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Mem

Subject.

Enquiry into the affairs of
the Madras Ministry.

Previous References.

Later References.

SECRET.

No. 78 -DPM/50
1 Aurangzeb Road,
New Delhi, 9.2.50.

My dear friend,

Thank you for your letter of the
7th February 1950.

I have signed the note which may
now be sent to the A.I.C.C. office. I
understood from Kala Venkata Rao that Rajen
Babu's report has already been received
there. It is not, therefore, necessary
for us to send his report.

Yours sincerely,

M. Vallabhbhai Patel

The Hon'ble
Pandit Jawaharlal Nehru,
Prime Minister,
NEW DELHI.

V.

(X)

PRIME MINISTER,
INDIA.



SECRET

New Delhi,
February 7, 1950.

My dear Vallabhbhai

Thank you for your letter of the 7th February about Rajendra Babu's Madras report. As suggested by you, I am sending you a signed note of general endorsement of the report, emphasizing one point. If you like, you can sign this also.

I might mention that the copy of the report that I have is not signed by Rajendra Babu. Perhaps the copy in the A.I.C.C. Office bears his signature.

Yours
Jawahar

The Hon'ble
Sardar Vallabhbhai Patel,
1 Aurangzeb Road,
New Delhi.



SECRET.

No. 48 -DPM/50
1 Aurangzeb Road,
New Delhi, 7.2.50.

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My dear Jawaharlal,

Thank you for your letter of the 5th February 1950 regarding Madras Ministers.

I suggest that we make an endorsement below Rajen Babu's signature to the effect that, while we generally agree with Rajen Babu's report and endorse its conclusions, we feel that one point would require somewhat more emphasis. Some of the instances mentioned in the report relate to the grants of loans or permits to the relations of Ministers. While we cannot rule out relations of Ministers from applying for permits, etc. in the ordinary course, the Ministers concerned would have been better advised to refrain from dealing with these cases themselves, but should have referred the papers for the orders of the Premier or the Cabinet, as the case may be, at as early a stage as possible.

I feel that, with the addition of that remark, the matter can be finalised. This is also what I think is behind the remark of Rajen Babu that "The action of Ministers should be not only in strict accordance with rules and procedure laid down for dealing with particular matters which come up before them, but they should do nothing which might leave room for any reasonable person to entertain any reasonable suspicion". If you agree, please make the necessary endorsement and sign it. I shall

P.T.O.

(X)

put in my signature below yours. We can then
send the report to the A.I.C.C. office.

Yours sincerely,

The Hon'ble
Pandit Jawaharlal Nehru,
Prime Minister, New Delhi.

V.



5/2/50

My dear Vallabhbhai,

I have looked through
Rajendra Babu's report on the Andhra
Ministerial Inquiry - I agree with his
conclusions. Should I inform the ACC
Office Ahmed? Or are we supposed to
sign the Report together?

Yours,
Jawahar

(X)

TELEGRAM: CONGRESS

TELEPHONE: 40320

ALL INDIA CONGRESS COMMITTEE

6

7, JANTAR MANTAR ROAD, NEW DELHI.

President:

B. PATTABHI SITARAMAYYA

General Secretaries:

SHANKARRAO DEO.

KALA VENKATA RAO.

Ref. _____

Date. 19th Jan 1950

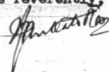
Confidential.

Revered Sardarji,

Under instructions from Hon. Dr. Rajendra Prasad, I am enclosing herewith a copy of the report on the Madras Ministerial enquiry which has been drafted.

With regards,

Yours reverently,



Hon. Sardar Vallabhbhai Patel,
New Delhi.

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We have been desired by the Working Committee to give our opinion regarding certain charges which were made by Mr. T. Prakasam and others against some of the Ministers of Madras. The present Premier of Madras, S.J.P.S. Kumaraswamy Raja was asked by the Working Committee to investigate the charges with reference to related files and papers in the office of the Government, to have all the facts clearly stated and to inform Shri Prakasam or his nominee so that he might consider the premier's note in regard to the facts on those charges and if Shri Prakasam raised any further points in regard to those facts, the Premier was to further look into the matter. The idea was to have facts in regard to each charge succinctly stated so that both the Premier and Shri Prakasam were in agreement about the facts and if there was any disagreement, it was to be noted. After the investigation the Premier was asked to present ^{the} factual report to the Working Committee after giving an opportunity to the Minister or Member of Legislature concerned to state what they had to state about the charges against them. The report of the Premier has been received arranged as under, under each head of charges:

- (1) The charge
- (2) The initial note prepared by the Premier in form of a factual statement.
- (3) The memoranda of Shri Prakasam.
- (4) The statement of the person concerned against whom the charge was levelled &
- (5) The supplementary note of the Premier to be read in continuation of the initial note.

The Premier and Mr. Prakasam collected facts and figures from official files and checked and verified them between themselves. The Premier gave all facilities to Mr. Prakasam to look into the files. The demand has been made by Mr. Prakasam to appoint a tribunal of the highest order, namely, Federal Court judges, to investigate the charges. We have, therefore, to see if a

a prima facie case is made out which would justify the appointment of a tribunal to investigate the charges. The charges fall under various heads and are against the Ministers concerned with particular departments:

- (1) Grant of loans and State aid to persons or parties in whom the Minister was interested.
 - (a) Sudarsan Oil Mills Ltd.
 - (b) Mohan Industries Limited.
 - (c) The Rayalseema Mills Ltd.
 - (d) Radhakrishna Oil Mills Ltd.
 - (e) State aid to Kurnool Cement factory.
- (2) Purchase of Italian buses.
- (3) Grant of permits of steel and iron, cement and bus routes, to enable the party to benefit out of the transaction:
 - (a) Shri Ramnath Goenka.
 - (b) Shri M. Chetti & others.
 - (c) Shri M. Venkataraju M.L.A.
 - (d) Shri G. Narasimha Rao, M.L.A.
 - (e) Mrs. Kurmayya and relations and nominees of Mr. Kurmayya.
 - (f) Relations and business associates of Hon'ble Sri Sitaram Reddi.
 - (g) Sri Alagesan.
 - (h) Sri Somappa.
- (4) Grant of manure for sale.

The Ministers concerned with these charges are the Ministers of Finance, Industry, Transport and Agriculture.

(5) Abuse of executive power by Local Administration Minister by stopping annual auction of the right to collect market fees in the Municipal market of Guntur and interference in Beswada Municipal market suit.

(6) Use of Legislation to favour particular individuals.

The Minister concerned is the Minister of Local Administration and Co-operation.

There is a counter-charge against Sri T. Prakasam relating to the contract for the Silent Valley Forest when Mr. Prakasam was the Prime Minister. I shall take up the charges one by one.

(1) a. The facts as stated by the Premier are that the Sudarsan Oil Mills Ltd. is a public company incorporated under the Indian Companies Act which was selected in 1945 by the Government of India as one of seven companies to manufacture vegetable oil. It originally proposed to set up a manufacturing plant of ten tons daily capacity but

a prima facie case is made out which would justify the appointment of a tribunal to investigate the charges. The charges fall under the following heads and are against the Minister concerned:

- (I) Use of Minister's position to grant loans to persons or parties in whom the Minister was interested.
- (II) Grant of State aid for purchase of Italian buses to benefit particular factories or individuals.
- (III) Grant of permits of steel and iron, cement and bus routes, to enable the party to benefit out of the transaction.
- (IV) Grant of manure for sale.

The Ministers concerned with these charges are the Ministers of Finance, Industry, Transport and Agriculture.

(2) Abuse of executive power by Local Administration Minister by stopping annual auction of the right to collect market fees in the Municipal market of Guntur and interference in Bezwada Municipal market suit.

(3) Use of Legislation to favour particular individual. The Minister concerned is the Minister of Local Administration and Co-operation.

There is a counter-charge against Shri T. Prakasam relating to the contract for the Silent Valley Forest when Mr. Prakasam was the Prime Minister. I shall take up the charges one by one.

(1) Grant of loans to

- (a) Sudarshan Oil Mills Ltd.
- (b) Mohan Industries Limited.
- (c) The Royal Soma Mills Ltd.
- (d) Radhakrishna Mills Ltd.

The Sudarshan Oil Mills Ltd. is a public company incorporated under the Indian Companies Act of 1945 which was selected by the Madras Government as one of the seven companies to manufacture vegetable oil. It originally proposed to set up a Vanaspathi plant of ten tons daily capacity but

subsequently an additional capacity of ten tons was allowed to it. It applied to the Director of Industries on 17-2-47 for a grant of loan of Rs 10,00,000/- under the Madras State Aid to Industries Act and in accordance with the procedure laid down for disposal of such applications the application for loan was published in three consecutive issues of daily local papers and in the Port St. George Gazette. Two objections were raised urging that Vanaspathi oil was injurious to health and it was not desirable to extend any aid to the company. The Director of Industries and Commerce held a detailed local enquiry regarding the solvency of the Director of the Company, their capacity to conduct business and the value of assets of their securities. and placed the application of the company before the Board of Industries constituted under the Act for its consideration. This Board consists of twelve members including three Government representatives, namely, the Director of Industries and Commerce, the Finance Secretary to the Government and the Registrar of Co-operative Societies, three representatives of the Chambers of Commerce, two M.L.A's and four others representing non-officials, all non-Congressmen. Ten members out of the twelve attended the meeting and made a unanimous recommendation on 2-3-48 that the loan sought for be granted. The recommendation was accepted by the Government and the loan was sanctioned subject to certain conditions which were detailed in their order dated 17-4-48. The loan bears an interest of 5% per annum and 7½ % in default of payment, in instalments. It was disbursed to the Company in five instalments. Similar loans have been granted to other companies, as for example, grant of a loan of ten lacs to the Madras Vanaspathi Limited and of five lacs to the Vageto Limited of Chittoor. The assets offered by the Subbaram Oil Mills as securities for the loan were valued at Rs 30,00,000/- and thus the provision of the Act that a loan should not be of an amount exceeding 50% of the value

