 1<sup>st</sup> January 1997 to 31<sup>st</sup> December 1999 only three new projects/revised cost estimates over Rs. 100 crore were approved by the Government compared to 22 new projects/revised estimates over Rs. 100 crore and 20 new projects/revised estimates between Rs. 20-100 crore approved during the previous five years from 1<sup>st</sup> January 1989 to 31<sup>st</sup> December 1993. Thus, there has been a reduction of workload in this crucial area at the government level, with CIL assuming increased responsibilities, virtually functioning as an extended arm of the government.

11. Almost all major decision making powers – be it in major purchases, marketing, cadre management at senior level, investment decisions, management of surplus funds etc – are centralized in Coal India Limited, making the subsidiaries function more as divisions of the Coal India Limited, though each of these subsidiaries has a board of it's own. The fact that these companies also constantly look to the ministry for guidance, given the latter's accountability to Parliament, complicates matters further. If the seven public sector coal companies are to function efficiently and successfully in the emerging competitive scenario, they need to be fully board managed companies reporting to the owner, which is the Ministry of Coal, as parliamentary accountability cannot be wished away.

12. At present there are 18 coal washeries under Coal India Ltd. with a total raw coal throughput capacity of around 40 million tonnes. Out of these, 13 washeries are for washing of coking coal for steel plants and remaining five (including three converted from coking to non-coking) are for beneficiation of non-coking or thermal coal for power plants. Considering the excessive ash content of the coal mined in most collieries there is need for maximizing coal washing capacity in the country so as to reduce the total bulk of coal to be transported to the power stations from the pitheads. Use of washed coal in power plants has a number of other advantages like reduced freight cost, lower maintenance cost, improved plant performance, low particulate emissions and resultant improvement in the environment at the power plant.

13. Though in September 1997, the Ministry of Environment and Forests had mandated that from 1<sup>st</sup> June 2001 power plants located over 1000 km from the supply sources and those located in urban and environmentally sensitive areas shall have to use coal with an ash content of less than 34% neither the coal companies nor the power houses have so far taken any concrete steps to set up the required washing capacity, with the result that the Ministry of Power has approached the MoE&F to extend the dead line of 1<sup>st</sup> June 2001 by at least three years. Ministry of Coal has the requisite powers under rule 5(i) of the Coal Mines (Conservation & Development) Rules,

1975 to give directions to Coal India Ltd. for washing of thermal coal. Apparently, the Ministry has chosen not to exercise these powers and decided to support the stand taken by CIL that the latter would not set up washeries for thermal coal.

14. The existing grading system of coal, which is based on "Useful Heat Value" needs to be changed to make it compatible with the deregulated price regime and in tune with the international practice. It is time that the coal companies adopt "Saleable Coal" concept based on 'Gross Calorific Value' in place of the existing grading system.

15. Development of lignite deposits at Neyeli in Tamil Nadu is being carried out by Neyeli Lignite Corporation (NLC) a PSU of the Ministry of Coal. New development in Tamil Nadu is being introduced by the state government in joint sector. In Gujarat and Rajasthan lignite development has been undertaken by the state governments under an understanding between Ministry of Coal and the state governments. Once the Coal Mines Nationalisation Act, 1973 is amended no formal reference to the ministry would be required.

16. As a follow up of the National Mineral Policy of 1993, the Mines and Minerals (Regulation & Development) Act, 1957 as well as the Mineral Concession Rules, 1960 have since been amended early this year throwing open the mineral sector for private developers.

17. The coal sector was partially opened when the Coal Mines Nationalisation Act was amended in 1993 to allow coal mining in the private sector for captive use. The government has since decided to further amend the Coal Mines Nationalisation Act 1973 to enable unrestricted private sector entry for exploration and production of coal and a Bill to this effect is awaiting approval of Parliament. Once this Act is amended the private sector as well as public sector applicants will have to approach the state governments for prospecting licenses and mining leases, under the Mines and Minerals (Development & Regulation) Act, 1957 which is administered by the Ministry of Mines.

18. After amendment of the Coal Mines Nationalisation Act, 1973, the Coal Bearing Areas (Acquisition & Development) Act, 1957, would also require to be amended so as to provide a level playing field to the private sector in the matter of issuing prospecting/mining licenses.

19. The Ministry of Coal has been contemplating setting up of an independent body for allocating coal and lignite blocks on a competitive basis for exploration and mining. A new legislation titled "The Coal and Lignite (Regulation & Development) Act" on the lines of Mines and Minerals (Regulation & Development) Act, 1957, setting out the powers and provisions of the independent regulatory body is said to be under consideration.

