

[Shri Raghunath Singh.]

importance and I request that he may make a statement thereon:—

“Arrest of five Pakistani saboteurs at Uri in Kashmir.”

The Prime Minister and Minister of External Affairs and Finance (Shri Jawaharlal Nehru): Five persons were arrested by the Jammu and Kashmir Police on February 11, 1958, at Uri. One of these persons is the brother of a well-known Pakistan agent living on the other side of the cease-fire line. The arrested persons have admitted functioning as links of Pakistan Intelligence. As interrogation is in progress, it is not possible to give further details at present.

I gave the House on 13th September last year some details of the bomb explosions and the movement of sabotage, violence and subversion assisted and directed from Pakistan.

Since the middle of June last year, there have been 38 cases of bomb explosions, 13 in Kashmir and 25 in Jammu. In addition, there have been 20 cases in which explosive articles like gun cotton slabs, booby traps and hand grenades have been recovered.

Thanks to the vigilance of the authorities and the close co-operation between the authorities and the people, the mischief done by saboteurs has been limited and loss of life has not been heavy. Six people were killed and 17 injured in these 38 explosions.

35 persons have been arrested in connection with bomb outrages and attempts of sabotage. Out of this, 10 persons are undergoing trial in Srinagar in the Srinagar bomb case. In Jammu Province three persons are being tried and the trial of two others will begin shortly.

The latest arrests at Uri show that though Pakistan agents and saboteurs are still active, their attempts at sabotage and subversion are being

adequately dealt with by the authorities with co-operation of the people.

REPORT OF THE COMMISSION OF
INQUIRY INTO THE AFFAIRS OF
THE LIFE INSURANCE CORPORATION

The Prime Minister and Minister of External Affairs and Finance (Shri Jawaharlal Nehru): I beg to move:

“That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India be taken into consideration”.

Mr. Speaker, Sir, it is just about two months ago since this matter came into my ken when it was first raised in this House. I was not present in the House then or in Delhi. Since then naturally all of us have been much concerned and have followed developments from day to day. This has been a somewhat painful ordeal for some of us, and these two months have made us sadder, a little older and perhaps a little wiser.

Shri Braj Raj Singh: (Firozabad): Question.

Shri Jawaharlal Nehru: But that experience or a little bit of wisdom has been purchased at a fairly considerable cost, for it has cost us the services of an able and distinguished Finance Minister at a time when they were most needed.

Let me say, however, at the very outset that whatever the penalties that we or others have paid or may suffer, this inquiry has demonstrated to India and to the world the democratic way we function. It has established the dignity and majesty of this Parliament, and of the procedures we follow in maintaining high standards of public life and administration. That is a great gain and an example to be remembered by all of us in India.

In accordance with parliamentary procedure, this House heard yesterday a statement on the resignation of Sri T. T. Krishnamachari. He has resigned and paid the penalty for what had happened and so far as this House is concerned, there is nothing more to be said about it.

In the course of this inquiry, much has been said about public ownership as opposed to private ownership, about nationalised Life Insurance Corporation as opposed to private insurance companies, about civil servants or businessmen in charge of large undertakings. Not only some witnesses but the public press have discussed this matter and some individuals have expressed their opinion about the failings of nationalisation. This was not a question for enquiry before the Commission. However, it is good, I think, that these facts have come out before the public.

I do not remember any such criticisms being made of the serious failures of a number of well-known private insurance companies. Apparently, such failures of private concerns were almost taken for granted and required no particular comment. It might be remembered that one of the principal reasons for nationalising the life insurance was the fact of such failures and the gross mismanagement of such companies. They were not managed or controlled by civil servants; businessmen were in charge of them. I am mentioning this so that we might consider these matters in proper perspective, and not in any way to slur over or to try to minimise the events that took place in connection with the purchase of certain shares by the Life Insurance Corporation, which have been the subject of enquiry.