of the security offered was satisfied. It may be noted that the complaint against the loan was made on 26-4-48 to the Congress President, that is, after the recommendation was made by the Board of Industries to the Government. The Government sanction was given on 17-6-48 and the amount was given subsequently in five instalments, the first instalment being of Rs 2,00,000/-. The complainants did not raise any objection before the Government against the sanction of the loan or against the disbursement at any stage. [The charge is that one of the Directors of the Company is the father-in-law of Shri B. Gopal Reddi, Finance Minister and three others who are his brothers-in-law and that ^{it} was abuse of ministerial position to have granted the company this large loan. In the summary of the note prepared by Mr. Prakasam it is stated that Mr. Gopal Reddi was Director of this concern holding shares till he became a minister. At the time when the loan was asked for nine Directors of the company were related to one another and were very near relations of the Finance Minister. The loan application shows that the issued capital was Rs 12,50,000/- and debentures Rs 2,50,000/-. The District Industries officer's report on the assets of the company dated 17.6.48 showed a total valuation of 10.98 lacs including buildings, plants, machinery and advances towards the purchase of machinery. The ^{Board} of Industries recommended the loan to be ^{secured} acquired by a mortgage of the assets and also on the personal securities of the Directors. The application was considered by two Ministers, Shri Sitaram Reddi, Minister of Industries and Shri Gopal Reddi, Minister of Finance. The draft order containing the clause demanding personal security was agreed to by the Minister of Industries but the Minister of Finance wanted deletion of the same which was subsequently agreed to by the Industries Minister, without reference to the Legal Department as suggested by the Department or to the Director of Industries or to the Board of Industries. The loan is said to be contrary to the provision of Section 5 of the

made by Mr. Prakasam

State Aid to the Industries Act and rule 10 thereunder as the amount exceeds 50% of the value of the assets. One of the terms of the loan was that the Government was to nominate a Director to the Concern and accordingly Mr. Datta Trayan, Deputy Director of Industries, was appointed. On 28-4-48 this officer had suggested that since the loan is to be utilised for the purchase of additional equipment which will form part of the assets offered as security, disbursement would be made on production of bills for the equipment as and when they are presented but in actual fact this presentation was not observed at the time of disbursement and Shri Datta Trayan himself directed that the ^{Bill} money asked for need not be sanctioned in view of his personal investigation and the explanation given by the applicants. The loan money was not ^{presented} utilised ^{for the purposes for} which it was intended. The letter of D.I.O. dated 6-4-48 shows that out of Rs. 10,00,000/- of the four instalments, only Rs. 4.52 lacs were spent for machinery and building while Rs. 9 lacs were spent for repayment of loans and advances borrowed by the company previously to finance purchase of machinery not contemplated by the order sanctioning the loan. After the loan had been advanced the ^{Secretary} ~~Secretary~~ asked for information from the Director of Industries regarding completion of the work and realisation of the loan but a vague reply has been given by Mr. Datta Trayan. The proceedings of the Board of Directors of 24-4-48 show that the construction of factory was still incomplete and the question of ways and means of securing further capital of Rs. 3,00,000/- to complete construction work & erect machinery to come into production was discussed and a sub-committee to contact suitable financiers to finance the company was appointed. It is also said that the loan for Vanaspoti manufacture does not come within the objects of the State Aid to the Industries Act which can be only for such industries as have an important bearing on the economic development of the country. Other loans given to similar factories were intended only to buttress this loan

which was to a company in which the Finance Minister had a personal pecuniary interest. He should not have been a party to sanction the loan or delete the personal security clause of the Directors which were his close relations and he ought to have brought this to the notice of the Cabinet or atleast of the Premier as required by Rule 3 of Part ^{II} Two of the Secretariat Instructions; namely, where the case related to a matter in which the Minister concerned has a personal interest, it should be submitted to the Premier who will direct that the case should be circulated to any one or more of the other Ministers. The application for the loan did not disclose any reason why business could not be financed without State Aid as the Directors were very rich people. Lastly it is stated that the Budget provision for such loans was only Rs 50,000/- and therefore this as well as other large loans should have been placed before the Cabinet if not before the Legislature.

Shri Sitaram Reddi and Shri Gopal Reddi have given their statements. It is pointed out that the loan was not contrary to the provision of section 5 of the Act as it did not exceed 50% of the value of the assets of the company at the time when the loan was sanctioned. Under section 9 of the Madras State Aid to Industries Act it is laid down that in calculating the net value of the property offered as security for the loan the additional assets which may be created by the expenditure of the sums granted may be taken into account to an extent as may be prescribed. If the assets are thus calculated the loan of 10 lacs does not exceed 50 % of the net value of the assets of the concern. As regards the action taken by the Head of the Department in making disbursement of the instalment the Secretariat including the Ministers have no knowledge of the details but as it is the concern of the head of the Department who has to take action in regard accordance with the terms laid down when the loan is granted. But it is pointed out that the first instalment was paid on 30-10-48 and when the second instalment was applied for, the whole position was

examined in the Director's office and further instalments were paid under the orders of the Director who is himself the Deputy Director ^{of Industries} and the Government Director and the Director ^{on} of the Company ^{and had} checked other items and found them in order. At the time of the payment of the final instalment the Deputy Director examined all the connected records and was satisfied that the Company had not only utilised the entire amount disbursed towards completing construction of the factory as stipulated in the order sanctioning the loan but also the value of its capital assets was held nearly double the value of the entire loan sanctioned after allowing for the debenture loan of 2.5 laes.

In regard to the complaint that 2.9 laes were spent for repayment of loans and advances borrowed by the company previously to finance purchase of machinery, it is said that the company had incurred capital expenditure of 7.72 laes upto 17th September, 1947 when the application was made for State Aid was made. It spent Rs 6.3 laes from 17-9-47 upto 21-10-48 when the first instalment of Govt. loan was paid. It had also paid an advance of 2.62 laes for machinery and building construction. The share capital available on 21-10-48 was 14.75 laes and an advance of 2.65 laes had also been raised for meeting bills. Hence the total capital available on that date was 17.40 laes against which 16.62 laes had been utilised towards capital expenditure. The advance had to be raised to meet capital expenditure in anticipation of the loan. Hence it was repaid when the loan

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loan was sanctioned.

The Hon'ble Minister for Industry is the authority concerned with the grant of such loans and the file went to the Hon'ble the Finance Minister because the amount involved was large. After the charge was levelled in April 1943, the Finance Minister submitted an explanation to the Premier in May, 1943 and the loan was not sanctioned till 17-6-43 so that the then Premier was acquainted with the facts of the case and was aware that the application for loan was pending and could have stopped the grant of the loan if he so desired.

The Finance Minister raised the general question whether in a Public Joint Stock Company the Directors who are ^{elected} valued periodically can be required to give personal securities. It was not as if this question was raised particularly for this case in which in view of the Directors' statement there was ample security and there was no need to insist on personal securities of the Directors. The point was, however, examined in consultation with the Legal Department which was of opinion that 'there is no objection to the Directors' giving personal securities if they choose to do so and this condition is imposed in suitable cases'. As regards the objection that the budget sanction was only for Rs 50,000/-, it was pointed out that ^{that} there was only a sort of a token grant for this kind of work and that loan of this sort was not a new service requiring prior approval of the Cabinet and the Legislature. A supplementary statement was voted for by the Legislature in due course after the Cabinet had passed it. Such loans have been granted in other cases without previous sanction in the budget and instances are mentioned in the statement given.

Shri Gopal Reddi has denied that he Chairman of the Board of Directors of the Company is his relation. On the other hand he says that he is a close relation of Shri Keti Reddi, one of the complainants and an ex-minister of Shri Prakashan's ministry. Of the Directors who are his relations,

one is in the sixth degree, another in the fifth degree and the third in the third degree. He points out that after all the Directors in a Public Limited Company are mere Trustees of the share-holders for the time being. The Company does not belong to them but to share-holders. In this case the majority of the share-holders come from North Arcot where he has no relation at all. Considering all the facts I do not think there has been any abuse of authority or undue advantage taken of his position as Finance Minister by Shri Gopal Reddi. The loan has been granted in the ordinary course after fulfilling all the conditions required for such a loan to a company which had assets of more than double the amount that was advanced as required. There is no case for enquiry.

(b) State Aid to Mohan Industries, Tenali.

Shri A. Venkata Ramiah, Managing Agent, Mohan Industries Ltd, Tenali applied for subscription by the Government of Madras of shares to the extent of Rs 1,00,000/-. This Company had acquired the assets and business of Mohan Tile Works, Tenali as a running concern and was carrying on the manufacture of bricks, tiles, pipes etc. The application was placed before the Board of Industries on the 3rd March, 1948 and the Board merely recommended the loan of Rs 1,00,000/- repayable in 10 instalments on the security of the assets of the Company. The assets offered as security were (a) the existing assets of Rs 1,64,410/- and (b) additional assets to be required with the aid of the loan and to be offered as further security being Rs 57,000/-. Thus the aggregate assets came to Rs 2,21,410/- which was more than double the amount of the loan which was sanctioned. It is said that Mr. Venkata Ramiah applied for a loan of Rs 2,00,000/- on 30-3-48. This loan was objected to by Shri Krishna Tile Works Ltd. Madras. It is stated that in October 1947 Mr. C.H. Ranga, Technical Assistant, Tile Manufacture, was asked to inspect the Works and report and he reported that the factory was not working and the machinery was old and the whole factory was

worth not more than Rs 40,000/-. Later the Ceramic expert, Mr. N. Sanga again inspected the Works. ~~xxxxxxx~~ His valuation is Rs 1,01,000/-. On 29-5-47 Mr. Venkata Ramaiah said that he was converting the concern into a limited company and his application was rejected. The present application which led to the loan was made on behalf of the limited company. This Ceramic expert valued the factory at Rs 1.97 lacs and the Deputy Director at Rs 1.54 lacs which together with the additional shares to be acquired with the aid of the loan brought the assets to over Rs 2.11 lacs on the security of which and on the personal bonds of the Directors the loan was sanctioned on 21-5-48. The mortgage bond was not executed until January 1949 and the money was disbursed on 27-1-49. The personal bonds of the Directors were not taken. Mr. Prakasam's suggestion is that the loan had not been utilised for the purpose for which it was given but to repay the earlier ~~xxx~~ debts of Mr. Venkata Ramaiah and even now the factory is not working at all. Shri Sitaram Reddi points out that the Government have no information that the loan was utilised to pay up earlier debts of Shri Venkata Ramaiah and that further enquiry will be instituted and suitable action taken if necessary. In this case also the procedure prescribed for dealing with such applications was followed and the Board, which as has been pointed out in connection with the previous case, ^{representatives of the Chamber of Commerce,} consists of representatives of Government, some M.L.A's and other non-officials, sanctioned the loan and it was disbursed after the mortgage bond was executed. But the personal security which was mentioned in the order was however not taken. But the Ministers are concerned upto the stage of the sanctioning of the loan and the later steps had to be taken by the office of the Director of Industries and Commerce and the Ministry cannot be held responsible for this ~~xxx~~ omission. If as a matter of fact the loan has not been utilised for the purpose intended, it is open to the Government to take further steps. It does not raise any question of malafide on the part of the ministers.

(c) State Aid to Royalseema Mill, Adani.

The Royalseema Mill, Adani, applied to the Government of Madras for a loan of Rs 10 lacs repayable in 20 instalments for the construction of a Textile Spinning Mill at Adani. The application was placed before the Board of Industries at its meeting held on 13th September, 1948 and the Board after considering valuation of the assets recommended a loan of Rs 7½ lacs repayable in 20 annual instalments on condition that the applicant collected the balance of subscribed capital and offered as security the assets of the company including those acquired with the loan amount. Rs 2,85,000/- were drawn on 20th January, 49.

