

So, this is very clear. Hon. Members can go if they so like. But they have made some aspersions.

MR. SPEAKER: It is all right. They have gone already.

There is nothing on record. Without my permission there is nothing on record.

Mr. Wasnik.

12.27 hrs

**CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE**

Governments reported decision on Shri K.R. Pur's reported on sale of Gold by auction in 1978,

**SHRI BALKRISHNA RAMCHANDRA WASNIK (Buldhana):** I call the attention of the Minister of Finance to the following matter of urgent public importance and I request that he may make a statement thereon:

"The reported decision taken by the Government on the Report of Shri K. R. Puri on the sale by auction in 1978 of gold held on Government Account."

**THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN):** I do not know whether they have walked out on this item. (Interruptions)

**SHRI ERA MOHAN (coimbatore):** I have given a Call attention on the subject.....

MR. SPEAKER: That is under my consideration. Call attention motions are not discussed here.

(Interruptions)

MR. SPEAKER: No. We shall see.

**THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN):** Mr. Speaker, Sir, Pursuant to the then Finance Minister's Budget announcement on 28-2-78, the Reserve Bank sold on behalf of the Government a total quantity of 12.956 tonnes of gold in 14 auctions between May and October, 1978 for Rs. 86.5 crores.

Several allegations had been made on the Floors of both the houses, in respect of these auctions and there had been persistent demands for an enquiry into the sale of gold by the Government in 1978. Accordingly, the Government appointed on 17-5-1980, Shri K.R. Puri, former Governor, Reserve Bank of India, to examine the various policy and procedural aspects relating to the sale by auctions in 1978 of gold held on Government account and to advise the Govern-

ment as to the further course of action to be taken in the light of his findings. Shri Puri's Report was received on 3-2-81.

On a preliminary examination of the Report, it was seen that it covered a wide area and there were a few aspects on which clarifications had to be sought from the persons concerned. A Group of Cabinet Ministers consisting of the Finance Minister, Minister of External Affairs, Minister of Commerce and Minister of Law, Justice & Company Affairs, was constituted to go into the matter and indicate the course of action to be taken on the Report. The Cabinet Group has had a number of meetings and the Report is under active examination.

In para 1.5 of Shri K.R. Puri's Report, it has been stated that in view of the inherent limitations under which he had to work, the Government may like to pursue the matter indicated by him in para 14.7 of the Report through the concerned authorities.

In paras 14.5 to 14.7, it is stated that on enquiry it has been noticed that the sale of 5.6 tonnes of gold valued at Rs. 37.4 crores had been shown against 1101 bidders out of the above mentioned quantity of gold around, 4 tonnes of gold valued at Rs. 26.7 crores was financed by a group of 20 individuals/firms (in the report referred to as syndicate). The balance of 1.6 tonnes of gold valued at Rs. 10.7 crores was purchased by the bidders through finances procured by them. The syndicate made a direct purchase of 0.17 tonnes of gold valued at Rs. 1.14 crores by participating in the auctions. It has been observed that the financing by the syndicate was made possible by the active connivance and assistance of a group of financially strong and powerful bullion merchants of Bombay. It is accordingly stated that a prima facie strong suspicion is created that the 1101 bidders had been mere name lenders in relation to the purchase of around 4 tonnes of gold valued at Rs. 26.7 crores and the above mentioned quantity of gold can be said to have been concerned by the syndicate.

To enable the Government to make further investigations, Shri Puri forwarded a secret note on 20th April, 1981 containing various details. The information furnished in this note has been passed on to the investigative Agencies of the Department of Revenue for further action. Appropriate action would be taken under the respective laws on the basis of the results of these investigations.

The Report of Shri Puri is still under the examination of the Group of Cabinet Ministers and no final decision has yet been taken on it, whereas the secret note

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has been passed on to the investigative agencies for further action. In the interest of effective investigation, it is not expedient to disclose the details.

Mr. Deputy Speaker in the Chair

SHRI BALKRISHNA RAMCHANDRA WASNIK : Mr. Deputy-Speaker, Sir, the question of gold auctions by the Janata Government was raised in the House time and again and many members expressed their misgivings without any reservation.

Even the Finance Minister, Shri R. Venkataraman while answering the Half-an-Hour discussion raised by Shri Farooq Abdullah on 26th March, 1980 said :

"I am in a very awkward position because I was the person who sitting on the other side condemned the gold sale policy of the then Government. When in the Budget Speech the then Finance Minister said that they were proposing to sell gold, I said, this was a disastrous policy, and that the country would lose the precious wealth, I also said that the posterity would call him the 'prodigal son' of India. So, I am not second to any body in condemning that policy of gold auctions which was introduced in 1978."

The then Government had frittered away 13 tonnes of precious yellow metal in a period of four months. In the words of Shri Venkataraman, again, "the then Government had squandered the national wealth."

He then posed two questions to himself. The first question is whether this was done deliberately to benefit some persons. or whether it was used to benefit some persons. The second question is whether there has been lack of propriety in the manner in which the bids were taken.

When the matter came before the House earlier, the Prime Minister had told the House that this matter would be looked into.

Apart from many irregularities and the *mala fide* intention in conceiving and executing the Scheme of sale of gold through auction, what agitated the minds of the Members was that the gold sold included gold gifted by the people of this country to meet the external aggression. It would be seen in para 15 of the report of Shri Puri :

"Where was the need in 1978 to launch gold sale operations which satiated only the lust for money of a few individuals ? Could not this gold have been preserved so that the

nation could have used it when the need arose to protect its frontiers from external threat ? Should then a nation sell off the gold donated by the people to a handful of bullion dealers ? Not only the quantity of gold given and the number of persons who gave it is material but the fact that it came from all parts of the country and from all sections of the society is also material. This created an atmosphere of patriotism and unity in the country. The gold given by the people represented a sacrifice made by the people of India with a view to protecting the country from external aggression. The decision of Shri Morarji Desai and Shri H.M. Patel to sell gold including the gold given by the people of India without there being any threat of external aggression amounted to betrayal of the trust reposed by the people of India in the Government."

MR. DEPUTY-SPEAKER : You can put your question. You are giving the background. But you put your question.

SHRI BALKRISHNA RAMCHANDRA WASNIK : It is also know through the report that the Cabinet was not consulted in the matter of these gold sales. This is evident in para 7-1 on page 16 of the Report.

"But when in latter stages when the Cabinet came to know of this, the reaction of the member of Shri Desai's Cabinet was not known. They did not even raise their little finger which Shri Morarjibhai would have been very much pleased to see in the other sense. The whole Scheme was ill-conceived as is evident from the views of the economists. It is mentioned on page 45 of the Puri report.

I would like to mention this because it is pertinent and it is very necessary, that what the economists say would come to the notice of the whole country.

It is said :

"A majority of the economists have expressed apprehensions about the system of auction as a step to reduce smuggling or bringing about a reduction in price. The auction system has received severe criticism at the hands of Dr. Rangnekar who observes that the whole gold operation exercise initiated by the Government on May 3, 1978, is ill conceived and argues that not much thought has been bestowed by Government as to the pros and cons of such a measure before undertaking the same. He firmly

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holds the view that the gold price cannot be influenced by supplies through auctions."

Serious irregularities have been committed in various aspects of this gold auction, including the fixation of the minimum accepted price. I am glad that there are some officers who can make bold to say what is right and what is wrong at the appropriate time. One such officer, the Deputy Secretary (Gold Control), Bombay, in his report on 26th April, 1978, has said :

"The market is attempting to forecast the reserve price fixed by the RBI. Zaveri Bazaar sources indicate that the reserve price would be Rs. 620 per 10 gms. Certain leading dealers are attempting to form syndicates of 10 to 15 dealers, each of whom would give 'graded' bids centred around Rs. 620 per 10 gms."

Before the auctions were made, the bullion merchants in Bombay knew what would be the price, and they had formed syndicates. This was reported by the Deputy Secretary (Gold Control), Bombay, to the Government, but the Government did not take any notice because they had themselves leaked out the information as to what would be the price of gold then. The Government had deliberately leaked out the information, and as a result the benefit has gone to a few.