20. The existing provisions of the Coal Mines (Conservation & Development) Act, 1974 and the Rules made thereunder in 1975 are not adequate to meet the emerging

conservation related aspects of coal industry. When this Act was legislated in 1974, the coal industry had just been nationalized and abolition of the erstwhile Coal Board was an immediate compelling reason for rushing through this Act. Now it has become necessary to amend this Act for incorporating the necessary conservation related aspects so that public and private sector coal developers are made equally responsible for taking care of essential aspects like: scientific mining, safety, mine fires, coal washing and other environment and health related requirements that may arise upon full deregulation of the coal sector.

21. At present functions of Ministry of Coal under Coal Mines (Conservation & Development) Act, 1974 and the Rules thereunder are limited to collection of excise duty (Rs.4.25/tonne on coking and Rs.3.50/tonne on non-coking) and disbursement of the amount for protective works. The amount annually collected is about Rs.105 crore and assistance granted for sand stowing and protective works is about Rs.55 crore and another sum of Rs. 50 crore is being disbursed for development of transport infrastructure i.e. roads in the coalfield areas. Under the emerging liberalization programme, the conservation related regulatory aspects of the coal industry would need to be strengthened.

22. The Indian Bureau of Mines, an autonomous body under the Ministry of Mines, is responsible for approving the "Mining Plans" as prescribed under the Mines and Minerals (Regulation & Development) Act, 1957 for all minerals except coal and atomic minerals. Presently a committee under Chairmanship of Secretary (Coal) approves the 'Mining Plans' for coal projects.

23. While making amendments to the Coal Bearing Areas (Acquisition & Development) Act and the Coal Mines (Conservation & Development) Act, the major roles of the Ministry of Environment, the Ministry of Mines and the Indian Bureau of Mines and the State Governments in the proper development of this sector have to be taken note of. Some of the important functions to be performed by the proposed independent body/regulatory authority *inter alia* include:

- \* to arbitrate or adjudicate upon disputes arising out of common boundaries, sharing of common rail/road and other infrastructure facilities amongst the coal companies;
- \* to arbitrate or adjudicate upon disputes of price, quality, weight and payment related disputes between the producers and the consumers;
- \* to balance the interests of coal consumers with those of developers/ coal producers.
- \* to ensure non-discriminatory treatment to public sector and private companies in the matter of licensing of coal blocks/prospects.
- \* to approve mining plans and monitor compliance.

24. In view of the emerging scenario where public and private coal companies would co-exist in the coal industry, it has become necessary for Government of India to lay down clear, transparent and non-discriminatory guidelines pertaining to the following important aspects of the coal industry:

- \* criteria for defining the size of the coal blocks/prospects to be offered to the private sector developers;
- \* rules/regulations for award of prospecting/mining licenses;
- \* availability of geological data on reasonable terms to the new entrants, from GSI, CMPDIL, MECL and other exploration agencies;
- \* unrestricted approval of the 'Qualified Persons' for preparing the Mining Plans in compliance with MMRD Act and Rule 22 of the Mineral Concession Rules, 1960 (as amended in January 2000) and ensuring compliance of the Mining Plans during implementation;
- \* acquisition of land, forestry, environmental and other statutory clearances required for starting the mining operations;
- \* economic rehabilitation and resettlement of the project affected people;
- \* implementation of conservation and allied measures as prescribed in Coal Mines Conservation & Development Act, 1974;
- \* large-scale and speedy introduction of clean coal technologies and other environment friendly techniques in the coal mines and washeries;
- \* ensuring economic reclamation/ restoration of mined out areas and post mining land use.
- \* levying of R&D cess and other such levies, which are necessary for promotion of a healthy, vibrant, competitive and environment friendly coal mining in India.

25. Low Temperature Carbonization (LTC) plants are being phased out world over. The only LTC plant in India is at Dankuni in West Bengal, which was commissioned in 1990 and has been incurring losses since inception. 687 persons (75 executives and 612 non-executives) are employed at this unit. Coal India Ltd. has been considering disposing of this unit. However no serious buyer has so far been located. In order to absorb the recurring loss LTC unit has been attached to the South Eastern Coalfields Ltd. the company with the highest profit margin amongst the CIL subsidiaries. Cumulative loss of the LTC unit as on 31<sup>st</sup> March 2000 stood at Rs. 284.45 crore and annual loss is around Rs. 30 crore.

26. Production of synthetic oil from coal is a down end research activity. The world's only operating commercial plant is in South Africa. In India, one of the CSIR laboratories is already pursuing a laboratory scale research project for converting coal into oil.