One thing I should like to mention here, and that is that the Life Insurance Corporation has been doing rather well in recent months and it is, I believe, transacting far greater business than it has ever done before. After the initial few months, which were taken up in problems of re-

organisation, when the quantum of business fell, it has made rapid progress. The amount of business done by the various life insurance companies, which have now been brought under the umbrella of the Corporation, in 1955 was Rs. 258 crores. Then came the change and there was a great deal of disorganisation due to the change. So, in 1956 this business went down to Rs. 200 crores, that is, Rs. 58 crores less. In 1957, that is last year, it jumped up to Rs. 273 crores. That is to say, not only did it make up quickly the loss owing to disorganisation, but went considerably ahead of the previous peak figure.

So, judging from this, one would say broadly that the Life Insurance Corporation has done remarkably well, and that the officers who run it deserve credit for the way they have done it. That does not mean, of course, that we should not pay adequate attention to any wrong thing done, or that this record of good work justifies any wrong. But it does help us to look at this matter in perspective and to judge any individual case as an individual case, and not in large terms of generalisation about nationalisation or not.

Now, before I proceed very much further, I should like to say right now, on behalf of the Government, that we are of the opinion that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles. I am also opposed to its propriety on several grounds. We accept, therefore, the Commission's findings in regard to this transaction. A major part of the Commission's report deals with this matter.

Also, I should like to say, as the Chairman of the Commission remarked in the course of the inquiry, there are several facts in this for which I have no explanation, and even the inquiry has not elicited all the facts which would enable us to form a clear opinion in regard to a number of these factors. Why the normal

(Shri Jawaharlal Nehru)

precautions were not taken in buying the shares and in fixing the prices and why the Investment Committee was not consulted, and why the prices of the transactions raised no protest, I fail to understand all this. It has still remained obscure. Whether it is possible to elicit further information now or in the future, we do not know. But, an attempt would certainly be made and perhaps we may be in a better position to understand one of these strange developments then.

A number of officers of Government, or of the Corporation, are concerned in some way or other with these transactions. We feel that insofar as the officers responsible for putting through these transactions are concerned, appropriate proceedings on the basis of the findings of the Commission should be initiated.

But, I should like to remind the House that while that is necessary and should be done, it is not right for us to come to final conclusions in regard to people who are not here to answer or to defend themselves. There are procedures laid down for this purpose and they should be followed. It has been a convention of this House—and it is a right convention—that no decision should be arrived at and no one should be condemned, who is not given an opportunity to defend himself. That is specially so in regard to public servants.

It is even more necessary to remember that if an individual is held responsible, it does not follow that the whole group of persons are at fault or are to be condemned. It would be a bad day if we generalise from a particular case, more especially in regard to the body of civil servants.

I should like to say that I consider the great majority of senior civil officers serving in India as a body of men and women of high ability and integrity, who have served their country well. I have been connected with many of them personally since the responsibility of Government fell

on our shoulders. I cannot say, of course, that everyone of them is able or of high integrity, but as a group, I am sure, they can be compared to their advantage with any similar group in any part of the world; and I am grateful to them for the work they have done.

They had to face a new situation and new types of work. They have done their utmost, often with success, to adapt themselves to this new situation. Our work has grown enormously and our fields of activity have spread. More and more we have become a State, engaged in social and industrial undertakings. I cannot say that all is well everywhere; but we are constantly trying to bring about a greater efficiency and higher standards of work and of integrity.

I should like to say here that in the course of the inquiry, though not in the report itself, mention was made of some persons wholly unconnected with these transactions in a way that might be disadvantageous to them and to the positions they occupy. In this way, the Governor of the Reserve Bank was mentioned. He was entirely unconcerned with this purchase, and I regret that anything should have been said which reflects on a man of high integrity and ability who occupies a position of great responsibility.

In this inquiry a question has been raised about the employment of officials of the Civil Service in our nationalised undertakings and our big projects. It has been suggested that businessmen of experience would be more suitable. I would welcome businessmen or other non-officials, if they have the ability and integrity that is required for such responsible posts. But there is another consideration to be borne in mind. A person serving in a nationalised undertaking should agree with the objective of nationalisation and of State control. A person who is opposed to it will find it difficult to fit in. It is interesting to

remember also that quite a number of our senior civil servants, after retiring from service, on reaching the age of retirement, have been offered and have accepted high posts in private business and are then supposed to be experienced businessmen. They are paid much more than, of course, what they were paid while in service.