Not satisfied with his earlier report, Shri Puri has submitted a second Report, as the Finance Minister has said, and in that second Report, Shri Puri has urged for a fullfledged inquiry into the activities of certain unscrupulous elements that have cornered a lion's share of the gold auctions embarked upon during the Janata regime. It is a long Report, and I would not like to read from it. I would like to put a few questions and I hope the the hon. Minister would kindly reply to those.

In view of all this, I would like to ask the Finance Minister whether or not the sale of gold benefited a handful of people; there was leakage of information beforehand, so that they could make suitable financial arrangements.

I would also like to ask whether the decision to sell gold only in Bombay was taken so that only a few people would get the benefit.

Further, I would like to know whether it is not a fact that there was an indication of gold prices going up soon in the international market as well as in the internal market and even then, these auctions were organised. What was the price at which gold was sold then? Would the nation have gained if the Go-

vernment had waited for another one and a half years and what would have been the gain if the gold had been sold now, at the ruling price?

I would further like to ask whether Shri Puri in his report, as the Finance Minister has said just now, has said that, due to the limitations under which he had to work, as he was not empowered to call for or enforce production of any document or attendance of any witness, verification as to whether every successful bidder falling under the syndicate had the requisite means and the capacity to purchase gold in auctions still remains to be done.

In view of the shady transaction and in view of the fact that only a handful of people have been benefited at the cost of the nation and in view of the fact that those who have been benefited have had links with the powers who had stealthily and surreptitiously ordered the auction. I want to know whether the Government will probe into the matter further and bring all the aspects out in the open.

SHRI R. VENKATARAMAN :

The hon Member has given a long preface, almost reminding me of what I said from the other side of the House. We at that time were of the opinion that the sale of gold by auctions was not only uneconomic but a disastrous policy and in the circumstances then prevailing with the international prices going up, small quantities of gold being sold would not in any way have an effect on the price of gold in India nor would affect the gold smuggling at that time.

So far as the procedure is concerned, the gold sale was only mentioned in the Budget of 1978. This was not approved by the Cabinet as a special subject or item being taken by it and considered. On one or two earlier occasions when the then Finance Minister wanted to take it to the Cabinet, it had been refused by the then Prime Minister. Later it appears from the records that he persuaded the then Prime Minister to have the auction sale.

The second point the non. Member referred to is about the irregularities. The Puri Committee has gone in great detail and in depth about the irregularities of procedure. One or two things which they have pointed out is that there has been a cluster of bids around the minimum giving rise to a suspicion that the minimum price must have leaked out. This is a matter which is under examination and the Cabinet Committee is going into it. We are looking into all aspects. The Cabinet Committee is to exercise its

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objective judgment on these matters and therefore, we are looking into every one of these aspects—what were the circumstances in which the prices were fixed, what was the quantity to be sold, whether at the quantity offered the prices could be got and or at the prices offered the quantity can be sold. All these are important questions and we are going into it and when we come with a final report, we will deal with this matter.

The third point which is very important is about the secret report which Shri Puri submitted. Shri Puri was not a Commission of Inquiry under the Commission of Inquiry Act. He suffered from various handicaps. He could not call for evidence. He could not call for documents and so on. So he submitted a secret and confidential report in which he said from the *prima facie* evidence he has got that certain people have cornered the gold and they have appropriated the bulk of the sales.

Sir, the one way in which I could discover this is to trace back from the people who purchased the gold from the auctions and find out whether they had the money to purchase the gold, if they did not have the money, then I have to find out from whom they got the money and then if I go to the persons who gave the money, then I will be able to find out whether they were themselves the beneficiaries or whether they were also acting for some other beneficiaries.

SHRI JAGDISH TYTLER (Delhi Sadar) : In Andhra Pradesh a teacher's name has been mentioned. He had nothing to do with this. A fictitious name had been put in.

SHRI R. VENKATARAMAN : I was already on the track. I have therefore appointed a cell in the Income-tax Investigation Department in which they are going into various purchases and looking into the records. How can a teacher buy a quantity of gold who is not able to meet both ends meet. These are questions which will be investigated by the Investigation Department by the Intelligence Wing of the Income-tax Department. If we get any information, then, we will take appropriate action on the basis of that. At the moment, I have an open mind. I shall only conduct the investigation. I do not want to say anything now.

Mr. DEPUTY-SPEAKER : Shri Chintamani Jena. Please try to be brief. Kindly put questions only.

SHRI CHINTAMANI JENA (Balaswr) : Mr. Deputy-Speaker, Sir, you have already cautioned me to put questions only and not

to make any speeches. I know our hon. Finance Minister does not believe on lectures and speeches. He is a man who believes in tangible work. So, I shall put only questions and that too in a precise manner to get a categorical reply from him.

The terms of reference of Puri Committee's report on page 1 mention the following : I shall quote one or two sentences from that report.

"For the purpose of the enquiry, some field enquiries were made through officers lent to me. The data collected by me from the documents received by me from the Reserve Bank of India and other agencies were processed through computers. By and large, my findings are based on the documentary evidence collected by me and the data as processed by the computers."

The terms of reference of the Puri Committee were :

"(iii) to examine and advise the Government whether *prima facie* any impropriety had been committed at any stage in the sale of gold and if so, to recommend such further action as may be considered proper:

(iv) to examine and advise the Government whether *prima facie* the scheme had been abused by some interested persons and in particular whether there was a cornering of gold by any individual or groups of individuals directly or indirectly and if so, to recommend the course of action to be adopted."

He has submitted a report. It is now for the Government to take immediate action on this issue. He has mentioned in his report that it is based on the documentary evidence and not on oral or any other evidence. My humble submission to him is when the report of Mr. Puri is based on the documentary evidence, the Government should come forward to take immediate action on his report. Our hon. Minister has told my esteemed friend certain things in the course of the debate and I shall not go into details of that. From the statement made by the hon. Minister it is seen that the Government have not decided anything on this issue. In this connection I would like to draw the attention of the hon. Minister to the Hindustan Times edition of 14th September where it has been said :

"No case against Desai, Patel Cabinet panel for dropping gold auctions issue. The Cabinet committee set up to process the Puri Committee report on the controversial gold auctions during the Janata regime has reportedly shelved come to the conclusion that the matter

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be shelved for want of sufficient evidence to prove the involvement of former Prime Minister Morarji Desai and the former Finance Minister H M Patel."

Sir, I want to know whether it is a fact that the cabinet committee which had been set up to examine this Puri Committee Report has decided not to take any action on the issue and drop the matter.

Secondly, I would like to know whether the gold which was sold was the gold which was received on gold bonds or something else. There were also a huge quantity of gold which was donated and gifted by the people of this country at the time of the Chinese aggression in 1962. I know once our hon. Finance Minister in this House has told that the gold which was collected from donations or gifts for defence purpose of our country was not earmarked. So, whether the gold received as gifts or donations was auctioned or not cannot be indicated. I would like to know whether Government has any authority to sell the gold which was collected in the shape of donations and gifts for defence purposes of our country.

Thirdly, Sir, this gold auction matter was not at all brought to the notice of the Cabinet. On page 4 para 2.1 of the Report of the then Finance Secretary has categorically said that this matter was not brought to the notice of the Cabinet. Only once it was sent there but it was dropped. After that neither the holding of auctions nor stopping of auctions was brought to the notice of the Cabinet. Sir, is it a fact that decision to sell gold was confined to the then Prime Minister, Shri Morarji Desai and the then Finance Minister, Mr. Patel? I am citing from pages 7 & 8 and para 4.1 of the Report.

MR. DEPUTY-SPEAKER : Put the last question.

SHRI CHINTAMANI JENA : Is it a fact that the policy of selling gold on auctions was not based on sound economic considerations? He has reported about this in page 16, para 8.1 onwards. Similarly, is it a fact that gold was sold on auction when the international price of gold was rising day by day? If so, what would have happened if we had waited for one year without selling it on auction? What would be its present price at the present moment?

MR. DEPUTY-SPEAKER : How many questions you are asking?

SHRI CHINTAMANI JENA : Gold on auction was available only in Bombay. The Gold Sales Policy Committee has reported about selling of gold by auction only in Bombay.