27. The cost of administration of the Coal Mines Provident Fund(CMPF) Organisation is met out of the "Administration Charge" @ 3% paid by the coal companies. The CMPF organization with headquarters at Dhanbad, has 24 regional offices and a total staff strength of 1346 eventhough there is considerable amount of computer support available. The total corpus of funds with CMPF Organisation is Rs.15,000 crore.

28. With the enforcement of Colliery Control Order 2000 (superseding the Colliery Control Order, 1945) and deregulation of price and distribution of coal most of the functions pertaining to linkages, allocation, distribution and pricing of coal have since been shifted to CIL. This has significantly reduced the role of Coal Controller's office that hitherto was engaged in performing various statutory functions, most of which have been done away with the deregulation of pricing and distribution.

29. The states have a major role to play in the coal sector:

- (a) Under the Constitution, they are the 'owners' of the mineral resources in the country.
- (b) Mining leases, mineral concessions and prospecting licenses are issued by them.
- (c) Land acquisition, forestry clearances, provision of land for compensatory afforestation and resettlement of affected people etc. vest with them.
- (d) In provision of social infrastructure, support services like roads, water, health, education etc, and ensuring industrial peace, they have a major say.
- (e) State governments of Bihar and West Bengal have to also play a crucial role in dealing with longstanding problem of mine fires in Jharia coalfield and subsidence in the Raniganj coalfield and related environmental restoration and resettlement issues.

30. Three factors adversely impact on coal costs in India. The first of these is the excessive labour deployment in the collieries. It is estimated that nearly one fifth of the total manpower of 5,62,071 is surplus compared to the requirement in CIL collieries. A recent study has revealed that in ECL, which has the highest level of losses in this group, as many as 64,000 out of a total work force of 1,33,383, are deployed in 64 loss making collieries. The incidence of wage cost in these 64 mines is 112% of the sale price of coal. CIL's current year's budget visualizes coverage of 11000 surplus personnel

under the Voluntary Retirement Scheme (VRS) at a total cost of Rs.242 crore. If all the seven subsidiaries are to become competitive and hold their place in the emerging scenario, then highest priority needs to be given to a manpower rationalization scheme that will cover more than one lakh surplus work force, mostly in ECL, BCCL and CCL, under the Voluntary Retirement Scheme within the next two year period. The funds required for the VRS could be met out of the surpluses of the profit making subsidiaries or through productivity gains from manpower rationalization and other efficiency improvement measures. Details of manpower, wage bill and VRS planned for the year 2000-01 are given in Appendix-IV.

31. The second factor is the excessive levies by state governments by way of royalties etc. In 1998-99, these totalled up to as much as Rs.3103 crore representing 20.14% of the net value of the coal off take. Details of rates of royalty and other levies are given in Appendices VI and VII.

32. Third, is the freight charged by Railways on transportation of coal. In 1999-00, Railway's earnings on coal freight were around Rs. 10,500 crore (against 9,500 crore from the passenger traffic!), accounting for as much as 48% of the total railway freight earnings. At several power stations, railway freight accounts for over 60% of the cost of the coal delivered. Detailed analysis of rail transport cost as a part of the delivered cost of coal at some typical power stations is given at Appendix -V.

### **Conclusions & Recommendations:**

33. Given the increasing role that coal sector would have to play in ensuring energy security in the country and also the need for intensive interaction with state governments and with the Railway Ministry in the matter of royalties and railway freight respectively and also the need for promoting development of coal in the private sector, there is need for strong central direction. Thus there is not much scope for downsizing of staff strength in this Ministry.

34. The legislation for further amending the Coal Mines Nationalisation Act, 1973 to provide for unrestricted private sector entry for exploration and production of Coal needs to be pushed through.

35. A strong independent regulatory body needs to be set up. Ministry of Coal has been working on a new regulatory framework for setting out the powers and provisions for the independent regulatory body. Instead of going in for a new legislation, the purpose could be achieved by amending the existing Coal Bearing Areas (Acquisition & Development) Act, 1957 to accord similar treatment to public and private sectors in the matter of issuance of prospecting and mining licenses and also to enable setting up an independent body/regulatory authority for coal industry. While amending the Coal Bearing Areas (Acquisition & Development) Act, 1957, the major roles that the Ministry of Environment, the Ministry of Mines, the Indian Bureau of Mines and the

State Governments have in the proper development of this sector may also be kept in view. Some of the important functions to be entrusted to the proposed independent regulatory authority are set out in para 23.