Shri Nath Pal (Rajapur): That is for services they rendered while they were in office. (*Interruption*).

Shri Jawaharlal Nehru: Hon. Members opposite have very special sources of information which have nothing to do with reality and fact. They live in a world of imagination and make statements without the slightest foundation. If there is anything, let them bring up the facts. It is no good making generalisations.

Shri Nath Pal: They have been brought to the notice of the Government more than once.

Shri Jawaharlal Nehru: I am merely saying that generalisations of this type are no good. May I enquire why then senior officials who have been retired are in office in international organisations in India, in Europe, in America and all over the place? Because they were considered good enough for that.

Acharya Kripalani: (Sitamarhi): Is not the Prime Minister himself guilty of generalisation from a few cases?

Mr. Speaker: He was only answering what was said here by way of generalisation.

Shri Nath Pal: That was only with regard to the private employment. We accept they have integrity. We do not dispute that part of the statement.

Mr. Speaker: The hon. Members will have an opportunity to speak. The debate is not closing now.

Shri Jawaharlal Nehru: I do not wish to enter into an argument because these are side issues. But, they have become important issues because unfortunately all kinds of charges and insinuations are flung about in the press, in the lobbies of Parliament.

Shri Surendranath Dwivedy (Kendrapara): Rightly sometimes so.

Shri Jawaharlal Nehru: The non-Member says, insinuations are rightly flung about. That is unfortunately the way of some Members of the Opposition; I hope not of all. Because, I have high regard for many Members of the Opposition.

Shri Jaipal Singh: (Ranchi West-Reserved-Sch. Tribes): May I ask, on a point of order, is it correct for the Leader of the House to tell us what happens in the lobbies?

Shri Jawaharlal Nehru: If I may say so, I myself do not frequent the lobby as much as many others. But reports do reach me and I am amazed at the kind of insinuations and charges made there which, I should say, I do not mind their being made publicly if they can be dealt with. It is unfortunate that this kind of thing is said outside and it spreads like bad gossip and scandal from mouth to mouth and ear to ear.

Mr. Speaker: Sometimes newspaper report what they do not hear in the lobby as lobby correspondents.

Shri Jawaharlal Nehru: There is one rather interesting fact in regard to the Life Insurance Corporation, that the person chiefly and most intimately concerned with the question of investment, the particular matter that arises here, was and is a person who is considered an old experienced businessman. He is not a civil servant. He has had experience over a generation. I do not know how long, in one of the biggest life insurance companies previously.

Acharya Kripalani: He was paralysed.

Shri Jawaharlal Nehru: I know; unfortunately businessmen get paralysed when they have to function adequately.

This talk about public servants and businessmen in this connection requires much greater examination than has perhaps been accorded to it. The fact of the matter is that we should naturally search for and employ the best men for the job whether they are public servants, non-officials or businessmen, whatever they may be. As our work increases and the demand for high class and trained men with experience grows greater and greater, we are finding it very difficult to find the right kind of men.

That is a matter which has been considered repeatedly by the Planning Commission. Hon. Members, if they read the Second Plan report, will find a good deal said about it, that is, how to train in-sufficient numbers people to occupy these high posts if we could get them. In that, we have further stated that it is not merely training from the bottom up, but taking a young businessman if he is good, into service and giving him special training or training our civil servants in a special way. In other words, we have left the door open to get people and give them training and experience and thus prepare them for the larger responsibilities that are coming our way.

Then, the question has arisen as to what part the Government should take in the working of an autonomous corporation. Obviously, this requires earnestly consideration. The Commission has recommended certain principles. We shall certainly examine their recommendation in regard to these principles very carefully. Broadly speaking, we agree that autonomous corporations should have autonomy subject naturally to such limitations as may be prescribed.