MR. DEPUTY-SPEAKER : Please conclude. I do not know whether the

hon. Minister himself could follow all your questions.

SHRI CHINTAMANI JENA : It was a great loss. I want to know about this. This is stated in Puri Committee Report. Please see page 28, para 10.8 and 10.9.

MR. DEPUTY-SPEAKER : You are starting a general discussion on the entire Puri Committee Report. Please put a question. This should be your last question. There are three more hon. Members to participate in this Calling Attention. So, please cooperate.

SHRI CHINTAMANI JENA : It is Mr. Puri's finding that only 20 bidder of Bombay brought the entire gold on auction. Is it correct? If so, will the hon. Minister kindly announce the names of these persons and their connection with the Prime Minister Shri Morarji Desai and his son Shri Kanti Desai?

Then, before I conclude, I wish to ask this :

After this Puri Committee Report, may I know from the Minister, what would be the follow-up action to be taken in this regard? By what time the Government will take a decision on this issue?

SHRI R. VENKATARAMAN : Mr. Deputy Speaker, Sir, I will answer each one of these points. The first question that the Member put is with regard to a report in the Hindustan Times and he wanted to know whether the report is correct or not. Now, Sir, I say that the report is totally incorrect. The committee has not yet taken any decision. It is examining all the questions now. Therefore, the statement in the Hindustan Times that they have come to any conclusion etc. is practically incorrect.

Secondly he asked: What was the gold which was sold? Does it include gold other than smuggled gold; does it include gold which has been donated by the people etc. I have got the statement of the Finance Secretary at that time. He said this:

"The Reserve Bank of India is holding on Government account a stock of 82 tonnes of gold. Out of this stock, approximately 13 tonnes is remarked or special purposes particularly on account of gold bonds. We have therefore a gold stock 69 tonnes which is available for sale."

That means, it includes smuggled gold, other gold bonds, minted gold, that is, gold which has been produced in our Hatti gold mines, and gold donated by the people. It included all the gold,

ब्राचार्य भगवान बेव (अजमेर) : जो पाकिस्तान की लड़ाई के समय में गोल्ड दिया गया था, क्या वह भी इस में शामिल था ?

MR. DEPUTY-SPEAKER: Your name is not there. Let him reply to the questions. His attention will be diverted. He has to reply to all the questions.

SHRI R VENKATARAMAN: I am giving all the facts. To show that all kind of gold was used in this auction I have a note from the Master Mint dated 2nd June 1978. In it he said, to meet urgent requirement we would supply 0.8 tonnes by 8th June by adjustment of stock against merchant hatti delivery and 0.2 tonnes by 15th June 1978 positively. If the position is favourable by 10th June, we will confirm if 0.6 tonnes can be given by 15th June so that from First to 15th June, it would be 1.3 tonnes. Now this clearly shows that the gold which is produced in the hatti mines is also used for the sale.

Shri H. M. Patel in reply to a question on 21st July, 1978, gave the following answer:

"The sale would be effected from the accumulated stock of gold held by the Government obtained by way of gold confiscated from customs gold control seizure gold received under the first two gold bonds schemes and gold produced by indigenous mines and acquired by Government."

Therefore, all the gold other than gold which is repayable and gold which has been held by the RBI as backing for the currency all the other gold was intended to be sold. That is the position.

The third point which the hon. member raised is whether it was brought as a separate item in the budget. I had already explained it was only included in the budget; it was not brought as a separate item before the Cabinet and the Cabinet's approval was not taken separately; but it was brought as an item in the budget.

I give the facts. The people are intelligent enough to draw inferences and conclusions. The international price was rising at that time and every week it was going up. So, it is certainly an error of judgement to go in indulging in an auction at that time when the international price was going up and we were going to sell it at the price which had really cost our Government a lot of money. My friend asked what would be the value of the gold if it remains today. It would not be as much if it

remained 5-6 months back, it would have been the highest ever because international price of gold was very high at one time. It came down a little and then it is going up again.

The last point which he raised is what are the names of persons who were concerned. I had already told that it is a confidential report and we are giving these names to the investigating agency of the Revenue Department of the Income Tax and they will go into it; and if they find anything, then they will follow the the appropriate procedure both under the Income Tax Law and otherwise. One question the hon. member asked was why the Puri Committee was not given full powers. He himself had stated that it did not have powers. This Government did not believe in the policy of appointing commissions for everything. It could have been easier for this Government also to appoint a number of commission on what they did or did not do, but we did not want to do it. On the contrary, we wanted to get some *prima facie* case and then go into it; and then only if it warrants, take further action; if the facts warrant, even a CBI Inquiry will be held if the facts warrant even a commission will be appointed. But as it is, we—only wanted to ascertain in the facts and that is why we did not immediately go in for the appointment of one of these things.

MR. DEPUTY-SPEAKER : Shri H.K.L. Bhagat.

SHRI H.K.L. BHAGAT (East Delhi): Mr. Deputy-Speaker, Sir, the hon. Mr. Venkataraman. (*Interruptions*)

MR. DEPUTY-SPEAKER: Shall we continue this or complete this Calling Attention ?

SHRI H.K.L. BHAGAT: This is going to take some time. It will take a lot of time. We wanted a discussion. You kindly agreed to Call Attention. Lots of things are there.

MR. DEPUTY-SPEAKER: This is more or less a discussion.

SHRI H. K. L. BHAGAT: That is what I am saying. Because of lunch this should not be contained.

MR. DEPUTY-SPEAKER: You may continue after lunch.

THE MINISTER OF PARLIAMEN-  
TARY AFFAIRS AND WORKS  
AND HOUSING (SHRI BHISHMA  
NARIAN SINGH) : We can dispense  
with lunch.

MR. DEPUTY-SPEAKER: He says whether we can dispense with lunch. A request has been made. We dispense with lunch.

SHRI H. K. L. BHAGAT: The hon. Mr. Venkataraman, whether he sat as a Member of the Opposition on this side, or whether he is sitting as Finance Minister on that side on the Treasury Benches, he is a very capable and conscientious person. And it was he who had posed a question to the then Finance Minister and to the then Government: when he said that the policy was a disastrous policy and he had posed a question whether this was done deliberately, or not. This was a question which Mr. Venkataraman had posed to the then Finance Minister, and the wheels of history turned and Mr. Venkataraman became the Finance Minister and Mr. Puri was appointed to look into this matter for making a study. Now, very rightly—not like the Janata Party Government which appointed the Shah Commission, without any *prima facie* report, *prima facie* study, put Police Officers on their investigation—they asked Mr. Puri to study this matter. And Mr. Puri was neither an investigating officer, nor had the past to do it. Yet, I can say, I will ask clarifications from the Hon. Finance Minister, that Mr. Puri made a very good study of the subject and I can say that during my public career—and it is a fairly long career—I have not seen a better study or report by one person whose powers were very limited. Now he has come to certain findings of fact, based on certain observations, and he has drawn certain conclusions based on very cogent and clear findings which are supported by documents—official documents on record. That is what my impression of the Puri Committee report is.

Now, I would like to know, it is said it is a very well-known legal saying that men may lie but circumstances don't. And, therefore, I want to point out certain circumstances from Mr. Puri's report, to the hon. Finance Minister and ask him—I know he cannot give me final answers at this stage—yet I would point out the circumstances and very respectfully I wish to say that there is circumstantial evidence from which only a very irresistible conclusion flows, that is considered as very good and strong evidence as a rule of appreciation of evidence in criminal cases.