36. Government of India must lay down clear, transparent and non-discriminatory guidelines on various important aspects of the coal industry as set out in para 24.

37. Coal Mines (Conservation & Development) Act, 1974 and the Rules made there under need to be amended, incorporating necessary conservation related aspects so that private and public sector coal developers are equally responsible for taking care of essential aspects like scientific mining, safety, mine fires, coal washing and other environmental and health related requirements that may arise when this sector is deregulated.

38. The Ministry of Coal would need to pursue actively with the existing coal companies the elimination of surplus manpower; with the concerned state government the rationalization of royalty and other levies and with the Railways for a reduction in freight rates on coal movement. The fact that these three factors contribute to pushing up the cost of coal to nearly 2 ½ to 3 times of the pithead charges, thus leading to a high cost economy should be clearly explained to all concerned. A stage has been reached where without substantial improvement in these three areas it may become necessary to allow import of coal in a big way at low rates of duty say 10% only. Such a development may however lead to closure of some of the collieries affecting the interest of the labour, coal producing states and the Railways. Such a situation would also seriously affect the power development programme of the country.

39. Considering the high percentage of ash in the coal as well as the impact of Railway freight charges, the Ministry of Coal should launch a programme for the establishment of a large number of washeries at pitheads, with the active participation of the coal companies, electricity boards/PPs and private developers. This would also meet the environmental requirement laid down by Ministry of Environment and Forest as mentioned in para 13.

40. The present coal grading system should be done away with and the concept of "Saleable Coal" based on 'Gross Calorific Value' should be introduced.

41. Close interaction with the state governments which have a major role in most matters relating to the coal industry and inclusion of the private sector in existing coal mining operations and more importantly in new and expansion schemes particularly in coal companies that have surplus cash for investment in new production capacity are important aspects that need to be vigorously pursued by the Ministry of Coal.

42. With the Ministry of Coal at the apex controlling and guiding the coal sector, and given the urgent need for making the seven public coal producing companies

independent, fully board managed companies so that these can function efficiently and successfully in the emerging competitive scenario, the Coal India Limited becomes a fifth wheel in the coach and needs to be wound up. It is recommended that this winding up be done in three stages:

- (a)
  - (i) The regional offices of the Coal India Limited as also the offices of the various group companies in Calcutta established mainly for liaison with Coal India should be wound up.
  - (ii) CMPDIL needs to be restructured as an independent technical advisory body with the coal sector undertaking and private units particularly in its management and equity holding.
  - (iii) All authority for making commercial decisions should be transferred to the seven coal producing subsidiary companies of Coal India Limited, within the year.
  - (iv) A major programme of work force rationalization in the various collieries should be launched immediately. The funds required for the Voluntary Retirement Scheme should be met, initially by utilization of the profit making subsidiaries and later from the productivity gains accruing to all the companies.
- (b)
  - (i) In the second stage, which will be by the end of the first year, all the seven subsidiaries of CIL should be made independent companies allowing them to function without interference from CIL and competing with each other in performance. All operational aspects like: coal pricing, sales and marketing, purchases of all types, wage negotiations, imports and international contracts of all types, foreign travel, control of executive cadre - transfers, posting and recruitment of below board level positions etc. should be handled directly by the subsidiary companies. A good, efficient, cost-effective and commercially transparent IT based sales & marketing network should replace the present set up of regional offices. At this stage, with the individual companies being empowered to undertake the wage negotiations on their own, the JBCCI (Joint Bipartite Committee for Coal Industry) could be wound up. The public sector companies and those which may come up in the private sector could have an association on the lines of Cement Manufacturers' Association, Indian Bankers' Association etc. to take a coordinated view of common matters including wage policy etc.
  - (ii) Coal India Ltd. as a holding company, besides management of the cash surpluses in a pooled manner to meet the requirements of the

losing companies without switching back to Coal Price Retention Account, should undertake only non commercial and co-ordination related aspects namely, perspective/long term planning, laying down general guide lines for long term coal supply contracts, vigilance matters and pushing through the manpower rationalization scheme etc.

- (c) In the third stage, which will be at the end of the second year, Coal India Limited should be wound up, delegating most of it's remaining functions also to the subsidiary coal companies, and vesting in the government those functions that cannot be delegated.

43. In addition to the burden of excessive manpower, which has been discussed earlier the coal companies' suffer from poor availability and low productivity of heavy earth moving machinery in opencast mines and that of longwall and other equipment in underground mines. A concerted drive for securing a major improvement in this area is a pre-requisite if these companies are to achieve a competitive edge *vis-a-vis* imported coal.