The point made by Mr. Prakasam¹⁰ was that when this company was being formed there was an application dated 12-2-45 requesting the Government to subscribe 5000 shares of Rs 100/- each. The application was signed by Shri Sitaram Reddi who was then not a Minister and by Mr. Somappa, as promoters of the company. This application was objected to by some persons who were promoting other companies. It had appeared in the course of the negotiation that the promoters were not so anxious for financial help as the backing of the Government evidenced by even small shares to be taken by the Government. The Board recommended purchase of shares of Rs 1,00,000/-. This was, however, not accepted by the Government and the application was rejected on 12-4-46. When Shri Sitaram Reddi became a minister, a fresh application was made for a loan of Rs 10 lacs. The Chairman of the Board of Directors was his brother-in-law, Mr. Ranga Reddi and Shri Sitaram Reddi was placed in the managing agency which was taken by his brother, Shri Narayan Reddi. The paid up capital on 7-3-48 was Rs 5.54 lacs but the inspection showed that there was no machinery installed and the building was still under construction and was expected to be completed by the end of 1948. The valuation of the machinery and pipe line, etc. came only to Rs 71,000/-. The application asserted that there was phenomenal support for the mill in Royalseema and Mr. Prakasam's point is that if that was the case, no loan could be needed.

or should have been sanctioned. He also says that the Directors were rich and the company needed no financial assistance and being an old industry the loan was not in the contemplation of the State Aid to Industries Act. The Director of Industries noted on 24-3-48 ^{that} ~~about~~ the valuation of the security came only to Rs 11.52 lacs and that it would not be safe to give a loan ^{of} ~~more~~ than 5 or 6 lacs but the Board of Industries recommended a loan of Rs 7½ lacs on 13-3-48 and Shri Sitaram Reddi sanctioned the loan and directed the sum to be paid in one instalment. Under the terms of the order the money was to be given after the execution of the mortgage deed. In spite of this however Rs 2.85 lacs were paid even before the mortgage was executed.

It is pointed out in reply that the application which ultimately resulted in the loan went through the procedure laid down for dealing with such applications and ultimately the Board of Industries constituted under the Act and which comprises the representatives of the Legislature, Chamber of Commerce and others besides the Head of the Department of Industries and the Finance Secretary of the Government recommended it and the Government sanctioned it. It has been pointed out that a committee ^{which} ~~had~~ been appointed by Shri Prakasa when he was Revenue Minister in 1938 had recommended as a measure of economic uplift starting of 3 or 4 spinning mills in the Ceded district ^{and assisting the concern in} raising the necessary capital ^{under} to the State Aid to Industries Act, 1922. As part of the Post-war Development of Textile Industry ⁱⁿ these mills were allotted to this area and so far as this area is concerned ^{Textile Industry} it is a new industry particularly suited to the ^{it} area and its promotion as a measure of economic uplift had been accepted by the Government of Madras. Under the State Aid to Industries Act, industries to which aid may be given are (a) new or nascent industries (b) industries to be newly introduced in areas where such industries are undeveloped, ^(c) cottage industries, and old and established ^(d)

industries. Textile industry in the Ceded districts satisfied its tests. It is said by Shri Prakasham that a previous application for aid to this mill had been rejected. It appears that the rejection was based on the fact that the concern had managed to raise all the issued capital and there was no need to subscribe any share for which an application had been made. It was later on in 1945 when increasing cost of machinery and building made it necessary to raise more ~~XXXX~~ capital ^{that} and inspite of the phenomenal support which the company had received in 1946 it had to ask for Government loan in 1948, when money market had become more difficult. The sanction of Rs 7½ lacs was on the basis of Rs 15 lacs as paid up capital which was considered to be assets after investigation and which was to be offered as security.

The loan was sanctioned on 26-11-48 and the company tendered documents, title deeds, including insurance policies for the scrutiny of the Government solicitor who had to draft the mortgage deed. As there was a call from the Government Textile Commissioner about payment of instalment of the estimated ~~of the~~ value of the Japanese machinery allotted to this mill by the Government of India, the company requested for part payment of the loan even before the mortgage deed could be executed in view of the circumstances stated above. As the amount was meant to be paid to the Government of India and there was likely to be delay in executing the mortgage deed, the Director of Industries authorized an advance up to Rs 2.55 lacs pending the execution of the mortgage deed ^{after} if he was satisfied that the title of the company to the property offered as security was in order. The Legal and Finance Department which examined the application saw no objection if the title was in order. Therefore there was no irregularity in making the advance before the execution of the deed, particularly when the money had to be paid to the Government of India. It is also pointed out, that objections raised to the grant of it were by prospective promoters and not by any existing mills. In this

case also the conditions for the grant of loan appear to have been fulfilled and there does not seem to be any substantial ground for holding that any abuse of authority has been made by the Minister in charge.

(d) Loan to Shri Radhakrishna Vegetable Oil Products Company, Pambidi

The Government have sanctioned a loan to this company of Rs 1,25,000/- by their order dated 29th June, 1948 under the State Aid to Industries Act on the recommendation of the Board of Industries. The objections to this loan are two-fold, that it was not an industry which required State aid and that the Directors are all rich men who could finance the industry themselves. It is pointed out in this case also that the Board after considering all the relevant facts recommended the loan of Rs 1.25 lacs, the security offered was sufficient and the Govt. accepted the recommendation and sanctioned the loan. No payment had been actually made as the mortgage bond had not been executed. That the supporters of the company were rich people cannot be made a ground for refusing a loan. ^{The complaint that} Such loans should have been granted to other similar concerns and favouritism was shown to this concern has no substance as no application had been received from any other concern for loan.

(e) State Aid to Kurnool Cement Factory.

The original charge is that Shri Sitaran Reddi was a joint partner with Smt Shri B.P. Shesh Reddi of Kurnool. Shri Shesh Reddi applied for the construction of a Cement Factory at Kurnool to the previous Ministry but when this was not granted by Shri Prakasan's Ministry, an application was made to the Industry Minister, Central Government, Shri C.Rajagopalachari. Instructions were sent by the Central Government to the Madras Government to grant a license to Shri Shesh Reddi. Mr. Shesh Reddi applied for a grant of Rs 50 lacs from the Madras Government. To promote this industry a sum of Rs 51 lacs was sanctioned even before the company was fully formed. This was admitted by Shri Sitaran Reddi in the Assembly. This case is cited as an instance of undue

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Interest which the Minister evinced in sanctioning Rs 51 lacs even before the company was fully formed. The facts are stated at length in the first note of the Premier. It appears that in August 1945 the Government of India forwarded a list of applications received by them for starting Cement factories in the Madras Province and wanted particulars regarding the status and capacity of the applicants and whether adequate quantity of raw material was available ^{at} by the source noted by each applicant on economic rates. There were 5 applicants so far as Kurnool was concerned and one of them was Shri Shesh Reddi. The Collector of Kurnool who was consulted reported that of the 5 applicants Shri Shesh Reddi was ^{alone was} ~~only~~ the resident of the District and that he was a rich mine-owner with sufficient experience in ^{the} mining field and had other business connections. He also reported that adequate quantity of raw material was available in the District in the places mentioned by the applicants. The Government of Madras recommended the application of Shri Shesh Reddi for the establishment of a factory with 50,000 tons capacity in the Kurnool District, particularly with a view to getting cement for the Tungabhadra project and also because the area is industrially backward. The Government of India asked the Government of Madras to stay action on the application pending a conference of Provincial ministers. Mr. Prakasan who was then the Premier noted that a cement factory at Kurnool was urgently needed and requested the Government of India on 14-8-46 to sanction erection of the factory with 1 lac ton capacity without waiting for the proposed conference. and on 13-10-46 the Government of India agreed to establishment of a factory at Kurnool by Shri Shesh Reddi with a capacity of 50,000 tons. In the mean time, however, the question of nationalisation of industry had been raised in Madras and on 3-11-46 Shri Reddi was asked to defer further action regarding the establishment of the factory pending decision on the question of nationalisation of industry and

case also the conditions for the grant of loan appear to have been fulfilled and there does not seem to be any substantial ground for holding that any abuse of authority has been made by the Minister in charge.

(d) Loan to Shri Radhakrishna Vegetable Oil Products Company, Pambdi

The Government have sanctioned a loan to this company of Rs 1,25,000/- by their order dated 29th June, 1948 under the State Aid to Industries Act on the recommendation of the Board of Industries. The objections to this loan are two-fold, that it was not an industry which required State aid and that the Directors are all rich men who could finance the industry themselves. It is pointed out in this case also that the Board after considering all the relevant facts recommended ~~the~~^a loan of Rs 1.25 lacs, the security offered was sufficient and the Govt. accepted the recommendation and sanctioned the loan. No payment had been actually made as the mortgage bond had not been executed. That the supporters of the company were rich people cannot be made a ground for refusing a loan. ^{The complaint that} Such loans should have been granted to other similar concerns and favouritism was shown to this concern has no substance as no application had been received from any other concern for loan.

(e) State Aid to Kurnool Cement factory.