Now, my respectful submission is that according to me, as I have gone through this report, there is not one, there are dozens of very strong circumstances which clearly show that this question of gold auctions resorted by the Janata Go-

vernment was a deliberate act and with respect and humility, I want to say with unclean intentions right from the beginning. Now, there are strong circumstances to point towards them and I am going to draw the hon. Finance Minister's attention to it and my observations on them. Now, just now, the hon. Finance Minister has said that, the matter was not taken to the Cabinet, that it did not have the Cabinet approval directly and that it was probably in the Budget speech of the then Finance Minister, Mr. H. M. Patel, and so on. It is not that. It is much more and much worse. As the records show, I would say that this is one of the greatest scandals of the century. To my knowledge—I have been reading newspapers, journals, etc. since the time I have been in public life—I have not come across any report where Government acted like this and finished its gold reserves in that manner to the benefit of gold racketeers and gold mafia, consisting of certain selected families. To my mind, it was a conspiracy to defraud the nation, to commit fraud on the nation. I have no bias against anybody. I bear no ill will against anybody. I am not making this observation on any political strategic considerations. But as an ordinary citizen and whatever little knowledge I have of law and of Government procedures and rules, I wish to say very clearly that it was a case of conspiracy. A fraud had been perpetrated on the nation. And the kingpin of this conspiracy was the then Finance Minister, Mr. H.M. Patel. This is borne out by a number of circumstances, official documents, notes of the Finance Secretary, notes of the Finance Minister himself, observation about the Prime Minister. I deeply regret to say that the then hon. Minister, Shri Morarji Desai, was also involved in it. It appears that there were a number of visible and perhaps invisible participants in this conspiracy. May be some danced to the tunes; may be some were frightened, but a conspiracy was there.

The most important circumstance is that it is not that the matter was not taken to the Cabinet. The fact of the matter is that the conspiracy was started two days after the Janata Government took oath of Office on 26th March, 1977. On 28th March, 1977, the then Finance Minister, Mr. H. M. Patel, called the then Finance Secretary and asked him to give a note on anti-smuggling measures. This is all borne out by the Puri Committee Report and by unimpeachable, authenticated, admitted official documents. There is no question of denying it. What happens is this. There are discussions and Mr. Patel suggests that the import of gold and sale of gold should be one of the measures to curb a gold smuggling

[Shri H. K. L. Bhagat]

and we should import gold as we import watches. So, the policy of lesser import and self-sufficiency adopted by the previous Government, was given a go-by. Surprisingly, it was decided to import gold. Then a note for Cabinet was prepared in which this suggestion was given. That note went to the Cabinet. It was on 8th of April, 1977 that Shri H. M. Patel directed that import and sale of gold should also be included in the anti-smuggling measures. A note was prepared for the cabinet and it was submitted on 19th April, 1977 to the Cabinet Secretariat with Shri Patel's approval. The language in all the relevant documents shows that Shri Patel was extremely keen to take a quick decision and those who assisted him—I do not say all but some at least—it appears to me; were speedily responding to his calls. The Cabinet considered this matter on 10 May, 1977 and the proposals were rejected by them. The Finance Minister was informed about it. It was not a case of not sending the matter to the Cabinet. The matter was sent and then rejected. But Mr. Patel was not going to sit quiet. He wanted to go further.

Then what they did is this. Shri Patel and his associates were, however, determined to proceed with the matter. In their note dated 30th August 1977, which recommended import of gold and its sale in the domestic market, which was submitted to the Cabinet Secretariat for the consideration of the Cabinet was withdrawn the very next day. A note is sent to the Cabinet and is withdrawn the next day. Presumably at that time they thought they could not tackle the Cabinet. Still, Shri Patel persists. On the 6th October 1977 another note on import of gold was sent to the Cabinet Secretariat for the consideration of the Cabinet.

The most shocking thing which happened in this is this. A forwarding note is sent along with the note, and that note says, shockingly—the note is dated 6th of October; the Cabinet meeting is going to take place on the 11th October; only five days are left in between and the forwarding note says—the Finance Minister desires that the note may not be circulated much in advance. This shows the dishonest intentions of the Government and the conspiracy from the beginning. Even the members of the Cabinet are being cheated; it is a fraud on their own Cabinet. The Cabinet may reject it; so, he is not prepared to have the note circulated even 4 or 5 days before the scheduled meeting on 11th October, though the note is dated 6th. These are all documents on record.

Then, what is happening? I have gone through the notes, which are Annexures to the Puri Committee Report.

What I can say is that the basic facts required for approval of the Cabinet in principle, for getting permission for import of gold, are not put to the Cabinet. What is the total amount of gold in Government account available, how much of smuggling is there, how much are you going to sell, is it going to help the nation or the people, all these facts are withheld from the Cabinet even in this note. As I said, in this note he said "do not send it in advance". In the last note also he said "do not circulate it in advance". This also was never put up to the Cabinet. The fact of the matter is that this did not go to the Cabinet at all, except the reference. I will deal with it when I come to the budget speech. This matter never went to the Cabinet. I would like to know from the Finance Minister whether the facts that I am submitting are borne out by records or not—

Even after the gold auctions were suspended after a lot of public outcry and the efforts made by some conscientious hon. Members of Parliament sitting on this side—I have gone through the proceedings—like Shri Venkataraman and Shri Janardhan Poojary and some Members in the Rajya Sabha, public agitation, demand by the goldsmiths and so on, even after this was suspended, even after that, the matter was never referred to the Cabinet. This is a fact that is borne out by facts.

13.25 hrs.

[SHRI CHINTAMANI PANIGRAHI in the Chair]

There is evidence in the files to show that this matter was not referred to the Political Affairs Committee of the Cabinet. The Finance Minister says "the matter should go." Even the hon. Prime Minister Shri Morarji Desai, says "the matter should go". But, till the last minute, the matter is never sent to the Political Affairs Committee of the Cabinet. I want to know why, even after it was suspended, it was never sent to the Cabinet.

14 gold auctions have taken place and there was a lot of the hue and cry against it in the whole country. Before the 1980 elections and during the elections, I remember, a very popular slogan in the country was

देश में लुटेरे आ गये और देश का सोना खा गये

this was the slogan which resounded through the nook and corner of the country and shocked the entire nation. The Prime Minister and the Finance Minister go on writing on the file "the matter will go to the Cabinet" but it does not go either to the Cabinet or the Poli-



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tical Affairs Committee of the Cabinet. I have got all the details with me here, but I am not reading them because I want to save the time of the House. I want a clarification in regard to this from the hon. Finance Minister.

Since the matter is not sent to the Cabinet, it shows unclean intentions, had intentions to act in a secretive manner. If you go date-wise, if the discussion is today, the note is after 2 days and it is put up after 7 days. And then without the approval of the Cabinet preparations were made. The gold control officer—I am not saying anything if an individual who is a very senior officer—is associated with the deliberations right from the beginning. Before the matter was discussed by the Cabinet, preparations were already being made to sell gold and to make the import of gold which shows that the mind was set not by the Cabinet, not by the Parliament, not by the constitutional authorities, but by the Finance Minister, by the Prime Minister and by his son who is probably the extra-constitutional authority behind this. It seems obviously it is Mr. Kanti Desai and others.

Now, Sir, what I am saying is, when I say that this was not put up to the Cabinet, this is not my inference, that is as the hon. Finance Minister said very ingenious—I am using my expression, this is not his expression, this is my expression, a very ingenious device was adopted to push through this thing in another way. Now, the Budget was to come. On 28th of February 1978 it was brought briefly in the speech of the Finance Minister that they were going to sell this gold in auction in principle to offset the budgetary deficit. Nothing could be more ridiculous. Sir, as you are aware, and the Finance Minister will bear me out. I have not been a Cabinet Minister, but I have been a Minister all right, I know that the procedure is, when the Budget comes, the Cabinet meets for about 20 minutes or so and then marches on to this House. Nobody is allowed to go anywhere. So, the Janata Cabinet Ministers were treated in that disgraceful manner on such an important policy matter. It is not that it was never brought to the Cabinet, it was a matter which was brought to the Cabinet stealthily and was rejected by the Cabinet earlier—? I would use the word 'stealthily' not in the sense that nobody could read it, he did not want to provide enough time to read it and understand the implications. That is how the matter came to this House and this is not to plead—I am sorry that they are not here—for the then Minister in the Janata Government, whether it

was Chaudhuri Charan Singh or Atal Bihari Vajpayee or Babu Jagjivan Ram or George Fernandes or Biju Patnaik or Satish Agarwal who was a Minister of State, or the great Chandra Sekhar who used to expose Morarji Desai once and my friend Chandrajit Yadav—I am happy to see him here, he also kept quiet on this gold sale matter. (Interruptions). I am sorry I apologise to you. You were not here. I am sorry I committed a mistake on the question of fact. I am sorry, I apologise. I saw you only sitting there. So my mind went to you. In affection I said this. I withdraw that.