44. With the considerable diminution of the functions of the Coal Controller, this office could be abolished straightaway and the functions of the Coal Controller under the 'Colliery Control Order 2000' could be conveniently dealt with as under:

- \* Functions under Sections 8,9,10,11 and 12 which relate to opening, sub-division and closure of coal mines could be allocated to the Director General of Mines Safety (DGMS) under the Ministry of Labour who is responsible for enforcement of the Mines Act and the Coal Mines Regulations.
- \* Functions under Sections 5,6 and 7, which generally relate to 'disposal' of coal stocks, grading of coal and quality surveillance etc. may either be exempted/waived or assigned to the independent body/regulatory authority. The existing infrastructure and officials of the Coal Controller's Office at Calcutta and Dhanbad could be utilized, to the extent necessary in the establishment of this new regulatory body.

45. Ministry of Coal should plan to phase out the residual work of Commissioner of Payments within one year. Any remaining unsettled cases could be handled in the Ministry and finally closed after necessary consultation with the Law Ministry.

46. Given the extent of computerization in the Coal Mines Provident Fund Organisation, there is a good case for downsizing the organization leading to a reduction in the administrative charges paid by the coal companies and eliminating government financial support for the linked Coal Mines Pension Scheme.

47. The Low Temperature Carbonization (LTC) plant at Dankuni needs to be disposed/shut off. This would result in an annual saving of around Rs. 7.50 crore in salaries and wages and total saving of around Rs. 30 crore that CIL is losing every year at this unit.

48. The R & D efforts for production of synthetic oil from coal need to be pursued by other fuel research agencies in the country. This area should therefore be taken out of the subjects allocated to the Ministry of Coal.

**49. Summary of Recommendations:**

- (1) The ministry needs to reorient its strategy considering the increasing role that coal sector plays in ensuring energy security.
- (2) Unrestricted entry of private developers could be allowed in exploration and production of coal, by expediting the amendment to the Coal Mines Nationalization Act, 1973, a Bill for which is pending in Parliament.
- (3) Development of lignite resources outside the areas of the Neyveli Lignite Corporation Limited could be left to the respective state governments.
- (4) The Coal Bearing Areas (Acquisition and Development) Act, 1957 needs to be amended and an independent regulatory body set up for orderly development and for providing a level playing field in the coal sector in the liberalized environment.
- (5) The Coal Mines (Conservation & Development) Act, 1974 needs to be amended and the rules made there under making public and private sectors equally responsible for aspects like scientific mining, safety, mine fires, coal washing and other conservation, environment and health related requirements in the coal mines.
- (6) Clear, transparent and non-discriminatory guidelines need to be laid down on various important aspects of the coal industry.
- (7) Efficiency of operations needs to be improved and surplus manpower eliminated in the public sector coal companies. Royalty and other levies of the state governments as also the railway freight rates on coal movement need to be rationalized so as to make the domestic industry more competitive.
- (8) The regional offices of Coal India all over the country and the liaison offices of subsidiaries at Calcutta need to be wound up.
- (9) The seven coal producing subsidiaries of Coal India Limited need to be made fully board managed companies doing away with the

holding company and winding up the Joint Bi-partite Committee of the Coal Industry (JBCCI).

- (10) Restructuring CMPDIL as an independent technical advisory body with the coal sector public sector undertakings and private units participating in its management and equity structure.
- (11) The Coal Controller's Office needs to be wound up and the residual work of Commissioner of Payments office needs to be phased out.
- (12) The Coal Mines Provident Fund Organization needs to be restructured with a view to reducing the administrative charge on the coal companies and government's financial support for Coal Mines linked Pension Scheme.
- (13) The heavy loss making Low Temperature Carbonization Plant at Dankuni needs to be disposed of.
- (14) Washing of high ash coal for power houses needs to be enforced both for meeting the environment related requirements as well as for securing economic benefits.
- (15) The concept of "Saleable Coal" needs to be introduced and a scientific and commercially transparent coal grading system based on "Gross Calorific Value" needs to be evolved.
- (16) The issue of production of synthetic oil from coal can be transferred to one or other of the fuel research agencies.

**Existing strength of Ministry of Coal and its Autonomous  
Organizations/Subordinate Offices**

**1. Ministry of Coal**

- \* **Group-A:** 23: Secy-1; Addl. Secy-1; Jt. Secy. – 3; Project Advisor-1; Dir/DS-7; US-6; SO-11; DO-1; Asst. Dir. (Hindi); Dy.CA-1
- \* **Group-B:** 50: **Group-C: 58** and **Group-D: 40** **Total: 171** plus they have 22 staff working in Shastri Bhawan and borne on coal companies' roll. Staff attached to the Ministers' office is not included in this.

