HAPPINESS QUOTIENT (HQ) FOR THE CONSUMER -

LOGICAL/LOGISTICAL ISSUES TO MOVE DOMESTIC/ IMPORTED COAL

BY

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It was only last year, Pundits in the coal industry had been projecting a great a future for coal. The prices were at the peak, availability in India was at the lowest level with no chances of increase in output, imported coal was touching record prices, Indian rupee was at the weakest level touching Rs 57 to a Dollar, railway system was overloaded and wagons were not available for love or money. Coal was projected to have a bright future and those owning coal blocks were the lucky ones, envied by one and all.

However, tables have turned in last one year. USA suddenly discovered large deposits of shale gas which completely changed the dynamics of the energy supply in US and Europe. Chinese demand went into a tailspin forcing them to import lesser coal despite producing 3000 MMT of coal per year. Railways suddenly stopped transporting iron ore – thanks to the Courts intervention and the excess capacity was put into the transportation of coal, CIL had a new chairman who had a brilliant hunger for not only increasing the coal production but also for liquidating the old stocks. Because of the Chinese slowdown, the imported coal prices in USA, South Africa and Indonesia are coming down. This has brought in a pleasant change in the 'Happiness Quotient' of the Indian consumers. Now power houses are comparatively well stocked and are refusing to take further supplies. Industrial consumers are able to pick and choose and for the first time, the prices of higher grades of coal were reduced by C.I.L.. Those who had been allotted blocks are being questioned very seriously as to why the production has not started. Some of them have had to explain justification for allotment of blocks. Coal industry has not had a good coverage, and in fact has projected a very black picture and all in all – coal is no longer the **king.**

Now that pressure on the coal supply has decreased somewhat, should we not use this momentum to increase the ‘Happiness Quotient’ of the consumer – to make – consumer the king once again. In a free market economy – consumer has to be the king.

This requires an integrity of approach-

Are we willing to do it ?

What do we want from Coal India –

Coal India has done a reasonably good job in meeting requirements of industry. However,

Coal India today has no competition and for quite sometime, shall have no competition. The entire thinking has to be changed – some of the suggested ways are :-

- Why not make some of the subsidiaries as independent companies and let them compete with each other.
- Little more integrity in giving the right quality and right quantity to the consumers.
- Declared grades are always superior to the actual grades – loss of about 100-200 Rs./M.T.

- Quantities supplied are not as per billed quantities. Consumer ends up having shortages of 2-5%. Loss of about Rs. 600-800/M.T.

- Make the Marketing Deptt. a little more friendly – e.g. Why insist on payment of full value of rake before allotment, when the rakes are loaded 2-3 months later

- In CCL, value of each rake has to be deposited before getting the consent, cost of each rake – Rs. 80 lacs – 1 crore. Rake gets loaded after 3 months. This money gets blocked for 3 months. Adds to the cost. No advantage to coal company.

RAILWAYS

- Charge freight for 66 M.T./Box - whereas Qty. possible to load – 63 M.T. Consumer has to pay idle freight of 3 M.T.

- If coal company loads beyond 68 M.T. – there is a penal freight @ 3 times normal freight. Consumer has no role in loading but ends up paying penal freight.

- Weighbridges – either of C.I.L. or railway – always not kept in calibrated condition – erratic weights are part of the deal

- All these factors on account coal company and railway add upto Rs. 800 /M.T.

Compare this with Imported Coal –

- You pay for the quality and quantity delivered at your doorstep
- No question of stones or oversized coal – perfect blend

Dangers ahead for the years to come –

- Rail movement as of now at optimum level. Any increased production of coal beyond 500 M.M.T./ year will need extensive investment in rail network. Unless new rail lines are laid and existing network strengthened, additional production will not be transported.

- Port capacities, port efficiencies and port costs have to be contained. Most of the ports have inefficient handling capacities – large man power and inflated costs – they have to change with times.

- Coal Beneficiation still being talked about only in seminars. C.I.L.'s plan of setting up washeries still a long distance away – washeries still a no go area – disposal of rejects a major challenge.

- Challenges with rail and coal will continue to hamper progress

  Solution may appear as it happened in U.S.A. Discover the potential reserves of shale gas. Possible potential basins are – Cambay, Assam, Arakom, Gondwana, KG onshore, Cauvery on shore and Indo Gangetic basins.

- China has auctioned first batch of shale blocks and hopes to meet 10% of gas demand by 2020. We can also do so in India

  Natural gas prices in India are in range of $ 5/mBtu while imported gas costs around $14-$15 per mBtu.

- Prices of gas will have to be freed. No profit sharing –
  Payments to be linked to production.

CONCLUSION

- ✓ All out efforts to be made to bring in integrity of approach for all stake holders i.e. C.I.L./ Railways/ Consumers/Ports
- ✓ Alternatives to coal have to be extensively explored as coal is a polluting and a depreciating asset.
- ✓ Efficient use of coal to be encouraged for efficient combustion and less pollution

THANK YOU