What I am submitting is that all these Cabinet Ministers who had rejected a proposal earlier have done nothing when the matter came in that form before the House and until the whole thing has been suspended, and even after that they have done nothing, absolutely nothing, not spoken a word against it no murmur, no protest, no resignation, nothing of that kind. The whole nation was talking of this as the biggest scandal on earth and all these great leaders of the Janata Party were sitting tight and pretty on their cosy chairs. Was it because of fear of Morarji Desai or was it because of under regard for him? Sir, I know a bit of criminal law it is not necessary that a man may become a participant in a criminal conspiracy from the beginning. He can by circumstances be also involved in it at a later stage by acquiescence and abetment, particularly those who are men in authority and if they have abetted the abuse of authority by acquiescence also they are liable.

But it is for the criminal agency to say it is not for me to decide here. They will do it at the proper time. I am glad and I welcome what the hon. Minister said that if the facts warrant it C.B.I. enquiry is also possible. He can say almost this much at this stage. I am going to tell that the facts to warrant that C.B.I. enquiry must be held into this matter. Leaving aside the question of criminal culpability, all these leaders stand completely morally condemned at the bar of the public opinion for having acquiesce at least in this conspiracy which was the greatest conspiracy during that time. This is what I said. These are the circumstances and here are a number of other circumstances. I wish to ask clarification from our great Finance Minister. I say that the newspaper men have written lots of series, last of articles. Even the secret report the Shri Puri was released by UNI. The whole affair has become public.

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[Shri H.K.L. Bhagat]

I am sorry all these friends have walked out. They should have been here to listen and face the music. What I am saying is this that the poor goldsmiths, most shocking aspect of the whole thing, were finished by Shri Morarji Desai because of the Central Gold Policy. Their name and trade was killed and the possibility of capturing jewellery in the world was exploited to corner gold to get this thing through. In the Cabinet note it is mentioned—we have very good goldsmiths in the country who still in the making of ornaments are unrivalled. We get tens and thousands of ornaments. Therefore, if we adopt this policy, the goldsmiths are going to gain. We are going to gain in export. Therefore, this policy was adopted. I want to know from the Finance Minister what was done to these goldsmiths in the gold scheme. The smallest quantity fixed for sale was 1 kilogram the cost came to Rs. 66700 and maximum was 5 kilogram. the cost come to Rs. 8,33,500/- Could goldsmiths have purchased gold like this and they were asked to combine in five. The goldsmiths went on making representations, giving all the arguments which were contained in the cabinet note. This matter was raised by the Members of Parliament and yet the then Janata Government completely ignored the goldsmiths. Not even a single goldsmith could get that gold.

I want to know from the Finance Minister whether it is a fact or not that while selling the gold, condition was also laid that those who purchase the gold could manufacture ornaments and sell them in the market? In other words the outlet to grab was provided. Well, you may say that we have manufactured ornaments and sold it. Hon. Finance Minister may tell me is it a fact that Shri Puri went into the question that the bidders were actually there? All the bidders were not there. Some of them were ghost bidders and some were dead. Before the event took place some had died. Transaction came in the name of some persons—gold racketeers, bullion dealers of Bombay and Maharashtra. I have nothing against the people of Bombay or Maharashtra. My grievance is against gold mafia dealers. They cornered 54% of the gold sold. It is the finding by Shri Puri. Purchases were fictitious in the name of 'A' and it went to 'B'. They created syndicate. I would like to ask about another incriminating circumstance. Mr. Puri went into the question whether these ornaments were manufactured. He searched a number of cash memoes and many of them were false.

He gave a secret report. Thank God, they did not issue cash receipts in your name or in my name.

MR. CHAIRMAN : Please come to clarifications.

SHRI H.K.L. BHAGAT : What I am submitting is this. What the bullion dealers did was that they said that they sold manufactured ornaments. On one day, the whole sale had been shown. There is no signature. They were not told to sell only to registered goldsmiths. They could sell to anybody, without any receipt, without any signature. So, they issued bogus receipts, not receipts. they made bogus entries and showed that the whole was manufactured in one day which perhaps even god could not have done. Impossible things were shown as having been performed.

MR. CHAIRMAN : Please try to conclude now.

SHRI H.K.L. BHAGAT : I will take only a few minutes more. Another most shocking aspect is that the intention was not honest from the very beginning. Bombay alone was selected for gold auctions. Originally the proposal was to have it at four places. Finally, Mr. H.M. Patel & Co.—I am using the word deliberately—said, "No, for this reason or that reason, you do it at Bombay." Why? Because the biggest bullion merchants are located at Bombay. They were in collusion with them. They wanted to favour them. So, they ignored other cities. It should have been done at a number of places.

A suggestion was to make sales to smaller people, like small goldsmiths at a pre-determined price. This was turned down because gold mafia would not have benefited. The reason given was that too many people would come up and that will create problems. So, they wanted to sell to a few people, to some people in Bombay. So, Bombay alone was chosen.

The present Government, under Mr. R. Venkataraman's leadership, has opened 1,189 centres for returning the gold. If our Government could do that, why did they not do it? It is a question of will. They did not want to do it. It is a question of *mala fide* intention. They wanted to exploit the people and Bombay alone was chosen for this.

MR. CHAIRMAN : Please conclude now.

SHRI H.K.L. BHAGAT : I am concluding.

The most shocking thing is that the intention was dishonest and criminal

from the very beginning. I want to know whether it is a fact or not that there was a proposal to import gold, that the sale of gold had to be replenished by imported gold. It was virtually given a go-by.

MR. CHAIRMAN : Now conclude.

SHRI H.K.L. BHAGAT : Yes. Now, what happens is this that gold auctions start without any import of gold. No import of gold was done by the Government and the gold that they had, quite a part of it was sold. The Government had under its reserve stocks of about 70-72 tonnes of gold. The documentary evidence on record shows that smuggling of gold was to the tune of 40-50 tonnes per year, that is, 4-5 tonnes per month. The gold sold in the auctions was about 2 tonnes per month. The mint was incapable of doing more than 2 tonnes per month. With limited stocks available at their disposal, with no imports being done, there was admittedly gold smuggling in 1977. This was done.

Under these circumstances, I want to know : Does that not indicate *mala fide* intentions apart from reckless thinking ?

Lastly, one or two points more and I finish. The Reserve Bank had no authority or agency to conduct gold auctions on behalf of the Government. Eight gold were being carried out. auctions took place/without any authority. Only oral order. There is one very suprising part of the whole thing and that is that the Janata Government, before the auctions, had set up a Gold Sales Committee and this was supposed to monitor the progress of these gold auctions and this very Committee was all for it.

*(Interruptions)*

Another Committee was appointed later in 1978 known as the Gold Review Committee which consisted of the same Officers, to monitor the progress of this and they consisted of same officials and during Shri Charan Sing's interim regime in 1979, they gave a go-by to the Scheme and they came to a different conclusion and said that this Gold Auction Scheme was not possible. The same people talking with two different voices and under different sets of bosses.

*(Interruptions)*

MR. CHAIRMAN : He is concluding now.

श्री रशोद मसूद (सहारनपुर) : सभापति महोदय, मैं नियम 340 के तहत प्वाइंट ऑफ ऑर्डर में कहना चाहता हूँ कि हाउस की

कार्यवाही को एडजान कर के इस मामले को लिया जाए। हमारे एक मम्बर को जेल में पीटा गया है..... (व्यवधान).....

MR. CHAIRMAN : He is concluding.

श्री रशोद मसूद : इस डिबेट को रोक कर, इस पर.....(व्यवधान)... आप नियम 340 को पढ़िए.....(व्यवधान)... ये खून से भरे हुए कपड़े हैं...(व्यवधान)... मैं ने स्पीकर साहब को लिखा है... (व्यवधान)... खून कब तक बहता रहेगा.....(व्यवधान)... कौन सा तरीका है.... (व्यवधान)...