The original charge is that Shri Sitaram Reddi was a joint partner with Mrs Shri S.P. Shesh Reddi of Kurnool. Shri Shesh Reddi applied for the construction of a Cement factory at Kurnool to the previous Ministry but when this was not granted by Shri Prakasan's ministry, an application was made to the Industry Minister, Central Government, Shri C.Rajagopalachari. Instructions were sent by the Central Government to the Madras Government to grant a license to Shri Shesh Reddi. Mr. Shesh Reddi applied for a grant of Rs 50 lacs from the Madras Government. To promote this industry a sum of Rs 51 lacs was sanctioned even before the company was fully formed. This was admitted by Shri Sitaram Reddi in the Assembly. This case is cited as an instance of undue

interest which the Minister evinced in sanctioning Rs 51 lacs even before the company was fully formed. The facts are stated at length in the first note of the Premier. It appears that in August 1945 the Government of India forwarded a list of applications received by them for starting Cement factories in the Madras Province and wanted particulars regarding the status and capacity of the applicants and whether adequate quantity of raw material was available ^{at} by the source noted by each applicant on economic rates. There were 5 applicants so far as Kurnool was concerned and one of them was Shri Shesh Reddi. The Collector of Kurnool who was consulted reported that of the 5 applicants Shri Shesh Reddi ^{alone was} ~~was only~~ the resident of the District and that he was a rich mine-owner with sufficient experience ^{in the} mining field and had other business connections. He also reported that adequate quantity of raw material was available in the District in the places mentioned by the applicants. The Government of Madras recommended the application of Shri Shesh Reddi for the establishment of a factory with 50,000 tons capacity in the Kurnool District, particularly with a view to getting cement for the Tungabhadra project and also because the area is industrially backward. The Government of India asked the Government of Madras to stay action on the application pending a conference of Provincial ministers. Mr. Prakasam who was then the Premier noted that a cement factory at Kurnool was urgently needed and requested the Government of India on 14-8-46 to sanction erection of the factory with 1 lac ton capacity without waiting for the proposed conference. and on 18-10-46 the Government of India agreed to establishment of a factory at Kurnool by Shri Shesh Reddi with a capacity of 50,000 tons. In the mean time, however, the question of nationalisation of industry had been raised in Madras and on 2-11-46 Shri Reddi was asked to defer further action regarding the establishment of the factory pending decision on the question of nationalisation of industry and

the Government of India were also asked not to take action on the previous recommendation. The Government of India, however, did not consider it necessary to withhold consent for the issue of capital and import licenses and decided to issue ^{them} ~~them~~ without prejudice to the Provincial scheme of nationalisation unless a reply to the contrary was received before 10-3-47. On 6-3-47 the Madras Government recommended the issue of an import license and for the issue of capital to Shri Shesh Reddi. The Government of India issued a capital and import license on 6-4-47 to Shri Shesh Reddi and permission to issue capital of Rs 80 lacs was issued to him. Shri Shesh Reddi pointed out however that unless the State took a leading part in sponsoring this venture, it was doubtful if sufficient response would be forthcoming in the present state of money market. He requested the Government to subscribe atleast 51% of the capital subject to conditions to be agreed upon mutually. On 3-12-47 the Cabinet Sub-committee decided to locate 1 lac tons capacity cement plant at Kurnool and to take out 51% of the shares of the concern subject to certain conditions. Shri Shesh Reddi was informed of this but on 15-12-47 the Govt. of India were informed and they accepted the Government proposal and allotted a factory with 1 lac tons capacity to Shri Shesh Reddi on 12-3-48. Ultimately however after some correspondence he informed the Government on 8-7-48 that it would not be possible for him to proceed with the project. He has not registered any company and no question of Government subscribing for the shares has arisen. There is of course no question of any grant of Rs 61 lacs to the Company. What Shri Sitaram Reddi admitted in the Assembly was that no agreement had been reached between the Government and Shri Shesh Reddi and that the Government would have a controlling interest in the concern by supplying 51% of capital by taking shares. He also stated that other matter were under negotiation. Shri Prakasham in his subsequent note does not challenge any of the above facts but points out that on 9-4-48 it was noted by the Department

that no shares could be taken of this company nor any money spent on its affairs unless State Aid to Industries Act was amended. His complaint is that Shri Sitaram Reddi had introduced a bill to amend the Act for ^{the sole} purpose of financing this proposed company of which he was one of the sponsors and promoters. He has thus changed the charge which originally was of sanctioning Rs 51 lacs and is now only one of promoting legislation with a view to aiding a particular company.

It appears that on 9-5-49 the Secretariat of the Government replied to Shri Shesh Reddi that while the Government subscribe for share under the State Aid to Industries Act as amended, the company should complete preliminaries and Government could not entertain the application until the paid up capital exceeds Rs 30 lacs under the provision made in the amended Act. Shri Shesh Reddi on 8-7-49 replied that in view of the altered condition laid down it would not be possible for him to proceed with the project in the present trend of the money market. There the matter rested. It is pointed out in Shri Sitaram Reddi's reply that a perusal of the files in the Secretariat will show that the question of amending the State Aid to Industries Act has been under consideration since 1945 in view of the great delay involved in following the procedure laid down therein. When the question of starting an Industrial Finance Corporation was mooted, it was found that the Government could not take shares in the Corporation unless the Act was amended. This was made clear by him when he introduced the amending bill in the Legislature. The amendment also incidentally provided that

assistance could be given to an Industrial concern and corporation subject to the condition that the paid up share capital exceeds Rs 30 lacs and subject also to such terms and conditions as the Provincial Governments may put down and subject to orders laid down. Therefore the immediate object in amending the bill was to enable the Government to participate in the shares of the Industrial Finance Corporation and that it is not correct to

to say that the Act was amended for the sole purpose of financing the proposed Company. The recommendation to take 51% of the shares of the company was of the Development Sub-committee of the Cabinet. It was not a decision of the Government. Cement industry being new in this area and raw material being available, & the need for cement being great in connection with the Tungabhadra Project, the Government would have been perfectly justified in aiding this industry but ^{things} has turned out that the very condition which the Govt. laid down as condition precedent for aiding the industry was such that it could not be fulfilled by this proposed company. If the amendment had been intended to help this particular concern, obviously no such conditions would have been laid down. There is no case for enquiry in this.

(C) Purchase of Italian buses.

The charge under this head is fully stated in the charge given by Shri Prakasam. and it comes to this that Mr. Daniel Thomas, Minister for Transport, ^{purchasal of} ordered 25 buses at a cost of half a lakh each with a company by name, The Indo-British General Exchange, Bangalore. This order was given by the Minister after certain secret negotiations and before the time given by the notice calling for tenders expired. The cost of each bus namely 50,000/- was too much as Ford and Chevrolet buses could be had at a much less amount. The total price, namely Rs 12½ lacs was paid by the Finance Minister even though only 6 or 7 buses had been actually delivered and another order for 25 buses and a third for 25 ^{more} were placed with the said company but were later cancelled. The charge as stated is not borne out by the files connected with the case but there are certain facts which deserve consideration.

The facts stated by the Premier are, that the order for 25 buses with the Indo-British was placed by the Transport Commissioner, Mr. K.R. Menon under the directions of the Hon'ble

Minister for Transport, Mr. D. Thomas. The reason for selection of the buses is given by Mr. M. Raju in a letter as 'that they would result in a considerable saving in running and expenses. ^A ~~THE~~ conference ^{and} ~~which~~ was held ~~was~~ attended by Mr. D. Thomas, Transport Minister, on the 26th August, 1947 which was attended among others by the Provincial Motor Transport Commissioner, Secretary, Central Road Transport Board, Finance Secretary, Chief Secretary and the Home Secretary and it was decided by that conference that an order should be placed for 50 buses including 25 already ordered with the Indo-British. The order for 25 buses subsequently given was cancelled ~~and~~ ^{as} the Italian company was not able to supply vehicles in time. There was no order placed for 75 buses alleged in the charge. It is stated by the Premier that no tender was invited and so it is not correct to say that an order for 25 buses was placed before the expiry of time for tenders. The price of each bus at Rs 50,000/- appears to have been preferred because of the durability, and lesser cost of running and maintenance. As regards payment of the price, it is not correct that the amount was paid in advance on delivery of 6 or 7 buses only. But certain facilities were given and these were that the agents of the Indo-British should be paid in Italy by the Imperial Bank of India 90% of the sanctioned price of the buses on production of shipping documents relating to each consignment. The balance was to be paid after the receipt of the buses and their check at Madras. The insurance of the vehicles was to cover the risk of arrival and test of the vehicles in Madras. The credit facilities were given because the firm in Italy required payment against shipping documents in Italy itself. The Indo-British was not a bogus company as alleged as it had actually ^{supplied} ~~delivered~~ 25 buses to the Government although later on stipulated.

Mr. Prakasan's note points out that the Madras

Madras City Bus Transport Scheme was padded by the Cabinet only on 9-2-47 and provided for putting on the Madras Roads 300 buses, each costing not more than Rs 17,000/- in the case of petrol buses and Rs 34,000/- in the case of Diesel buses. The total cost was to be Rs 50 lacs. But even before the scheme was sanctioned negotiations appear to have been going on between the Indo-British General Exchange and the late Mr. D. Thomas, Minister for Transport, and Mr. D.D. Sathé, Secretary, Central Road Traffic Board. The Directors of the Indo-British General Exchange were said to be Rao Bahadur S.B. Govindaraju and Brothers and Mr. C.R. O'Neill. The Indo-British General Exchange first wrote to Government on 19-8-47 and continued correspondence with the Transport Commissioner. The Commissioner called for tenders for supply of these buses and the matter was advertised in some of the important dailies in Madras, Bombay, Delhi and Calcutta between 29th July and 3rd August, 1947. Tenders were to be submitted on or before 10th August. In response to the tenders a Bombay firm said that the time allowed for tenders was too short but the time was not extended. Messrs. Leyland, Bombay wrote that they would not send any additional tenders but had given their offers to Mr. Sathé personally. The tenders besides some others were:

Diesels.	1. <u>I.F. Buses.</u>	Indo-British \$,715 dollars or Rs 28,870 approximately F.O.B. Italian Port. Chassis alone Rs 13,420/-.
	2. <u>Commer.</u>	Rs 22,775/-.
Petrol.	3. <u>Ford.</u>	Rs 18,555/-.
	4. <u>Chevrolet.</u>	Rs 18,764/-.

Even before these tenders were received, the Transport Commissioner placed orders for these 35 ~~buses~~ ^{Italian Port} I.F. buses at the price of \$,715 dollars F.O.B. plus actual freight, insurance charges and customs duty. The order was given by the Transport Commissioner as directed by the Minister for Transport. The Transport Commissioner says that he had made it clear to the

Indo-British General Exchange that the order was subject to confirmation by Government. The order also made it obligatory on the Italian firm to assist Government in equipping a depot in Madras and supplying it with spare parts for proper servicing of the buses. The Home Department noted before confirming the provisional order of the Transport Commissioner that it would be better to import Chassis only and get the bodies built here in India and the P.M.T.C. was asked to keep this in view. The Finance Department stated as follows: " A new scheme of this magnitude should be approved by the Cabinet. Confirmation of this provisional order would amount to committing Government to an extent of nearly Rs 8 lacs or more. As already advised by this Department, it would seem that the normal procedure of obtaining the approval of the Cabinet and the Legislature should be followed before the Government commit themselves on this question. and the Department suggested postponement of the question. But if the Home Department wished to issue orders immediately they should take orders in circulation of the Hon^{ble} Minister for Transport, the Hon^{ble} Minister for Finance, the Hon^{ble} Prime minister and the H.E. the Governor as was done in certain other extremely urgent cases. The Finance Secretary, Mr. Dedwell further noted that it would be better to import chassis ^{and} to get bodies built here. That would not increase the total cost and might decrease it as there would be a saving of freight and customs duties in respect of the bodies. Later when the Indo-British General Exchange failed to supply the second batch of 25 buses, they wrote in their letter that if bodies were ~~built~~ ^{it} built in India, they would save Rs 8,000/- on each bus ^{or} Rs 2,00,000/- on 25 buses and they would supply Fiat chassis and Fiats were as good as I.F. In spite of these notings the Transport Minister, Mr. D. Thomas, the Minister for Public Works, Shri Bhaktavatsalam, the Minister for

for Finance, Shri Gopal Reddi sent on 6-7-47 orders confirming Transport Commissioner's provisional order for 25 buses as aforesaid.