Let us, however, look at the Act which gave birth to the Life Insurance Corporation. It should be remembered that the entire capital of

the Corporation has been found by the Government. According to the Act, the Government has the right to appoint the entire Board, the right to lay down the rules, the right to approve the regulations that may be made by the Corporation itself and the right even to wind-up the Corporation. Thus, although the Corporation was meant to be independent and autonomous in its day to day functioning a machinery was provided for the Government to give guidance to the Corporation in various ways. Parliament in its wisdom imposed upon the Government the responsibility that this business should be properly conducted through a Corporation and authorised the Government to give directives when they found such necessary.

Shri C. D. Deshmukh, the then Finance Minister, stated in the Lok Sabha on the 18th May, 1956 that there is the further safeguard that the Central Government has the right to give directions to the Corporation in the matter of investment. Investment does mean not only investment generally but specific investments. To lay down as a principle, therefore, that the Government must keep aloof from the Corporation completely would be to challenge the decision of Parliament.

Having made this point clear, I should like to add that we entirely agree that an autonomous corporation should not be generally interfered with. Indeed, it is our belief that there must be more and more devolution of power and authority subject to certain safeguards. No complicated system of Government can work if it is too centralised. Even in our other departments of Government, we are moving towards greater decentralisation.

This inquiry has raised very novel questions. Indeed, it is not in India only, but also in the United Kingdom that similar questions have arisen in regard to a recent inquiry called the Bank Rate inquiry

After that inquiry was over, many doubts were expressed as to the proper mode of a public inquiry in such cases. It is, I believe, the practice in inquiries in England to hand over the case to the Treasury Solicitor and he is given the assistance of the Chief of Police to make investigations. Upon the investigations being completed, all the information is put before the Inquiry Commission. The Commission does not, as a rule, take part in the examination of witnesses, but leaves it to the Attorney-General who is furnished with statements obtained by the Treasury Solicitor. The Attorney-General conducts both the examination and the cross-examination and in doing so and presenting the case, he acts only in the interest of bringing out facts.

It may interest the House if I quote from a leading article in regard to these matters which appeared in the *London Times*. I shall read some extracts from it only. There were, in fact, two or three articles on this because the matter exercised British opinion greatly, as indeed here in India this particular inquiry has exercised Indian opinion. Of course, the two inquiries are not of the same type; the matters involved are not the same. Nevertheless, there is a certain similarity, and the same questions have arisen.

I should like to say why I am explaining this, because it really is a matter for the future, not for the past. The other day I stated elsewhere that the method of inquiry was not very satisfactory. Some people thought that I was criticising the Chairman of the Commission. It was far from my thought. I was not criticising the Chairman at all, but rather the whole approach. The fault really and principally lay with us in not thinking this matter out beforehand. As a matter of fact, if I may say so with some hesitation and in all confidence, we were hustled by Parliament (*Interruptions*).

Shri Geray (Poona): That is very obvious.

Shri Nath Pai: We should do it more often.

Shri Jawaharlal Nehru: Parliament did not order us. What I mean to say is that it was Parliament's eagerness, a very legitimate eagerness—I am not denying that. We are asked—even now I believe there are questions in the Order Paper—did some Members of the Cabinet want to delay the inquiry? Did they want to postpone it? With this kind of atmosphere surrounding us, we must take action immediately, and of course, we were anxious. From the very first day, we were anxious to have a full inquiry to elicit all the facts and take steps. But we were not quite clear as to the best way of doing it, and because of our lack of prescience or lack of thought given to it, difficulties arose, as they arose in England in a different context.

Therefore, it was not in criticism, certainly not of the very eminent Judge who presided over this, that I said that. Rather it is for us to consider, for Parliament to consider at a later stage—and for Government to keep in mind—as to what type of procedure we should follow.