एक माननीय सदस्य : आज ये कपड़े लाए हैं, कल कोई मुर्दा भी ला सकते हैं.... (व्यवधान)...

*(Interruptions)*

SHRI R. VENKATARAMAN : After this is over, you can ask me.

AN HON. MEMBER : They are spoiling the decorum and the dignity of the House. What is this ? Ask him to prove this. It is not proper.

*(Interruptions)*

SHRI H.K.L. BHAGAT : I would like to know from the Finance Minister whether it is a fact that what was sold at that time, at today's prices it would have fetched about Rs. 220 crores ? While the amount realised at that time was Rs. 86.5 crores, the total loss to the Exchequer has been about Rs. 140 crores. This is a great fraud and I hope the Finance Minister will refer the matter to the CBI for investigation to bring the culprits to book.

*(Interruptions)*

SHRI RAJESH PILOT (Bharatpur) : There should be some decorum in the House.

श्री रशोद मसूद : मेम्बर्स को मारना क्या यह डिकोरम हो रहा है ?

श्री रामावतार शास्त्री (पटना) : सभापति जी, इस पर आप ने क्या व्यवस्था दी ?

MR. CHAIRMAN : I have told them. Let us not waste time. Do not get diverted

## Shri K. R. Puri's Report on

## sale of gold by auction (CA)

Mr. Chairman  
fro the Calling Attention. Let the  
Finance Minister reply now.

SHRI RAJESH PILOT : Let him take  
them back.

(Interruptions)

MR. CHAIRMAN : This is not the way.  
I have said it.

श्री रशीव मसूद : आप सदन की कार्य-  
वाही को रोक कर पहले इसको लीजिये।

श्री जार्ज फर्नांडीज (मुजफ्फरपुर) :  
पार्लियामेंट के सदस्य का खून बहा है।

MR. CHAIRMAN : He can bring in  
a motion, and we shall examine.

SHRI GEORGE FERNANDES :  
Rule 340 reads :

"At any time after a motion has been  
made, a member may move that the  
debate on the motion be adjourned."

There is a motion before the House. The  
house is seized of the motion on which there  
is a debate going on. The hon. Member  
has a moved a motion under rule 340.  
Now, under rule 341 (1), it is for you to  
consider

MR. CHAIRMAN : Where is the  
motion ? Let there be a motion. The  
Finance Minister will reply now.

(Interruptions)

MR. CHAIRMAN : Let him give in  
writing in the form of a motion. We  
shall examine it.

The Finance Minister.

SHRI R. VENKATARAMAN : Mr.  
Chairman, Sir, I do not have the lung  
power to shout over other people. There-  
fore, I must plead defeat in this matter.  
Unless you give me a little time, I would  
not be able to put my points. Therefore,  
I would seek the indulgence of the House.

The points which the hon. Member  
made were fully set out in the report of  
Shri Puri. I endorse the compliments  
which he paid to Shri Puri for the very  
good work which he has done. He has  
marshalled a large number of facts and  
Government are thankful to him for putt-  
ing forward all the relevant evidence that  
he was able to gather within the limitations  
which I have already mentioned.

The first point the hon. Member made  
was that there was a proposal which went  
to the Cabinet and that was rejected.

I did not mention it because that was a  
different proposal. The proposal was that  
gold should be impotred and sold.  
This is sale of gold in stock with the Govern-  
ment. Since the sale was only related to  
stock in hand.....

AN HON. MEMBER : They are  
connected.

SHRI R. VENKATARAMAN : I am  
only saying why I did not mention it;  
it was because that related to a differett  
proposal the then Finance Minister wanted  
to import gold and sell it, and that was  
rejected. Later he came with a proposal  
that the stock of gold with the Government  
should be sold and that is the history which  
Mr. Bhagat has very carefully detailed.  
Every one of the facts which he set out are  
correct and they are borne out by Puri's  
Report.

As regards the conclusion, as I said,  
I am in a difficult position. The Commi-  
ttee is going over it and the Committee  
is seized of the matter. We will examine  
all the pros and cons and take the decision.  
But we will certainly take into account  
all the factors which Shri Bhagat has put  
forward in respect of the conclusion which  
he has drawn.

The next point which he referred to is  
what happens to the goldsmiths. The  
Policy Review Committee recommended  
that there should be a ban on the use of  
gold over 14 carat. This Government  
has rejected it and I have already ann-  
ounced in this House or elsewhere that  
this Government has not accepted the  
recommendation with regard to 14 carat  
gold policy and the present plicy of manu-  
facture of ornaments upto 22 carats of  
gold will continue and I want to give this  
assurance to the goldsmiths again in  
this House.

The next point which Mr. Bhagat  
made was that those who bought the gold  
in the auctions were allowed to manu-  
facture and this led to a lot of abuse.  
That is exactly the point which we  
are now investigating. We are looking into  
the matter and when we come to a con-  
clusion we will be able to put it forward.

The next point which he highlighted  
was that there was a number of *batami*  
deals and even dead persons were shown as  
bidders. As I mentioned, there is a con-  
fidential report by Mr. Puri and we are  
looking into this matter. This will be  
investigated by the Revenue Intelligence  
of the Income-tax Department. They  
will go into the question of the bidders,  
real, false, living or dead and then they will  
come to some conclusion. Thereafter  
we will take action on this matter. As  
I said, if the investigations warrant it we

will have to refer this matter to CBI inquiry or even to Commission. That will depend on the results of the investigations that are being made.

It is true that the bulk of the sales were in Maharashtra and this is what Mr. Puri has said. 24% has been cornered by certain sections. This is also again under investigation. We are marshaling all the facts for and against. We have not come to any conclusion. All the facts which are in favour and all the facts which are against are being taken into account. We shall go into the question of finding out whether there is a *Prime facie* case and then we will proceed further into the matter.

With regard to smuggling, I entirely agree with him that the general expectation was that about 40 to 50 tonnes of gold was coming into the country and selling 2 tonnes of gold in a month will not really solve the problem or even go to meet the fringe of it.

The next point which he made was the one which I have myself said while criticising this policy from the other side. I have pointed out that it could be an error of judgment or it could be motivated but we will go into this question and come to some conclusion.

Lastly he mentioned about the sale by the RBI without an agreement. This point has been made by Mr. Puri. I would not attach very great importance to this because many things are done by the Reserve Bank under instructions. In everything one of the things is that we are not asking them to enter into an agreement or are giving written instructions.

So long as the act is a *bona fide* acts and so long as it is carried out under instructions of the Government, the RBI would not be at fault; the persons who gives instructions would be at fault.

I thank Mr. Bhagat for the very detailed and minute study of the report which he has made and brought out to the House.

MR. CHAIRMAN : Mr. Faleiro.

श्री रशीद मसूद : मैं ने जो लिख कर दिया है, उस का क्या हुआ ?

[شری رشید مسعود : میں نے جو

لکھ کر دیا ہے - اس کا کیا ہوا -]

MR. CHAIRMAN : They are now examining it.

SHRI GEORGE FERNANDES : Sir, the rule is very clear. Rule 341(1) says :

"If the Speaker is of opinion that a motion for the adjournment of a debate is an abuse of the rules of the House, he may either forthwith put the question thereon or decline to propose the question."

So, Sir, your options are limited. A Member of Parliament has been a victim of atrocities by the Police. His bloodstained clothes have been produced. His life is in danger in the Mainpuri jail. That member addressed a letter to the Speaker, and also to me, which was intercepted...

SHRI JANARDHANA POOJARY (Margalore) : Sir, under what rules you are allowing him ?

(Interruptions)

Under what rule are you relying ? Practically there is no rule at all. (Interruptions).

MR. CHAIRMAN : Mr. Fernandes, Rule 340 refers to a debate on any motion. But, we are now on the Calling Attention.

SHRI GEORGE FERNANDES : This is a Calling Attention motion. This is an emergency rule. (Interruptions).

THE DEPUTY MINISTER IN THE MINISTRY OF COMMUNICATIONS (SHRI VIJAY N. PATIL) : Mr. Fernandes, please see Rule 341. (Interruptions).