After the sanction of the scheme by the Cabinet on 9-8-47 the Transport Commissioner requested the Government to sanction the purchase of 231 buses:

Diesel	75 (including the 25 for which provisional order had been already passed)
Ford	75
Chevrolet	75
Double Decker	6
	<u>231</u>

The Government order for nationalisation says that the purchase of the buses was to be made by the Central Road Traffic Board in the open market and subject to the conditions of maximum prices noted therein. But the conference, convened by Mr. D. Thomas referred to above, of himself, the P.M.T.C., the Secretaries ~~XXXXXXXXXX~~ for Finance and Home and the Chief Secretary, decided to accept the tenders and order for the 50 Diesel I.F. including 25 already ordered, 75 Fords and 75 Chevrolets. In The Indo-British General Exchange pressed for the purchase of 50 more buses from them but the Home Secretary considered Diesel buses to be still in experimental stage and so the office recommended 50 more Fords & Chevrolets. Another conference was sought to be convened at 4 P.M. on 4th October 1947 in the room of the Transport Minister. Mr. Dodwell the Finance Secretary protested that the notice had been given to him at 2-30 P.M. for the conference which was to be held at 4 P.M. and his Department and he himself had no time to examine the proposals. He noted that the position with regard to the order already placed for 50 Diesel buses was very unsatisfactory from several points of view largely due to the fact that the decision to place ^{the} order was taken in a great hurry and several important points had not got proper attention. At the Conference however it was decided to buy 25 Chevrolets and 12 Fords as Chevrolets were Rs 2,000/-

cheaper for each than the Fords. The Indo-British continued pressing for orders for 50 more I.F. buses and an order for 350 Diesel Chassis but the Home Secretary turned down the suggestion of Mr. D. Thomas to discuss this offer with the Transport Commissioner because the import licence for the previous 50 had yet to be got. The Transport Commissioner also stated that it was undesirable to place any further order when the utility of Diesel busses had not been approved and so the matter was dropped.

The cost of these buses ultimately paid came to nearly Rs 27,000 /- each as against the Cabinet sanction of Rs 24,000/-. There was no reason for accepting the tender of the Indo-British for I.F. buses for \$715 dollars F.O.B. Italy plus actual freight, insurance and customs duty when the well-known Commer busses could be had for Rs 22,775/- from the local dealers M/s. Simpson. It is also said that the original price quoted was \$715 dollars for a complete vehicle but later it seems to have been claimed that the price ^{was} for a vehicle excluding tyres, tubes and leather upholstery. The original tender of the Indo-British is somehow missing. The claim has however been settled and it appears that a higher price than the original quoted was actually paid by the Government to this company..

There was no occasion for the special credit facilities which were given to this company and for paying 90% of the price in dollars in Italy on shipment when local companies were to deliver buses at Madras and take payment in rupees after delivery. The Government Memo dated 6th January 1948 informed the Provincial Motor Transport Controller of the irregularities in this affair in regard to (1) that definite terms were not arrived at with the Indo-British, (2) that rules and instructions of the Madras Financial Code regarding purchase of stores from outside were not observed and (3) ^{that} prior permission

of the Government was not obtained for payment in dollars.

The deliveries of the buses were also long delayed. The original promise was to deliver the first batch of 25 buses before the 15th October 1947 and the second batch by 15th November. It is noticeable that the order for the first batch of 25 buses was given in a hurry because the Director of the firm told the Minister for Transport at a meeting held on 29th July, 1947 that without such an order immediately the Italian firm at Milan could not acquire the necessary raw material in Italy and manufacture the buses and deliver the first batch by October 15. They were not however able ^{after} obtaining the order to deliver the buses in time which had to be extended ultimately to 31st March 1948 and it was found that upto 10th March 1948 only 25 buses had been actually shipped and 23 buses taken delivery of. Towards the end of February the Secretary of the Central Road Traffic Board reported that the order for 25 buses which could not be shipped by 31st March out of the 50 ordered should be cancelled and even the 25 buses that would be got ought to be sold as it was not worthwhile maintaining a technical staff costing Rs 3,000/- per month for only 25 buses. The Premier Mr. Ramaswami Reddiar ^{on} minuted ~~at~~ this as follows, " who is responsible for the order of these buses ? In this Department nobody is taking interest to check this kind of excesses. People have been talking ill of us. I want a report about this". Ultimately the order for the 25 buses was cancelled as suggested. After the supply, it is said by Shri Prakasam, of the 25 buses the Indo-British have disappeared out of the scene. Mr. Govindarajulu Mudaliar informed in September, 1948 that he had nothing to do with the supply of spare parts etc. for I.P. buses sold to Government and that Messrs. Collett & O'Neill were the sole representatives of the Italian firm. At the time of the placing of the order it had been clearly stipulated that the Italian Firm should help the Government to

keep a service station with spare parts for the proper servicing of the buses but the Indo-British failed to carry out this part of their job.

It appears, considering the whole thing, that this matter of the purchase of buses was mismanaged. Mr. Prakasam says that the Ministers concerned were Mr. D. Thomas, Minister for Transport, Shri Gopal Reddi, Minister for Finance, Mr. Bhaktavatsalam, Minister for Public Works who was in charge of Transport for some time after the illness of Mr. Thomas from 23rd April 1948, and the Premier, Shri Ramaswami Reddiar. Shri Gopal Reddi's explanation is that the matter did not concern him and he simply initialed the file on 16-10-47 as Minister for Finance. He was guided by the Home Secretary's note regarding the minutes and decisions of the Conference which had been attended by the Minister for Transport, Transport Commissioner, Secretary of the Transport Board, Finance Secretary, Chief Secretary and the Home Secretary and which had decided that an order should be placed for these buses and it was also of the opinion that building bodies in Madras was neither possible nor desirable. Mr. Bhaktavatsalam says that he had not been concerned with this Department till after Mr. D. Thomas fell ill when he was put in temporary charge by the Premier. During the period he was in charge he had no occasion to deal with the matter. Mr. Thomas was in hospital and subsequently he died. There is no doubt much in connection with these transactions which would have required explanation and clearing up but as Mr. Thomas is dead, it is not possible to get any explanation from him and no useful purpose would be served by pursuing the matter any further.

(3) GRANT OF PERMIT FOR STEEL AND IRON TO SHRI RAMNATH GOENKA

(a) *Shri Ramnath Goenka*: The facts with regard to this case as stated by the Premier in his preliminary note are as follows: " Shri Goenka wanted steel for his new building for accommodating his press and he wrote to Shri Bhaktavatsalam, Minister for Public Works , to call for the remarks of the then Director of Industries and Commerce. The Director of Industries and Commerce recommended the case to the Iron and Steel Controller, Calcutta. The Government of India informed the Director of Industries and Commerce that the steel required by Shri Goenka should come out of the Provincial quota. The Director of Industries and Commerce passed orders sanctioning the quantity. To a question put in the Assembly Shri Sitaram Reddi answered that the grant of iron and steel to Shri Goenka was not made by him and that it was given to him on the 19th March ,1947 before he took office. Mr. Prakasam's charge is that Mr. Goenka through his newspapers had been working against his Ministry and a no-confidence motion was passed against Shri T. Prakasam on 28-2-47 but his Ministry continued functioning till the next election of the Leader on 21-3-47. The permit dated 19th March, 1947 which, Shri Sitaram Reddi said, was issued during Shri Prakasam's Ministry is challenged by Mr. Prakasam as not genuine and he wants the whole matter to be a subject matter for a thorough judicial enquiry. The facts are simple although many other matters have been brought in in Shri Prakasam's note. The allotment of steel and iron in favour of Shri Goenka was made by the Director of Industries and Commerce ^{who} was the concerned authority. At the time when the order was passed, that is, in March, 1947 there was no quantitative restriction with regard to supply of iron and steel and the matter was entirely in the discretion of the Director of Industries and Commerce . Later on the function of the issue of iron and steel permits was passed over from the Director of Industries and

Commerce to an officer called the Director of controlled commodities. After a great deal of correspondence with various officers of various Departments Mr. Goenka succeeded in getting a permit for 244 tons of iron and steel and of various specifications on the 19th March, 1947 to be supplied by M/s Madras Circle Stock Holders' Association, 80, Sembudoss Street and on the 21st March started correspondence with the party authorised to supply the steel and on the same date sent a cheque for Rs 72,000/- to them, being approximate cost of the steel. The bulk of the steel was supplied by the Stockists to Shri Goenka within the month of March and as has already been stated, payment for the same was made on the 21st March by a cheque on the Travancore Bank which was cashed on the 24th March. So there can be no question about the genuineness of the permit granted by the Director of Industries and Commerce on the 19th March. Shri Prakasam has drawn attention to a number of discrepancies in the registers and books dealing with the supply of steel and iron. But we are not concerned with this. The question is whether the permit issued on the 19th March 1947 is genuine or not. There is no doubt that the permit was handed over to the Stockists. They were paid for the steel they had to supply and they did actually supply the steel. The cheque was passed on to the Stockists on the day the new Ministry came into existence. So it cannot be said that there was anything done by the new Ministry. Whatever was done was done during the time of the previous Ministry.

(b)
Grant of Permit of Steel and Iron to M/s Chetty & Subbaramaiah.

(c) Shri Venkata Reddi M.L.A. in the Benami of other persons.

It is said that the first two of these obtained 130 tons of iron and steel in the name of 65 persons by influencing the then Director of Industries and Commerce and that Shri Venkata Reddi similarly obtained 50 tons of steel in the Benami of other persons. The names of persons

in whose names these permits were taken and when they were taken and where they were cashed etc. are not given. As a matter of fact there is no information given which would enable anyone to make any enquiry. ~~THE~~ But it is alleged that the Premier enquired into the matter and was satisfied. The present Premier says that there is nothing in record to show that any permits were taken by these people in the names of others or that the Premier made any enquiry at all. Shri Venkata Reddi ^{Raju} got permit for 18 Cwt. of steel for construction of a store and cotton shed in his house, The papers relating to which are available. It is impossible to take up these charges on mere assumption in the absence of any evidence or even information which could lead to enquiry. In any case no Minister can be blamed because the issue of permits was the function of the Director of Industries and Commerce who was authorized to issue them. and ~~the minister~~ ^{The minister} had nothing to do either with the issue of permits or any other transactions in connection therewith.

(D) Grant of permit for steel and iron to Shri Narsingh Rao and M. Sudarshanam, Managing partners of Hemlata Textile and Vanaspathi factories.