**2. Coal Controller's office at Calcutta / Dhanbad:**

- \* **Calcutta – A-9; B-12; C-105; D-35;** plus 8 in canteen (177) Total: 169 plus 8 in canteen (177)
- \* **Dhanbad – 45. Grand total for Coal Controller's office – 222** plus about **60** officers drawn from the coal companies are working under the Coal Controller at different field units.

**3. Coal Mines Provident Fund (CMPF) Organization's** office at Dhanbad and Regional Offices have a total manpower of **1346** against sanctioned strength of **1603**. With the introduction of pension scheme, 1998 they are planning to increase their strength by **271**. CMPFO is basically a social security organization for coal workers all over India.

**4. Commissioner of Payments Office, Calcutta:** deals with pending cases relating to payment of compensation to erstwhile colliery owners. This office has strength of **23** and presently the Coal Controller is holding additional charge of this office. It is reported that as on 1<sup>st</sup> January 2000, the compensation amount in respect of 256 coal mines (coking coal – 75; non-coking-181) is still be disbursed.

**APPENDIX-II****OVERALL MANPOWER IN COAL INDIA LIMITED**

Company	Executives	Supervisory	Skilled	Unskilled	Ministerial	Casual	Badli	Others	Total
<b>ECL</b>	3025	7861	28376	85018	8763	4	28	308	133383
<b>BCCL</b>	3067	8445	35169	64599	8057	144	359	138	119978
<b>CCL</b>	3142	4537	20153	45765	6816	286	0	217	80916
<b>WCL</b>	2599	5148	29274	37121	5782	54	241	9	80228
<b>SECL</b>	3142	7852	28498	52557	5321	0	0	0	97370
<b>MCL</b>	1383	1784	6579	11133	1719	0	221	40	22859
<b>NCL</b>	1424	1750	7912	4843	1313	0	0	0	17242
<b>NEC</b>	126	503	1436	1927	297	0	0	1	4290
<b>CMPDIL</b>	931	496	933	832	475	0	0	0	3667
<b>DANKUNI</b>	75	90	430	33	59	0	0	0	687
<b>CIL HQ</b>	397	64	86	219	685	0	0	0	145
<b>TOTAL</b>	<b>19311</b>	<b>38530</b>	<b>158846</b>	<b>304047</b>	<b>39287</b>	<b>488</b>	<b>849</b>	<b>713</b>	<b>562071</b>

**APPENDIX-III****MANPOWER AT REGIONAL OFFICES OF CIL**

		Executives	Non-Executives	Total
1	New Delhi	38	46	84
2	Ahmedabad	2	14	16
3	Bangalore	5	11	16
4	Bhopal*	-	-	-
5	Bombay	2	14	16
6	Bhubaneswar*	-	-	-
7	Chandigarh	6	28	34
8	Jaipur	4	17	21
9	Kanpur*	-	-	-
10	Lucknow	6	34	40
11	Chennai	3	12	15
12	Patna	9	19	28
13	Calcutta	3	109	112
14	Secunderabad	2	7	9
15	Siliguri*	-	-	-
16	Bokaro**	-	-	-
17	IISCO/Burnpur**	-	-	-
18	Bhilai**	-	-	-
19	Durgapur**	-	-	-
20	Rourkela**	-	-	-
21	Asansol	0	12	12
	<b>Total</b>	<b>80</b>	<b>323</b>	<b>403</b>

Note: Location marked with asterik have either been closed or handed over to respective subsidiary

**DETAILS OF MANPOWER IN CIL/SUBSIDIARY COMPANIES, CALCUTTA**

		<b>Executives</b>	<b>Non-Executives</b>	<b>Total</b>
1	CIL	397	1054	1451
2	ECL	45	224	269
3	BCCL	17	109	126
4	CCL	38	220	258
5	NCL	8	19	27
6	SECL	21	86	107
7	MCL	10	16	26
8	WCL	2	7	9
9	NEC	1	5	6
	<b>Total</b>	<b>539</b>	<b>1740</b>	<b>2279</b>