MR. CHAIRMAN : Mr. Fernandes, it is being examined. (Interruptions). Shri Faleiro.

SHRI EDUARDO FALEIRO (Mormuguo) : Mr. Chairman, by now quite a good deal of ground has been covered and several facts have come to light. This gold auction is one of the biggest frauds committed on the Government and on the people of this country. We believe that the entire scheme of gold auction was meant to benefit—it did benefit actually—some financiers who had been whole timers of the Congress (O) and Lokdal. This is our belief. Of course, I would like to get clarifications on some facts because, after all, these are matters which are not decided by belief but which should be supported by facts. Therefore, may I request the hon. Minister to clarify a few facts ? He has already mentioned in the statement in response to a calling attention that there were 20 top financiers. Now, Sir, May I know from the Government whether it is not a fact that of the 20 top financiers except one all of them were from Bombay ?

[Shri Eduardo Faleiro]

Mr. J.P. Shah is from Ahmedabad. I am asking this because I have a vague recollection that at one time it was said that this top man was from Madras. Now, on going through the report, I find that there is one financier—M/s. Mathuradas Gopalkrishana & Co. is one of the top financiers but the main partner is in Bombay. Now, Sir, all these facts will definitely help us in making an assessment of what actually the gold auction scheme was meant for and what actually it had achieved.

It has been mentioned here that some of the so-called successful bidders in whose name these were registered were not the real people under whose names the auctions have been held. The fact of the matter is that all these persons who have been shown as successful bidders were not even alive at the time the auctions were carried on. I want to know whether Government is aware of this. There is a letter of December 5, 1980 addressed to the Deputy Director of Inspection, Customs and Central Excise, Government of India in which one Mr. Mohammad Ashraf is shown. His father was shown as one of the successful bidders. The father's name was Mr. Abdul Rashid of Pulbaribagh, Srinagar. He in reply to a query whether his father was a successful bidder has this to say :

'I may state that my father Mr. Abdul Rashid Bakshi died in August 1977 and, therefore, his making of purchase in the year 1978 does not arise.'

So, it is not only that successful bidders do not operate with their money but also bogus entries were made and this is the way all this gold was cornered by a few financiers. Sir, it had been mentioned the other day that six families managed to make the best killing and cornered a lion's share in the profits of these entire transactions. I have given notice of this to the Speaker and I have submitted evidence in this regard that leading bullion merchants from Bombay made purchases worth Rs. 50 crores and the people concerned are :

M/s. Chankrakumar Amichand

M/s. Jugraj Kantilal

M/s. Kirtilal Jaisinghla

M/s. Navnitlal Bros.

M/s. Chanaji Narsinghji

M/s. T.B. Zaveri

These six families cornered about Rs. 50 crores worth of the bullion and the

gold which was auctioned in the auctions. Some of these top financiers do not even have gold dealers licence. They have never been in the gold business at all.

14 hrs.

Sir, M/s. Kantilal Maganlal Javeri, M/s. Masingji Kapur Chand & Co. and M/s. P.P. Shroff were not even holding gold dealer's licence under Gold (Control) Act, 1968 and further M/s. Masingji Kapur Chand & Co. reportedly deals mainly in textiles. This is the manner in which gold meant for small goldsmiths was cornered by the people who have not been connected with the gold business and do not have gold licence and who are dealing in textiles. These people managed to corner the gold and managed a big profit out of it.

Sir, there is another aspect. I would like the Government to tell whether they have *prima facie* evidence or indication that a lot of money with which all these transactions were financed was black money. A large amount of money which was paid in the auctions was black-money. I would like to give one example of one of the top financiers, namely, Gianchand Parbrahm. In the cash book of Gianchand Parbrahm a sum of Rupees 22.84 lakhs has been shown as paid to Chandrakumar Amichand, a leading Bombay merchant on the 27th October, 1978. The cheque is drawn on the Central Bank of India. On going through his account it is found that there is only a balance of Rs. 7,000 in his account in the Central Bank while this cheque is made for Rs. 17.44 lakhs. What is more it is not a cheque which bounces. Actually Chandrakumar Amichand who is the payee shows that a sum of Rs. 17.44 lakhs has been received on the 27th October and subsequently this entry is struck off. So, I would like to know whether Government has any indication of all these as to how a few families benefited who had no connection with gold and also how black-money was used to purchase gold. In view of all these circumstances there is a reasonable presumption and inference that the men who actually benefited were some financiers of the political parties namely the Cong. (O) and BLD. So, Sir, I would like a specific reply from the Finance Minister on the points raised by me.

SHRI VIJAY N. PATIL : Sir, the other day when one hon. Member had exhibited a poster then it was not permitted. There was a ruling. So, I would like to know whether it has gone on record. (interruptions) These two points should be taken into considerations.

MR. CHAIRMAN : Nothing is being accepted here. I have already said it.

SHRI VIJAY N. PATIL : It seems to be containing blood and it may attract flies if it is allowed to remain for long time. (Interruptions)

MR. CHAIRMAN : I said, it is not accepted. I have already said it.

आचार्य भगवान्दत्त : कोई घटना घटती है जिस में किसी को चोट आती है तो उसकी जांच होती है और जांच रिपोर्ट आती है और तमी तय्यों का पता चलता है । क्या पता है ये किस के कपड़े हैं ? किसी ने कोई बात कह दी तो क्या आप मान लेंगे ?

MR. CHAIRMAN : Acharya ji, I said it is not accepted; you were not here. I have already said, it is not done in this way. It is not accepted,—that I have said.

(Interruptions)

MR. CHAIRMAN : I think Minister should reply now.

SHRI R. VENKATARAMAN : The hon. Member Shri Faleiro has raised a number of points and he has given lot of information. I shall have the transcript of his speech given to my department to pursue all these points raised by him. At the same time I may inform him that we have a confidential report from Shri Puri. And in that confidential report he has mentioned certain persons who could not have conducted any of these transactions either because they did not have the money or they were otherwise not qualified. Now, we are investigating it through the Revenue Intelligence and that is the best way to see whether black money is used. Any person who acted as binamidar can be found out easily if the Income-tax Department looks into the accounts of the person who has actually bid at the auctions. In fact, if he had bid at the auction, it will prove that he has been a binamedar for somebody and if the Intelligence Wing pursues the matter cleverly and intelligently, we can rope in all these people. That is how these investigations are done. Therefore I shall certainly take the information which Mr. Faleiro has given and I will have the transcript of his speech given to my Department so that they may conduct the investigations.

SHRI ZAINUL BASHER (Ghazipur) : I was a little wondering how the hon. Finance Minister is taking this case as a case of Financial irregularity and income-tax evasion only, whereas, the whole case appears to be the biggest racket of the century. And the Puri Committee Report casts serious doubts on the motives of the

then Finance Minister— a very important person in the Government and also to some extent on the then Prime Minister of the country. I will just take some points from the Puri Committee Report itself. The policy to sell gold was not based on sound economic consideration as was declared during the budget speech of Mr. Patel in 1978 but on some other motive. Mr. Patel declared at that time that the sale of gold was contemplated for checking smuggling and to fill the budgetary gap.

As stated in the report, if the Government were to counter smuggling, the quantity of gold to be sold should have matched the quantum of gold smuggled in to the country. This was not done as is evident from the report, pages 17 to 22.

The second objective indicated by Shri Patel for selling gold was to utilise the proceeds of the sale for reducing budgetary gap. At the time of presenting the budget of 1978, the gap was estimated at Rs. 1050 crores which later rose to Rs. 2300 crores. The sale of around 13 tonnes of gold brought in only Rs. 86.5 crores.

Then the intention of the Finance Minister regarding the sale of gold was not clear because the Finance Minister was aware of the total quantity of gold that could be sold and he knew that the gap cannot be filled.

According to the report, there are irregularities that were committed on the sale of gold. The Committee has found gross irregularities in the fixation of minimum accepted price. There have been deviations from the norms laid down by the Government itself.

At that time international gold prices were going higher and higher as had been stated by the hon. Finance Minister himself. Mr. H.M. Patel had approved that the reserve price (cut of price) should be 30 per cent above the international price. This indicates that reserve price should have been either above that or at best equal but not less than that.