It is alleged that they obtained iron and steel under several heads and sold them in the market. Double quota of galvanised pipes were granted for Shri Narsingh Rao. It was objected to and when an attempt was made to get back the second set, the Hon'ble Sitaram Reddi interfered and stayed the proposed action. The Premier's note points out that Shri Narsingh Rao and Shri Sudarshanam are interested in several concerns and they were given iron and steel on various dates for

- (1) Bharat Vegetable Manufacturing Co. 4 tons 18 cwt. till 28.6.48.
- (2) East Coast Food Products, Guntur. 15 tons. 11 cwt. & 13 girders till 5.5.49.
- (3) Hemlata Textiles. 2 cwt. till 18-2-49

(4) For the construction of house
for Guntur Narsimha Rao.

4 tons- Feb. to
April, 1949.

(5) On behalf of Sri Guruviah
High School to Shri Sudarasanam. 3 tons 10 cwt.
till 23-5-1947.

No double quota of galvanized pipe, as alleged in the charge, was given to Shri Narsimha Rao. In February, ¹⁹⁴⁹ on the recommendation of the Development Department certifying the essentiality of the demand 1060 feet of 4" and 5" pipes were issued. The complaint in this case is that they obtained iron and steel as also pipes for their factories from the Provincial Government in addition to what they got from the Central Government and under the rule the Provincial quota was not to be utilised for the purposes of industrial maintenance and packing, steel processing, industrial and private industrial schemes and so what~~the~~ ^{they} obtained was in contravention of the rules. It is pointed out by the Industries Minister ^{that}, although that is the rule, it sometimes happens that the steel given by the Government of India does not arrive in time and construction of factories is held up. The Director of Industries with whom rests the authority to grant permits for iron and steel is authorised in such cases to come to the help of industries enabling them to tide over the difficulties and it is perhaps true that in many cases small quantities have been given out of the Provincial quota to the industries. In this case as against the quantity mentioned above Mr. Narsimha Rao obtained under the orders of the Government of India permits for no less than 147 tons and got 125 tons. He says that even this is not sufficient for his factory, construction of which has been held up for want of steel for a long time. Pipes were supplied to him as stated above on a certificate of their essentiality. The charge that there was a double quota of galvanized pipes does not appear to have any foundation and the complaint that Shri Sitaram Reddi interfered and stayed the proposed action for the recovery of the second set of

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of pipes was not even mentioned in the second statement of Shri Prakasam. It is difficult to understand what the complaint exactly is. The fact is that small quantities of steel were granted out of the Provincial quota for a factory by the Director of Industries who had authority to grant it and the Minister was at no stage concerned with the transaction. There is, therefore, no charge against any Minister which can be investigated. Even the action of the Industries Ministry appears to have been in accordance with the practice prevalent to meet urgent needs of factories to help industrialisation.

(e) Grant of permit for cement to Mrs. Kurmayya and Mr. Kurmayya's relations and others:

The charge is that cement permits for considerable quantity were given from time to time to Smt. Syamala Kurmayya wife of Shri V. Kurmayya, Minister for Rural Development, Government of Madras but Shrimati Kurmayya and certain other persons recommended by Mr. Kurmayya did not use the cement for the purpose for which they had taken it and they sold it in the black-market. Cement permits to the extent of something like 225 tons were given to Shrimati Syamala Kurmayya

between December, 1947 and December 1948 in several instalments. She took most of the cement for using the same for Cement Concrete work which she said she had for making bricks and various other products for sale and the profits derived from that were to be utilised for maintaining a Harijan Hostel at Vijayawada. Part of the cement was taken for repairing the Harijan hostel. It is admitted that these permits were given but it is denied that the cement was sold in the black-market and asserted on behalf of Shri Kurmayya that the cement was used for the purpose for which it had been granted to her. Shri Prakasam charged Shri Kurmayya with having recommended his own wife ^{and he charged} as well as Shri Bhaktavatsalam, minister in charge of Public Works with partiality. There is no evidence as regards the ^{misuse} use of the cement and Shri Prakasam's allegations that Shri Kurmayya admitted having sold the cement for utilising the profits as well as that Shri Bhaktavatsalam told some M.L.A's that he could do nothing when a colleague made a recommendation are ~~strongly~~ stoutly denied by both of them. Shri Bhaktavatsalam as well as the Premier point out that the granting of permits rests with the Honorary Cement Controller of the Government. ^{as} such it does not come into the picture except when any application is made to the Government. ^{When an application is made to Government} it is forwarded to the Cement Controller and if any complaint of any illegal dealing with it is brought to the notice of the Government, it is passed on to the police for investigation and action.

Shri Kurmayya says that he is prepared to have an enquiry made into the matter and as a matter of fact when the Congress President, Dr. Pattabhi Sitaramayya and the General Secretary, Shri Kalavenkata Rao visited the Harijan hostel in January, 1949, they saw the building and the compound walls which had been built. Mr. Kurmayya also asserts that the Anjalidevi Cement Works were started in the Hostel premises, prepared bricks etc. as mentioned in the original application for supply of cement and the profits to the extent of Rs 4500/- were utilised towards the Hostel expenses including construction of compound walls and ^{additional} rooms added to the original building of the hostel; that the Hostel had been receiving a Govt. grant of Rs 10,000/- and had been in existence for many years.

Another charge is that Mrs. Kurmayya applied for 40 tons of cement as Manager of a Paper known as 'Vyavasayakuli' which was a weekly paper for building a house for it at Vijayawada. This was recommended by Mr. Kurmayya and a permit was granted. Mr. Kurmayya says that he was asked by the Andhra Provincial Depressed Classes League to start a Weekly paper which he did under the above name on 15-8-47. He did not get any financial help from any richman as alleged except that the Zaminder of Challapalli gave his old machinery which he had used for running his paper 'Prajamitra' and which had been lying idle. Mr. Kurmayya says that he had contributed nearly Rs 10,000/- of his own towards the expenses of this paper. Cement was wanted for having a building for the paper at Vijayawada where the press could be housed and they took delivery of nearly 20 tons and the building was completed. This building was also seen by Rashtrapati Dr. Pattabhi Sitaramayya when she visited the hostel. The application had been made under the name of Mrs. Kurmayya as she was acting as Manager of the paper. It is alleged that Mr. Kurmayya himself made an application for cement for building his residential house at Vijayawada and he was granted 44 tons 5 cwt. It is

not said that this cement was not used for the purpose for which it was taken. All that is said is that the application was originally dated 23-12-48 which date was altered to 30-3-49 and finally to 20-4-49 but the contents show that it was written up by Mr. Kurmayya himself when he was a Minister and the date altered later. There does not seem to be any particular charge made with regard to this as even if the dates were changed, there seems to be no point in that. ^{para} It is alleged that Shri Kurmayya recommended applications of others for cement who also did not utilise the cement for the purpose for which the cement was given. Such Applications, ^{So recommended,} are mentioned:

(i) Application dated 8-4-48 by the Manager, Gandhi Harijan Cement Works, Bapala, which was recommended by Mr. Kurmayya. The application says that the applicants belong to Agricultural Labour families of Harijans, Christians and they proposed to start a Cement Works. This application was granted for ten tons. The application was signed by one Jaladi Joseph. Shri Kurmayya challenges an investigation whether they carried on any Cement Works or not and whether the cement was sold in the black-market.

(ii) Application by one B. Sanjiva Rao as President, Krishna District Coal Society and Manager Bapalada Harijan Cement Works Taylorpet, Vijayawada was similarly recommended by Shri Kurmayya and 10 tons were granted. But Shri Kurmayya says that this application was first recommended and forwarded by the Tahsildar and District Collector of Krishna and he also recommended but Mr. Prakasham conveniently mentions his ex recommendation and not of the officials.

(iii) A third application from one Chinna Kotiah was similarly recommended. It was for building his residential house and 18 tons were given. This application was also recommended by the Tahsildar and Sub-Collector of Vijaywada but Shri Prakasham has mentioned only Shri Kurmayya's recommendation.

(iv) A fourth application by Shri Gopal Krishnaiah

Choudhary was similarly recommended by the Divisional Engineer, Highways and R.D.O. Gudiwada but Shri Prakasan again has not mentioned official recommendation. Similarly (v) another application by Shri Dattratray Stores was recommended by Shri Kurmayya and given 10 tons. Shri Kurmayya says that the Stores had been cement dealers for a long time and supply of cement had been stopped unjustly without any reason. After satisfying himself about the justice of the case he forwarded his application for consideration.

(vi) A sixth application is by one Basuvaih, Manager Adi Andhra Aided Elementary School, Seepudi, on which 30 tons were granted which Shri Kurmayya is said to have recommended. In this case also there had been an recommendation by the District Additional officer, Krishna and the District Collector, Krishna and he had only forwarded the application.

(vii) Then there is an application by Shrimati Venkata Subamma of Vijayawada stating that she intended to open a hostel for Harijan Girls at Nuzvid with the profits of the works which she wanted to start. It is not said that Shri Kurmayya recommended this application.

(viii) There is another application by one Rudrakshudu who is said to be a maternal uncle of Shri Kurmayya who wanted to start a Cement Concrete Works at Flurn for the uplift of Harijans. This was recommended by Shri Kurmayya and granted 20 tons into instalments. Shri Kurmayya says that the applicant was a maternal uncle of his wife but he challenges a n enquiry and asserts that Shri Prakasan has made this allegation without any enquiry by himself and without any evidence,

(ix) Another application was made by one Madhusudan Rao calling himself Proprietor of Nehru Cement Concrete Works, Gudiwada asking for 20 tons of cement every month. This application is said to have been recommended by Shri Kurmayya and also by Shri Bhaktavatsalam, Minister of Public Works. It is pointed out, however,

That all

and that the Public Works Minister did was to endorse the application in the following words " This may be considered after necessary verification". Shri Bhaktavatsalam says this was how he used to deal with any application which came to him. There does not appear to be anything wrong in his passing on the application to the Controller.

Permits to Relinquish and Business Privileges of Hon. Sitaram Reddy

(d) There are two other applications mentioned by Shri Prakasam, one by Shri Basavanna Gowd, father-in-law of Shri Sitaram Reddi, Minister, for construction of a house and another by Shri Venkataraju, M.L.A. for construction of a building at a place in Happa Taluk. There does not seem anything wrong in granting permits for cement for building houses and the mere fact that a person's son-in-law is a Minister cannot disqualify him for obtaining if he needs cement for his house. Mr. Prakasam himself says " In many of the above cases apart from the fact that the Ministers should not have made the recommendations the applications would show that the Cement Works proposed to be started were prima facie not true. Anyway whether such works were really functioning and the buildings actually constructed are matters for further investigation. The charge relating to the cement was submitted to the Congress President on 26-4-48. There was no reason whatever to have allowed the above to continue even after that ". It appears from Shri Prakasam's own statement that he treats these applications as fraudulent for getting cement for starting Cement Works proposed by them. He has only asked for an investigation whether these Works did exist and those buildings were actually constructed. It is for him to give atleast prima facie evidence to show that the statement in the application was false and that there was actual black-marketing of the cement. There is no evidence of this in the papers submitted and there can be no investigation on a charge of corruption against a Minister when there is no definite allegation even as to

how, when and where the cement was sold in the black-market and not used for the purpose for which it was given. It has already been stated that the Government as such have nothing to do with the distribution of permits for cement which was done originally by Controllers who acted on behalf of the Government of India and who were later adopted as Controllers by the Madras Government.