**APPENDIX-IV A****OVERALL MANPOWER & WAGE BILL IN COAL INDIA LIMITED**

<b>Company</b>	<b>Manpower</b>	<b>*Wage Bill</b>	<b>Avg./person</b>
	(04/2000)	(Rs. in Crores)	(approx.)
		(Rs. in lakhs)	
		(For the year 1998-99)	
ECL	1,33,383	1,530.27	1.15
BCCL	1,19,978	1,283.30	1.07
CCL	80,916	929.89	1.15
NCL	17,242	229.22	1.33
WCL	80,228	849.40	1.06
SECL	97,370	999.26	1.03
MCL	22,859	251.39	1.10
CMPDIL	3,667	55.29	1.51
NEC	4,290	Included in CIL	Included in CIL
Dankuni	687	Included in SECL	Included in SECL
CIL HQ	1,451	74.81	1.30
<b>TOTAL</b>	<b>5,62,071</b>	<b>6,195.83</b>	<b>1.10</b>

1.\* Wage bill includes employee's remuneration and benefits paid in cash.

2.Detailed break up of company-wise manpower is given at Appendix-II

**APPENDIX-IV B**

	<b>Surplus manpower as on 1<sup>st</sup> April, 2000</b>	<b>VRS planned for 2000-01</b>
<b>ECL</b>	7,185	4,500
<b>BCCL</b>	7,966	4,500
<b>CCL</b>	4,507	2,000
<b>TOTAL</b>	<b>19,658</b>	<b>11,000</b>

**( Source: Coal India Limited )**

1. These figures do not include manpower that would be surplus on closure of uneconomic mines in these three companies. Other coal companies have not reported any surplus manpower.
2. Cost impact of VRS per person during 2000-01 will be Rs.2.2 lakh and total cost would be Rs.242 crore. Taking this as the norm, amount required for VRS for every 1000 persons is Rs.22 crore.
3. In 1999-2000, ECL incurred a loss of Rs.640 crore and company's net worth is (-) Rs.650 crore. In this company 64 highly losing mines have a total manpower of 64,000 (22,000+55 years of age) and the wage cost is Rs.112% of the sale price. Out of these, 20 highest loss making mines have a manpower of 16,600. VRS package for these would cost about Rs.365 crore.

**APPENDIX – V****Analysis of delivered cost of coal at selected power stations**

(Domestic vs Imported in Rupees per tonne)

	<b>Badarpur</b>	<b>Bhatinda</b>	<b>Kota</b>	<b>Ahmedabad</b>	<b>Gandhinagar</b>
1. Basic price	*(D) 635.00	*(D) 635.00	*(D)635.00	*(C) 806.00	*(F)355.00
2. Siz/tpn	41.00	41.00	41.00	41.00	41.00
3. Royalty	95.00	95.00	95.00	95.00	50.00
4. Excise	4.25	4.25	4.25	3.50	3.50
5. Sales Tax	31.01	31.01	31.01	37.82	17.98
<b>Sub-total</b>	<b>806.26</b>	<b>806.26</b>	<b>806.26</b>	<b>983.23</b>	<b>467.48</b>
6. Rail freight	865.70	1053.50	920.60	983.00	1053.53
<b>Total</b>	<b>1671.96</b>	<b>1859.76</b>	<b>1726.86</b>	<b>1966.3</b>	<b>1520.98</b>

\* *Grade of coal is given in brackets*

**Break-down of delivered cost of domestic coal at the  
power house (in percentage)**

Basic cost(CIL)	37.98	34.14	36.77	40.99	23.34
Six/tpn (CIL)	2.45	2.20	2.37	2.09	2.70
Rail freight	51.77	56.65	53.13	49.99	69.26
Sales Tax(State)	1.85	1.67	1.80	1.92	1.18
Royalty (State)	5.68	5.11	5.50	4.83	3.29
Excise (GOI)	0.25	0.20	0.25	0.20	0.23

**Landed cost at the power plant in Rupees/million kilo calories**

Domestic coal	369.58	411.09	381.71	351.32	393.53
Imported coal	408.47	417.85	326.56	319.72	323.43
Imported Vs Domestic	(+)10.50%	(+)1.60%	(-)14.50%	(-)9.00%	(-)18.00%

**APPENDIX-VI A**

Sl. No.	Grade	Rates of royalty (Rs. per tonne)
		Rates of Royalty (Rs./Te)
1.	A&B	135
2.	C	95
3.	D&E	70
4.	F&G	50
5.	Assam	120
6.	St-I&II	195
7.	W-I	195
8.	W-II & III	135
9.	W-IV	95
10.	SC-I&II	135

**Note:** *These rates are applicable to coal produced in all the States except West Bengal and Meghalaya.*

**APPENDIX-VI B**

**Rates of royalty (Rs. per tonne)  
FOR COAL PRODUCED IN  
WEST BENGAL & MEGHALAYA**

Sl.No.	Grade	Rates of Royalty (Rs./Te)
<b><u>A. West Bengal *</u></b>		
1.	A&B	6.50
2.	Semi-Coking Coal Gr.I&II	6.50
3.	Coking Coal Washery Gr.II & Gr.III	6.50
<b><u>B. Meghalaya</u></b>		
1.	Handpicked	150.00
2.	Ungraded Run of Mine coal	120.00

\* Over and above this Government of Bengal has levied a "Cess" on coal of which the present rate is about Rs. 159.00 per tonne.