Now, quoting from this newspaper, it said that 'the whole question of the propriety of the whole tribunal procedure from its first origins in Parliament has come up before us, and what happened in the method that is adopted, what happened from a certain date always has caused considerable misgivings'. Again another point—'The first doubts concerned the question asked about a certain gentleman. In view of the categorical statements made by Mr. Wilson and Sir Leslie Palmer, that these questions were not intended to convey any allegation against him, it must certainly be wondered whether the way in which the questions were framed was proper, more especially.....'—Then it referred to some particular question whether Mr. Thorneycroft did or did not do something.—'should questions be asked in Parliament carrying innuendo of this kind.'

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Then it goes on to say that 'the question has even arisen whether there should be some kind of restriction on the privilege of Members of Parliament', but comes to the conclusion that 'this would be undesirable. Even though the privilege may be misused, it is important to keep that privilege intact'—something with which I entirely agree. 'It is Parliament's duty, however, to do what it can to discourage Members from abusing that freedom.'

Then it goes on—'Possibly, the recent episode may tempt some Members on both sides in Parliament to indulge in exploratory innuendo as a harassing tactic'. (*Interruptions*)

Then another difficult question arose, that 'before referring the matter to a regular Inquiry Commission, is it to be inquired into in a smaller way? If so, will that smaller inquiry be public or private?' All kinds of questions are considered. 'If a public inquiry is decided upon, is the tribunal, the child of the 1921 Act, the right body? Clearly, Parliament itself cannot conduct such an inquiry. The next alternative is the Select Committee. The last time a Select Committee was used for an inquiry at all comparable with this, the Members divided strictly on party lines, and this was only one of the many bad features which prompted the 1921 Act as a remedy. Though this Act was hasty, its principle of referring such matters to an independent judicial body with the powers of the High Court seems unquestionably right'.

The 1921 Act, however, did not provide at all for the membership of a tribunal or their proceedings, and both have evolved by experiment.' 'After two Members of Parliament had taken opposite views as members of a tribunal in 1928, the membership was thereafter confined to the legal world. This has worked much better'.

'As regards the procedure, upto and including the budget leak inquiry

of 1936, the tribunal did their own inquiry. The Attorney-General confined himself to summarising evidence and to taking witnesses through their statements, while the cross-examination was done by the tribunal themselves' 'However, the 1936 tribunal complained that the testing of the witnesses' stories by way of cross-examination or otherwise by the tribunal might have created the impression that they were from the start hostile to some of the witnesses who appeared before them. From that arose the practice of the Attorney-General stating the case in more pointed terms and himself conducting the cross-examination. But this change may have undesirable consequences of its own. The Attorney-General starts, with a role which, to the laymen's eye, is one of hostility. Being himself a member of a Party Government, but acting in a non-party capacity, he must take special pains, so it is suggested, not to fall short in severity. In the exercise of this severity, although the luckless people to whom every sort of impropriety seems to be imputed are constantly reminded that nobody is accused of anything, he is apt to make a long connected statement of the case which somebody has explained away without a corresponding opening statement being made by that somebody's counsel. Further, the increased need for those involved to be represented by counsel imposes a huge expense which few private people can reasonably bear'.

I need not read all. The first thing is that such an inquiry should not be instituted without sufficient cause and without adequate preliminary inquiry. I merely read this out to indicate how complicated questions arose in these matters, how they have arisen elsewhere—they have, in fact, arisen in different ways. It is not a question of criticising any particular procedure. It is, of course, not necessary for us to follow the British practice in this or any other matter. But since in many ways we

do follow the British practice in Parliament, we can learn much from what has been done elsewhere and I certainly think, subject to further consideration that when such an occasion arises for the appointment of a Commission, some preliminary step should be taken and some preliminary investigation should be made to be placed before the Tribunal to help them.