(c) Grant of permit of Bus route to Tripursundari Bus Company, Chingleput:

It is said that Shri Muthurang Mudaliar was a member of the Provincial Traffic Board and an uncle of Shri Bhaktavatsalam, Minister of Public Works, ^{that} Shri Alageshan is a brother-in-law of Shri Bhaktavatsalam and the Managing Director of the Tripursundari Bus Company and a member of the Constituent Assembly, ^{that} Shri Alageshan made an application for certain bus routes which had been previously given to another company, ^{that} there was no case for cancelling the route which had already been allotted to another company, ^{that} ~~while~~ on account of the relationship with the Minister and the Member of the Traffic Board Shri Alageshan's application was favoured. There are ~~two~~ certain misstatements in the above. Shri Muthurang Mudaliar was not a member of the Provincial Traffic Board but only a member of the District Road Traffic Board and Shri Alageshan is not the Managing Director but was interested in the company. It is said in defence by Shri Bhaktavatsalam and also stated by the Premier that when Shri Prakasa was the Prime Minister and Shri Raghava Menon, Minister in charge of Transport, it was decided and a G.O. issued on 10th December, 1946 that the system of monopoly ⁱⁿ ~~the~~ bus traffic should be abolished and new operators were to be encouraged by the grant of three buses in ~~in~~ each case. It was under this change of policy that the Tripursundari Bus Company sought and obtained certain permits. There was no cancellation of existing permits of other services. Shri Bhaktavatsalam

denies that he had any concern either with this application or with the grant of the permits and that he could know this only when he heard about this complaint. There was a previous company which is said by Shri Bhaktavatsalam to have been unpopular and the question of the grant of permits was dealt with by the Traffic Board. The Premier points out that in the absence of any definite material leading to the contrary conclusion the fact that one of the persons interested in the new Bus Service happens to be a relative of one of the Ministers does not warrant a conclusion that the grant of permit by the Traffic Board was the outcome of Ministerial influence. There is no material except the relationship which is admitted in this case on which any adverse conclusion could be drawn against the Minister concerned.

(F) Grant of permit of Bus route to Shri M. Somappa.

In July, 1946 the Regional Transport Authority granted a permit to U.B. & Co. of Uravakonda in the Anantpur district for plying motor bus from Adoni to Uravakonda. There was an appeal by Shri Gangappa against that order. The Central Road Traffic Board however confirmed the order of the Regional Transport Authority on 2-9-46. In September the matter was taken to the Government by Shri Gangappa and on 9-1-47 the Government set aside the order of the Central Road Traffic Board under the powers conferred on them by Rule 150 of the Motor Vehicles Rules. Some months later in November, 1947 the High Court in a case altogether different ^{case} on the application of another party held that Rule 150 of the Motor Vehicles Rules was ultra vires. Thereafter the Government undertook legislation to amend the Motor Vehicles Act with a view to validating their order in several cases which had been passed under Rule 150. The charge is that in this ^{case there} was interference with the judicial function of the Statutory Board in favour of Shri Somappa Gangappa who is a partner of the Hon'ble Sitaram Reddi. It appears, however, that the Government which had set aside the order of the Central Road Traffic Board was Shri Prakasa's

Government and the Minister then in charge was Shri Raghava Menon. Therefore, if there is any complaint, it should be against that Ministry and not against the Ministry which succeeded Shri Prakasam's. It is also said that the legislation was not undertaken on account of the particular case of Somappa Gangappa but because there had been a number of other cases. Syt. Shankar Rao Deo seems to have missed the point that the Minister who may be said to have been responsible for setting aside the order of the Board was Shri Raghava Menon and the Ministry then in power was Shriyut Prakasam's ministry.

(4) Grant of groundnut cake manure worth Rs 40,000/- to Shri S. Appayya taking it away from the Agricultural Department and punishing an officer for carrying out the Premier's order cancelling the grant.

The complaint is that by an order of the Agriculture Minister Shri Madhava Menon Rs40,000/- worth of groundnut cake manure was taken away from the District Agricultural Officer, Vijayawada and given to Shri Appayya. This order was given on recommendation of Shri Kurmayya. Shri Appayya is a hotel-keeper and not a bonafide ryot. The Government had issued coupons to ryots on the production of which groundnut cake manure was to be given to them by way of bonus for supplying grain to Government. Instead of distributing the cake through the District Agricultural office in an equitable manner the business was entrusted to Shri Appayya who took it to make huge profits. Shri Appayya began to offer groundnut cake in exchange for coupons ^{at} Rs 15 or Rs 16/- per bag which was Rs 5 or 6 higher per bag than the control rate. The ryots being unable to get manure from Agricultural authorities, the matter was brought to the notice of the Premier, Shri Ramaswamy Reddiar who stayed the ^{procedure of} supply of cakes to the ryots through Shri Appayya and also got the order in his favour to be cancelled. The District Agricultural Officer thereafter distributed the manure to ryots in exchange of coupons. Shri Appayya got a petition filed by some ryots of his party through the help of Shri Kurmayya and got an order from the Agriculture Minister Shri K. Madhava Menon to the effect that the manure should be handed over to Shri Appayya but by the time this order came, there was no manure left as it had already been distributed. The Agriculture minister became angry with the District Agricultural officer and punished him. He was ^{relieved} of the District duty and sent as a Professor in the Agricultural College at Bapatla.

The facts as stated by the Premier are that on the 5th June, 1942, Shri Appayya, Member, Krishna District Kisan

Congress Committee, acting as representative for 15 ryots in the District asked for the issue of groundnut oil cake on paddy bonus coupons to the value of Rs 40,000/-. The Joint Director of Agriculture having been consulted by the Government regarding the stock position in the district reported, that on the 1st June stock available in the district was over 711 tons and that 300 tons would be required to meet the demand of Shri Appayya. As there was enough stock the Joint Director of Agriculture was asked on the 28th June, 1948 to supply groundnut cake to Shri Appayya from the available stock in the district. This order was communicated by the Joint Director of Agriculture to the District Agricultural officer, Vijayawada with endorsement for necessary action on the 7th July, 1948. The District Agricultural officer sent for ^{Shri} Ashfi Appayya and informed him that the order was not clear and that he should get a specific order from the Director of Agriculture to deliver ~~the~~ stock. Shri Appayya obtained orders of the Joint ^{Director of} ~~Director of~~ Agricultural ~~officer~~ and on the 9th July he presented the Joint Director's orders to the District Agricultural officer. The latter informed him that he had not received the order yet and that the supply would be made on the following day, i.e. on the 10th July. In the meantime on information from the District Agricultural officer Shri Venkatratnam, President, District Congress Committee represented by a telegram ^{dated 9th July} to the Chief Secretary and by a letter ^{dated 8th July} to the then Premier that the claim of Shri Appayya was bogus one and that the issue of stock to him should be stayed pending enquiry. The Premier stopped ^{by a telegram} the issue of cake until further orders and when Shri Appayya met the District Agricultural officer on the 10th, he was shown the Govt. telegram referred to. The District Agricultural officer was asked to report on Shri Venkatratnam's telegram and letter and he reported that the issue of such large stocks was not justified. On the 16th of July the Government issued final orders directing the supply of oil cake to the individual coupon-holders mentioned in Shri

Appayya's petition including Shri Appayya himself and not to any single person as representative of all. The District Agricultural Officer informed Shri Appayya that he could get cake only to the extent of 10 p.c. of the value of the coupons and asked him to obtain a specific order from the Director of Agriculture in the matter. On the 19th, 20th and 21st August the District Agricultural Officer issued stocks to ryots. The quantity issued to individual ryots exceeded in many case the 10 p.c. quota fixed by him. Neither Appayya nor any of the ryots represented by him got any supply. The conduct of the officer was considered objectionable and the Director of Agriculture reported that he should not have shown ^{to} Shri Venkatratnam the Government order dated the 8th July, 1948 directing the issue of cake to Shri Appayya and that he delayed giving effect to the Govt. order and that he should not have suspended sales in the Vijaywada depot taking over the issued ^{FI} stocks himself. He considered his conduct improper as he evaded carrying out Govt. orders and ^{suspended} ~~maximum~~ sales from 29-7-48 to 17-8-48 without authority specially during busy manuring season. The Director of Agriculture was ^{then} ~~therefore~~ asked to frame charges and obtain his explanation. The Director after framing charges and obtaining explanation reported that ~~his~~ ^{the} charges were proved and recommended that he might be punished by stopping increment for one year. He also reported that he had proved himself unfit to continue as an executive officer and that he was ~~frankly~~ postponing to carry out the orders issued to him by frequently asking for elucidation and his actions ^{had} placed the Government in an embarrassing position. After careful consideration the Agriculture Minister held "The man has behaved improperly but anyhow I consider that a censure will do". This was approved by the Premier and ultimately orders were issued awarding a censure. It is pointed out that whatever action was taken by the Agriculture Minister was

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was in ordinary course and as a matter of fact as soon as the complaint was received from Shri Venkatratnam by the Premier, that was communicated to the District Agricultural officer for enquiry and report. The stay action and enquiry ^{ordered by the Premier} were ~~passed~~ approved by the Hon'ble Minister for Agriculture. The coupons had been issued in lieu of bonus in connection with supply of grain. There was nothing to show that the coupons were non-transferable or ^{that} they could be cashed only by the original holders and in the district for which they were issued. They were in the nature of bonds issued by the Government. The coupons were found to be genuine and Shri Appayya had acted only as agent of 15 other ryots on whose behalf the application was made. It was however felt that it was wrong to give manure worth Rs 40,000/- to one individual as it was likely to lead to abuse and it was therefore decided that manure should be given only to individual coupon-holders and all the manure need not be given to Shri Appayya. Orders were issued accordingly. But ultimately on account of the action of the District Agricultural officer/^{neither} Shri Appayya nor any other ryots whom he represented got any manure at all. The action against the officer was therefore taken. There is no doubt that party politics has played its full part in the district and this incident was not free from it. The District Agricultural officer should have carried out the orders of the Government but he put forward excuses for not doing ^{so} with the ultimate result that those people suffered. There is no suggestion or ~~proof~~ proof that Shri Appayya got the manure and sold it in the black-market. Shri Kurmayya who recommended his application says that he had gone about telling ryots to surrender their grain and promised to them that they would get manure in return and when he found those promises which had been made on behalf of the Government during the course of Procurement drive were not being fulfilled, he made this recommendation. But ultimately it was frustrated by the action of the other

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party with which the District Agricultural Officer seems to have associated himself. In any case there is nothing to make enquiry about.

