



Coal India and CCI

For Prelims: [Competition Commission of India](#), [Supreme Court](#), Coal Mines (Nationalisation) Act, of 1973, Competition Act, 2002

For Mains: Significance of Competition Commission due to the changing dynamics of the market,

Why in News?

The [Supreme Court of India](#) has recently dismissed **Coal India Ltd (CIL)**'s appeal, which affirmed the [Competition Commission of India \(CCI\)](#)'s authority to examine **CIL's conduct under the [Competition Act, 2002](#)**.

- The court found **no merit in excluding CIL from the purview of the Competition Act**, which was earlier accused of engaging in abusive practices.

What is the Case About?

- **About:**
 - In 2017, the CCI imposed a penalty of Rs. 591 crores on CIL for imposing unfair and discriminatory conditions in **fuel supply agreements (FSAs)** with power producers.
 - The company was found to be **supplying lower quality coal** at higher prices and **placing opaque conditions in the contract** regarding supply parameters and quality.
 - The CCI argued that Coal India and its subsidiaries operated independent of market forces and enjoyed **market dominance in the production and supply of non-coking coal in India**.

Note:

- **Coal India Ltd (CIL) is a public sector undertaking** that is the **largest coal producer and supplier in India**.
- It operates under the **Coal Mines (Nationalisation) Act, of 1973**, which gives it a monopoly over coal mining and distribution in the country.
- CIL was a fully government-owned entity until its **disinvestment** in 2010. Currently, the government holds a majority shareholding with a share percentage of 67%.
- **Arguments of CIL and CCI:**
 - **CIL's Stance:**
 - **Principles of "Common Good":**
 - CIL operates based on the principles of promoting the **"common good"** and ensuring **equitable distribution of coal, a vital natural resource**.
 - **Monopoly Status:**
 - CIL refers to the **Nationalization Act of 1973** to assert its position as a

"monopoly" established for **efficient coal production and distribution.**

- **Differential Pricing:**

- CIL implements **differential pricing to incentivise captive coal production**, aiming to sustain the larger operating ecosystem and pursue welfare objectives.

- **Implications for National Policies:**

- **CIL's coal supply supports national policies**, such as promoting growth in economically disadvantaged regions through increased allocation.

- **CCI's Stance:**

- **Raghavan Committee Report (2020):**

- The CCI referred to the **Raghavan Committee report (2020)**, which concluded that **state monopolies like CIL are not in the best interests of the nation** and should not operate without competition.
- This **highlights the need to promote competition** and accountability in the market.

- **Non-Essential Commodity Classification:**

- The CCI emphasized that **coal is no longer classified** as an "**essential commodity**" since 2007.
 - The Nationalisation Act too was removed from the [Ninth Schedule](#) (laws that cannot be challenged in court) in 2017.
- This indicates that coal is **subject to market dynamics** and should not be exempted from the **Competition Act, 2002**.

- **Impact on Consumers:**

- The CCI highlighted the significant **impact of irregular prices** and **supply of coal on power generation companies**, which indirectly affects consumers.
- Unfair pricing or supply practices by CIL would directly impact consumers' interests.

- **Government Ownership and Supply Allocation:**

- CIL's significant coal supplies to power companies connect coal supply to the welfare of the nation.
- The CCI argued that **ensuring continuous coal supply, adherence to contracts**, reasonable pricing, and quality **serve the common good**.

- **Ruling of the Supreme Court:**

- The SC dismissed CIL's argument for **exemption based on the Nationalization Act of 1973**, ruled that it cannot be exempted from the Competition Act.
- The court emphasized the need for **fair competition and equality among entities**, regardless of their sector and reinforced the **principle of "competitive neutrality"** and the need for a level playing field.
- It highlights the importance of competition in fostering a vibrant and efficient economy.

What is the Coal Mines (Nationalisation) Act, of 1973?

- The Coal Mines (Nationalisation) Act, of 1973, was enacted by the Indian Parliament to **ensure rational, coordinated, and scientific development of coal resources**.
 - Under this act, coal mining was exclusively reserved for the public sector.
- **Exceptions were introduced in 1976** for captive mining by private companies in iron and steel production and sub-leasing in isolated small pockets.
- In **1993, amendments allowed private sector participation in captive coal mining** for power generation, coal washing, and other notified end uses.
 - Allotment of coal mines for captive use was based on recommendations from a high-powered committee.
 - Mining of coal for captive use in cement production was permitted by government notification.
- The **Act established government control over coal mining in India**, with limited provisions for private sector involvement in specific sectors and purposes.

What is the Competition Commission of India?

- **About:**
 - **Statutory body** responsible for enforcing the **Competition Act, 2002**.
 - Established in March 2009, replacing the **Monopolies and Restrictive Trade Practices Act, of 1969**.
 - **Quasi-judicial body** giving opinions and dealing with cases.
- **Composition:**
 - **One Chairperson and six members** appointed by the Central Government.
- **Competition Act, 2002:**
 - The Competition Act, initially passed in 2002 and later amended by the **Competition (Amendment) Act of 2007**, has been further modified by the **Competition Amendment Act of 2023**.
 - This latest amendment aims to regulate **mergers and acquisitions** based on **transaction value**, establish a framework for quicker resolution of investigations through settlement and commitment, and **decriminalize specific offenses under the Act**.
 - Prohibits **anti-competitive agreements and abuse of dominant position**.
 - Regulates combinations causing an adverse effect on competition within India.
 - In accordance with the provisions of the Amendment Act, the **Competition Commission of India** and the **Competition Appellate Tribunal (COMPAT)** have been established.
 - The government replaced the COMPAT with the [National Company Law Appellate Tribunal \(NCLAT\)](#) in 2017.
- **Functions and Role of CCI:**
 - **Eliminating practices with adverse effects on competition** and protecting consumer interests.
 - Giving **opinions on competition issues** referred by statutory authorities.
 - Undertaking **competition advocacy, creating public awareness, and providing training on competition issues**.
 - Ensuring **consumer welfare** and fair competition for economic growth and development.
 - **Implementing competition policies** for efficient utilization of economic resources.

What are the other Judgements Related to Market Monopoly in India?

- **Competition Commission of India v. Steel Authority of India Ltd (SAIL) (2010):**
 - The SC upheld the CCI's order to investigate SAIL for anti-competitive practices in supplying rails to Indian Railways.
 - SC ruled that SAIL was not exempt from the Competition Act and that its order was not appealable at the initial stage.
 - The Court also said that the CCI was a necessary or proper party in any appeal before the COMPAT.
- **[Competition Commission of India v. Google LLC & Ors \(2021\):](#)**
 - CCI appealed against Karnataka HC's order, investigating alleged anti-competitive practices by Google in India's smart TV and Android app store markets.
 - The HC quashed CCI's order due to lack of jurisdiction and the absence of Google's opportunity to present its case.
 - The SC stayed CCI's investigation and issued notices to all parties involved.

[Source: TH](#)