There is another aspect of such inquiries. The inquiry, like any judicial procedure, must necessarily be conducted with great decorum and dignity and without public interference in it. Now, it is right and natural for the public to be greatly interested and for my part, I think as a rule public inquiries are better than private inquiries. But if, as was stated in fact elsewhere too, the whole atmosphere of the court becomes surcharged by public excitement and public exclamation and interference, it is not the normal atmosphere which one wants to prevail in a judicial court or in a like inquiry. As a matter of fact, I know that the Chairman of this Commission, Mr. Justice Chagla, was much distressed at what was happening in his court and protested many times about it, because it is embarrassing to the Judge or to the Presiding Officer of the Tribunal. It is exceedingly embarrassing to the witnesses who appear there and every effort should be made to prevent this kind of public excitement from overflowing into a court room.

Then, there are questions relating to ministerial responsibility, and like questions. They are important. Of course, they are hardly within the purview of the Inquiry Commission; they are really for Parliament to determine and usually such questions are matters of convention. I do not propose to go into this matter here except to say that we accept the broad principle of ministerial responsibility. But to say that the Minister is always responsible for all the actions of the officers working

under him may take this much too far. May I say that this inquiry had obviously nothing to do with the broad principles of the policy of the Government. It is not for such inquiries to criticise, comment or object to the broad principles of policies which Parliament has laid down. But there has been so much reference in the Press and elsewhere about these broad policies and an attempt made to run down those broad policies because of this not only in regard to insurance, but even in regard generally to the public sector, that I feel it is necessary to state quite clearly and positively here that so far as Government's policies are concerned, in regard to the public sector, in regard to increasing the public sector, they hold completely; there is not a shadow of doubt in our minds that those policies are right and should be pursued and this particular matter has nothing to do with them.

Further, I have already stated that Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds. Further, Government intend to initiate proper proceedings on the basis of the findings of the Commission in respect of the officers responsible for putting through the transaction. Government also intend to examine carefully certain principles recommended by the Commission for adoption by the Government and the Corporation.

I am placed in a slightly difficult position, because I have got up to move a resolution which I have placed before the House that this report be taken into consideration. That, of course, is not a matter which can be voted upon, unless we stop consideration. With your permission, at a later stage I propose to put forward a substantive resolution for

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this House to consider and adopt. That resolution runs as follows:

That for the original motion, the following be substituted, namely:—

"This House, having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, approves of the statement made on behalf of Government that:

- (1) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;
- (2) Government propose to initiate appropriate proceedings, on the basis of the findings of the Commission, in respect of the Officers responsible for putting through the transaction; and
- (3) Government propose to examine carefully the principles recommended by the Commission for adoption by Government and the Corporation."

Shri Surendranath Dwivedy: Is he not moving the original motion?

Mr. Speaker: Motion moved:

"That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India be taken into consideration."

Besides the substitute motion moved by the hon. Prime Minister, just now, I have received notices of 18 substitute motions. They come from the other side and this comes from the right side. I do not find any difference. (Interruptions). All that can be complained of is that they do not have sufficient notice of this motion. It will be circulated now.

All those amendments or substitute motions given by the hon. Members here will be treated as substitute motions for that motion. Therefore, there would not be any difficulty at all except the question of notice and I waive notice.

Shrimati Renu Chakravarty (Basirhat): Am I to understand that the original motion is substituted by this and that is not moved, as it was originally moved by the Prime Minister?

Mr. Speaker: That was moved and this is substituted.

An Hon. Member: There is a conflict.

Shri Mohamed Imam (Chitaldrug): We want to table some amendments to this motion that has been made by the Prime Minister. It is brought to our notice just now.

Mr. Speaker: The rules are here. Rule No. 342 says:

"A motion that the policy or situation or statement or any other matter be taken into consideration shall not be put to the vote of the House, but the House shall proceed to discuss such matter immediately after the mover has concluded his speech and no further question shall be put at the conclusion of the debate at the appointed hour unless a member moves a substantive motion in appropriate terms to be approved by the Speaker and the vote of the House shall be taken on such motion."

I do not find that there is any limitation that the Mover shall not make a substitute motion. We have allowed a number of substitute motions from time to time on Bills. Government itself brings up substitute motions in the Select Committee; then later on here, they heed to representations made, and they themselves say: "This is the original clause; we want to amend it in accor-