The following chart proves that a large number of cases the accepted price was less than what should have been the reserve price. It shows how the irregularities were committed in the fixation of prices and how the loss to the exchequer was incurred. In Auction No. II and III dated 16-5-78 and 31-5-78 respectively, the reserve price per 10 gm. as per guidelines was Rs. 633 and Rs. 641 respectively and the minimum acceptable price was Rs. 630 and Rs. 631 respectively. In the same way, V & VII auctions were held.

MR. CHAIRMAN : The Minister knows the case very well.

## Shri K. R. Puri's Report on

## sale of gold by auction (CA)

SHRI ZAINUL BASHER : I am going to suggest something to the hon. Minister. On 28-6-78 and 26-6-78 the reserve price was 643 and 646 respectively and minimum accepted price was 641 and 645. In the same way on 17-8-78 the reserve price was 771.3 and the accepted price was 711 ; on 30-8-78 and 23-10-78 the reserve price was 735 and 849 respectively and the accepted price was 731 and 805 respectively. I am not going into the details of it.

SHRI ZAINUL BASHER : This is not mentioned. I am quoting it.

MR. CHAIRMAN : Why do you unnecessarily take so much time ?

SHRI ZAINUL BASHER : The Gold Sale Board in its meeting on 13-5-78 had expressed a view that gold should also be sold at centres other than Bombay. In this report we find that Mr. H.M. Patel was solely responsible for turning down the suggestion. So, their motive was very clear.

MR. CHAIRMAN : Frame your question. Dont elucidate.

SHRI ZAINUL BASHER : On page 91, annexure gives the percentage of quantity level within Rs. 5 and the minimum accepted price of the total quantity in the auction comes to 81.5 percent.

My third point is in this matter regarding motives on which mention has been made in the report itself. A lot of hue and cry was made in those days that some persons formed a syndicate and the reference has been made in my friend Shri H.K.L. Bhagat's speech and also by Mr. Faleiro. I will not go into the details. But they cornered a lot of money. In this regard, a warning was given by Mr. Ramachandran the then Gold Control Administrator and the Deputy Secretary, Gold Control, Bombay, in their letters which are on pages 61 and 62 in the report. When the warning was given that some persons were trying to corner the purchase of gold they have formed a syndicate but it appears that the then Government did not take any action in the matter.

A mention was made that the matter was not discussed by the Political Affairs' Committee. By going through the report a suspicion arises that the Prime Minister and the Finance Minister were hesitant to put the matter before the Cabinet Committee or the Political Affairs Committee. Is it true that Mr. Puri's suspicions were well founded between the understanding of the Prime Minister and the Finance Minister?

We find that rackets much smaller than the one which has come out, are investigated by the CBI regularly. But I do not know why the Finance Minister is taking the help of his financing agencies to enquire into the matter. Why does he not at the initial stage take the help of the Home Minister and give the entire matter to the CBI for inquiry? Daily we find that small rackets of one crore are being investigated by the CBI. And such a racket, biggest racket in the century, cannot be referred in the initial stages to the CBI for inquiry.

In this regard two questions also arise. Why gold was sold by the method of auction ? Several associations of goldsmiths all over the country had submitted representations favouring sale of gold across the counter. In this connection, they had also staged a rally in Bombay on 14-6-78 before Mr. H.M. Patel the then Finance Minister.

I do not know why our Government is so allergic to appointing commissions of inquiry. The Janata Government appointed so many commissions. I think the value of the commission has been down-graded by the Janata Government. That is why our Finance Minister is hesitant in appointing a commission of inquiry although this case deserves that.

MR. CHAIRMAN : Now, be brief.

SHRI ZAINUL BASHER : The second point is, why was the auction held in Bombay alone ? I find in the report that Mr. P.T. Fernandes, the then Finance Secretary submitted a note on 18-7-78 where in he had mentioned that gold should be sold at four centres, namely, Bombay, Delhi, Calcutta and Madras.

SHRI R. VENKATARAMAN: The hon. Member has put questions to me as if I was the person who did all this. Actually it relates to the earlier period. He asked: Why was the auction held in Bombay ? I cannot answer it. All that I am concerned about now is to see whether there has been any misdemeanour, misfeasance or malfeasance under the law on the part of those who conducted these auctions. There may be an error of judgment; there may be a misdemeanour. We have not yet come to any conclusion. We have some *prima facie* evidence on this matter. The Cabinet Committee is going into this matter.

MR. CHAIRMAN : Mr. Basher, those points were mentioned by others also.



The reason why we did not immediately appoint a Commission, or refer it to the CBI, is that we wanted to ascertain the facts before doing so. I explained even at the beginning and in the early stage of the debate that this Government did not want to emulate the previous Government in the matter of appointing Commissions of Inquiry. We do not want to do it without having at least *prima facie* case.

SHRI JYOTIRMOY BOSU (Diamond Harbour) : Except for Jamshedpur.

SHRI R. VANKATARAMAN : You are in the habit of saying things totally irrelevant to the subject under discussion. Therefore, I cannot answer that.

The point really is this that without a *prima facie* evidence or collecting a material, this Government did not want to do it. We are now going into it. We will examine the whole thing and, if it is warranted, neither the Commission nor the Inquiry is excluded. That is what I said. I did not put it positively; I put it negatively. If it is warranted, we will not shirk from doing it; we will certainly do it.

I thank the House for the co-operation it has given me.

#### MATTERS UNDER RULE 377

##### (i) SETTING UP OF A POWER PLANT AT MAJHEA IN WEST BENGAL

MR. CHAIRMAN : The House will now take up matters under Rule 377.

SHRI AJIT KUMAR SAHA. (Vishnupur) : Sir, at the meeting of the Power Ministers of the Eastern Region at Calcutta in February last, the Energy Minister stated that the DVC's Project at Majhia was not being taken up on the plea that the coal in Majhia is of high quality. In this regard I would like to draw the attention of the House to the report of the Geological Survey of India that the Majhia coal could be used for thermal power generation and that a sizeable reserve of coal from this area could be a potential source for the Santaldih Thermal Plant, located 64 km. to the west of any other plant that may be set up nearby.]

The Government of West Bengal has already drawn the attention of the Central Government to set up a pit head power plant at Majhia. But the DVC and the Central Electricity Authority indicated that they were unable to proceed with the project at Majhia because the low rate of coal mining by Coal India Limited in

the area would be inadequate to support a power station in this region. I feel that the rate of mining in the area ought to be stepped up since the site was suitable for a power plant. The West Bengal Chief Minister has already drawn the attention of the Energy Minister to augment the rate of mining at Majhia.

Some help could also be extended if transport of coal from the left bank of Damodar can be made possible by building the railway link from Bankura to Raniganj. This project is under consideration of the Railway Ministry for a long time.

Under these circumstances, I urge upon the Energy Ministry to take up the matter for building the railway link with the Railway Ministry and the Planning Commission and other Central Government agencies to accord approval to the project for setting up the power station at Majhia pit head. I demand that the Energy Ministry ask the DVC and the Central Electricity Authority to set up the power plant and issue necessary instruction so that the power plant comes up at Majhia within a short time.

##### (ii) NEED FOR IMPROVING TRAIN SERVICES IN ORISSA.

SHRI RASABEHARI BEHERA (Kalahandi) : I wish to make the following statement under Rule 377 relating to the serious shortcomings prevailing in the passenger trains running through Khurdha Road Division of Orissa. The passengers travelling in these trains are facing immense difficulties in the absence of the minimum facilities that are generally provided to the passenger trains running in other States.

The Government of Orissa is in constant touch with the South-Eastern Railway Headquarters, Calcutta, to remove the weak tracks which were laid during the British period. The people of Orissa, the Railway Unions and several other organisations have submitted a number of memoranda to the Railway authorities to improve the railway tracks either by immediate repairing or replacing them with the new lines. Unfortunately, the railway authorities do not seem to attach any importance to this matter as the conditions continue to linger on in its worst form.

It is a matter of great regret that the old engines engaged to pull the passenger trains had never been replaced with new