**APPENDIX- VI C**

**Royalty as a percentage of Basic Price of ROM Coal  
(State wise /Company wise)**

	Bihar			Madhya Pradesh			Orissa	Maha- rashtra	UP	Assam
	ECL	BCCL	CCL	SECL	WCL	NCL	MCL	WCL	NCL	NEC
<b>Grade-Non</b>										
<b>Coking</b>										
A	14.18%	14.88%	14.18%	14.88%	13.87%	14.05%	15.54%	13.87%	14.05%	12.99%
B	15.77%	16.56%	15.77%	16.56%	14.75%	15.63%	17.31%	14.75%	15.63%	16.19%
C	13.49%	14.18%	13.49%	14.18%	11.15%	13.38%	14.80%	11.15%	13.38%	
D	12.48%	12.48%	11.88%	12.48%	8.76%	11.76%	12.99%	8.76%	11.76%	
E	15.73%	15.73%	14.99%	15.73%	10.53%	14.83%	16.36%	10.53%	14.83%	
F	14.08%	14.08%	13.40%	14.08%	9.03%	13.30%	14.66%	9.03%	13.30%	
G	19.69%	19.69%	18.73%	19.69%	11.96%	18.59%	20.58%	11.96%	18.59%	
<b>Coking</b>										
ST-I		12.65%								
ST-II		15.15%								
W-I	17.49%	17.49%	17.49%	19.04%	19.04%			19.04%		
W-II	14.61%	14.61%	14.61%	15.92%	15.92%			15.92%		
W-III	19.77%	19.77%	19.77%	21.53%	17.65%			17.65%		
W-IV	14.96%	14.96%	14.96%	16.27%	15.13%			15.13%		
SC-I	11.68%	12.56%	12.56%	13.18%	13.18%			13.18%		
SC-II	14.11%	15.17%	15.17%	15.92%	15.92%			15.92%		

Source : Coal India Limited

**APPENDIX-VII**

**Details of Royalty, Cess and other levies payable on raw coal  
( for the financial year : 1998-99 )**

*(Figures in Rs. Lakh)*

Company	Net Value (Pit Head) of Raw Coal Offtake	Royalty	Cess	SED <sup>@</sup>	S Tax	Others	Total Levies
ECL	207737.90	7373.68 3.55%	56154.52 27.03%	847.12 0.41%	10314.99 4.97%	-	74690.31 35.95%
BCCL	181584.75	29417.28 16.20%	1536.2 0.85%	1100.51 0.61%	6288.8 3.46%	0.32 0.00%	38343.09 21.12%
CCL	162647.91	26653.11 16.39%	*	1212.78 0.75%	4831.16 2.97%	912.2 0.56%	33609.25 20.66%
NCL	218057.75	29018.85 13.31%	*	1240.93 0.57%	8236.15 3.78%	542.95 0.25%	39038.88 17.90%
WCL	240919.88	22374.68 9.29%	*	1041.88 0.43%	10421.28 4.33%		33837.84 14.05%
SECL	321772.61	42333.42 13.16%	*	1995.67 0.62%	14192.17 4.41%	117.79 0.04%	58639.05 18.22%
MCL	155940.76	22008.69 14.11%	*	1461.08 0.94%	7523.54 4.82%		30993.31 19.88%
NEC	7527.76	840.71 11.17%	*	24.52 0.33%	316.26 4.20%		1181.49 15.70%
OVERALL	1496189.32	180020.4 12.03%	57690.72 3.86%	8924.49 0.60%	62124.35 4.15%	1573.26 0.11%	310333.22 20.74%

**Note:** *Figures in Italics indicates % of Net Value of Offtake*

\*\* *Free issue of coal has not been included.*

\* *Except West Bengal no other state has levied cess in coal. Some coal mines under BCCL fall in West Bengal. Coal produced from these mines attracts cess of West Bengal.*

@ *Stowing Excise Duty.*