There are two cases of alleged interference with local Administration by Shri K. Chandramouli, Minister, one relates to the town market in Guntur and the other to the litigation in connection with the Vijayawada market. The facts are fully stated in the notes:

(1) As regards the Guntur market the complaint is that the Minister ordered the settlement of the markets at the rate at which it had been settled in the previous year without public auction and thus the Municipality suffered a loss of Rs 8,000/- to 10,000/-. The circumstances in which the order was issued are fully explained and it seems that in a case like this it is difficult to interfere with the discretion exercised by the Minister unless there is a definite charge and proof of corruption. The position is similar with regard to the Vijayawada Municipal market.

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The case of Vijayawada Municipality is as follows:

The right of collecting fees in the Municipal market of Vijayawada was leased by public auction for a period of three years from 1-4-44 to Shri D. Venkateshwarlu. After the expiry of the lease the lease of the market could not be sold again in public auction on account of the Rent Control Order which had been brought into force in the mean time.

The lease was extended for one year and after the expiry of that ^{lease} year from 1-4-44 by a resolution of the Municipal Council dated 4-4-44 Shri Subbarao, a Municipal councillor filed a suit against the Municipal Council and the Lessee for a declaration that the above resolution of the Municipal Council was ultra-vires and illegal. The Government subsequently amended the Madras non-Residential Building Rent Control Order in order to exempt the markets owned by the Local Boards from the operation of the Rent Control Order and to enable local bodies to lease out the right to collect fees and rents in the markets in auction. On the strength of this Amendment of the Act the Council decided by its resolution dated 27-4-45 to cancel the lease to Shri Venkateswarlu and authorise the Commissioner to ~~take~~ take possession of the market from him. But he frustrated the attempts of the Council to take possession of the market during the currency of the lease. An appeal was filed in the Sub-court against him. The Government however after taking legal opinion advised the Municipal Council on 24-1-46 to withdraw the suit. The suit was accordingly withdrawn and the markets were taken possession of by the Council on 12-1-47. On 6-4-48 the Council withdrew the defence in the case filed by Mr. Subbarao. It also resolved to file a separate suit against Shri Venkateshwarlu for the recovery of about Rs 70,000/- being the loss to the Municipality caused by his unauthorised ~~per~~ occupation of the market, ~~after~~ from 1-4-45 till 12-1-47. The Commissioner of the Municipality was asked to give effect to the above resolution by the

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by the Secretary to the Government by his Memo dated 12-4-48. Shri Chandramouli, Minister of Local Administration, having been approached, sent a telegram from Kodaikanal to the effect that the filing of the suit should be stayed till his return. While confirming this order he wanted all papers to be kept ready for his orders on the 19th April when he would be in Madras. Orders were issued by the Secretary staying the filing of the suit. Thereafter the Chairman of the Vijayawada Municipal Council brought this fact to the notice of the then Premier, the Hon'ble Shri Ramaswamy Reddiar and the Premier minuted as follows on the file: "This matter has been brought to my notice. Not filing the suit now means that a lot of money will become irrecoverable. By filing a suit at the most we risk the Court fee and costs. A suit can at any stage be withdrawn if necessary and justified. So the Council may be permitted to file a suit. A wire can be sent countermanding yesterday's wire of stay". The suit was filed and is pending. Shri Chandramouli on his return recorded his own opinion about the case, but he did not ask the Premier to rescind his order and the matter dropped there so far as he was concerned. Shri Chandramouli has said in his ^{explanation} information that the suit against Shri Venkateswarlu had once been withdrawn and possession allowed to be taken by the Municipality. This was a second suit proposed to be filed for recovery of what was claimed to have been lost by the Municipality during this period of litigation when Shri Venkateswarlu had frustrated the attempts of the Municipality to take possession inspite of the suit. He was therefore doubtful whether a suit like this would succeed. But he had not come to any decision and only wanted time to consider the matter in consultation with the Law Department. But as the Premier had already passed orders, he only recorded his opinion and did not take any further steps. "In view of the legal advice it is still doubtful if the suit would succeed. But the matter is now before the court which would take its

its decision. There does not seem to be any reason to question ^{his} the bonafides in the matter.

(6) The next two charges relate to use of legislation to favour particular individuals. The first case relates to the exemption of Bosotto Ltd. building belonging to Shri Ramnath Goenka from the operation of the Rent Control Act.

The facts alleged are that a building belonging to Shri Ramnath Goenka had been under the tenancy of Bosotto Limited for more than 30 years. Bosotto Limited used to pay a monthly rental of Rs 2,000/-. Shri Ramnath Goenka demanded a higher rent. But he did not succeed as the rent of Rs 2,000/- was held to be fair and proper by the City Rent Controller and also by the City Civil Court. Shri Ramnath Goenka, Managing Proprietor of the Indian Express, Madras, supported those members of the Legislature of Madras who were working for the overthrow of the Prakasam Ministry. The Prakasam Ministry came to an end and Ramaswamy Reddiar's ministry came into office in the latter part of the 1947. Soon after Shri Ramnath Goenka put in an petition before the Minister in charge of House Rent Control for possession of the building occupied by Bosotto Limited by granting exemption from Sec. 8 of the House Rent Control Act. ⁱⁿ regard to this building. Exemption under Section 8 ^{could not} ordinarily be right except in case of the house ^{was} required for some Government purpose. But in this case exemption was granted on account of Shri Goenka's support to the anti-Prakasam group. Shri Goenka gave notice of ejectment to the tenant and the matter is now pending before court. The Premier in his note states as follows: " The Indian Express newspaper Limited were occupying a rented building belonging to the Hindu. They purchased the premises which were in the occupation of Messrs. Bosotto Limited and applied to the Rent Controller for their eviction. They were pressed by the Hindu to vacate the building occupied by them. Shri Raghava Menon, Minister in charge during Shri

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Prakasam's ministry ordered that the matter should lie over for some time as exemption of a private building might become a bad precedent and the papers were recorded. The petitioners renewed the request for exemption as they were in an urgent need of additional accommodation and as newspapers have to be considered as essential service. Shri Sitaram Reddi, Minister for Information, recommended that the exemption applied for should be granted. The Hon'ble Minister in charge of House Control after hearing the lessor and the lessee held the view that in view of the important and vital part played by newspapers it was necessary for the Government to provide facilities for the ^{Indian} State Express Limited. He therefore granted the exemption. The file was circulated to the Hon'ble Premier and to His Excellency the Governor who also agreed. The charge is that the demand of Shri Goenka for exemption was not a bonafide demand but started with a demand for enhancement of rent to which Bosotto did not agree and he then claimed exemption from the Rens Control Order. The matter came up before the Government during the time of Shri Prakasam's ministry and the request was rejected. But it was renewed and Shri Raghava Menon after hearing the parties again rejected it recording that the matter should lie over. Shri Goenka was supporting the group opposing Shri Prakasam and so soon after the fall of that ministry he renewed his request which was supported by the Information Minister and on a reference by the Premier as also by Shri Shaktavatsalam, another Minister in charge of Public Works. It appears however that Mr. Thomas Daniel, the Minister who had granted the exemption did so after hearing the parties and Shri Shaktavatsalam had nothing to do with the file except that on a request of the Premier he ascertained ^{from} Shri Goenka that the premises were really required by him for his press which he was then conducting in a hired building of the Hindu ^{and} which he was asked to vacate. The matter was considered not only by the Minister in charge but also by the Hon'ble

Premier, Shri Ramaswamy Reddiar and by the then Governor who also agreed to the exemption being granted. In this view it is difficult to hold that the Minister in charge Shri Daniel ^{Thomas} who is dead was to blame or that ~~any~~ any other Minister can be held guilty of any improper conduct. It is true however that in matters like this it is not enough to be strictly correct but in appearance also action should be such as not to allow any misunderstanding about it.

Complaint against Shri T. Prakasam regarding contract for Silent Valley Forest.

There remains only a counter-charge against Shri Prakasam. The charge is that the lease of the Silent Valley forest was given to Hope Timber Company at very low rates against the advice of the Department concerned, and without auction and without calling for tenders. It is alleged that Shri ~~EE~~ Jagannath Rao of the Hope Timber Company is a friend of Shri Prakasam. It is also alleged that he issued on 21-11-45 a cheque on the Central Bank of India, Calicut Branch in favour of Shri Prakasam.

It appears that towards the end of March, 1946 the Chief Conservator of Forests reported that the Karala Timber Supply Corporation which had worked in close touch with the Forest Utilisation Officer in the matter of War Timber supply desired to work the forest in Silent Valley and adjoining areas on a ten to fifteen years' lease. He reported that it would be advantageous to have an established organisation of this kind working for a period of years for the development of forest work in this newly opened and uninhabited region. If the Govt. accepted the principle, he said, details could be worked out. In July 1946 the Managing Partner of Hope Timber Syndicate submitted a petition to the Minister for Forests, Shri Veer Swamy, stating that the contract for exploiting the Silent Valley Forest might be granted to them on demand of any reasonable royalty. During the same month

Trinity Trading Company also applied to Government to exploit the Silent Valley Forest. Both these petitions were referred to the C.C.F. The C.C.F. after inspecting the area submitted detailed proposals to lease the Silent Valley. One of the suggestions was to call for tenders. Regarding the Hope Timber Syndicate he said that he did not know the applicant but that he learnt from the Forest Utilisation Officer that the Hope Timber Syndicate had some timber trade on the West Coast and were working in the Nilambu Valley Forest during the war. He also stated that if the Government were satisfied that this company had the necessary financial backing and experience, he saw no objection to the lease being given to them provided they agreed to pay reasonable rates of seigniorage and agreed to abide by the terms of the agreement. Regarding the Trinity Trading Company he reported that they had very little experience in the timber trade. The proposals were then examined in the Secretariat and while circulating it to H.M. Forest and Premier, Shri Prakasam, the Development Secretary suggested that tenders might be invited and that it might be made clear that the Government did not undertake to accept the highest tender but that if the Government felt that tenders should be dispensed with, the Hope Timber Syndicate might be asked to answer certain questionnaire before reaching a decision on the suitability to undertake the work and also the Trinity Trading Company might be asked to answer the questionnaire, to avoid any suggestion that the Government were favouring any particular company. H.M. Forest, Shri Veer Ganga ordered that tenders should be dispensed with and no useful purpose would be served by asking the Trinity Trading Company to answer the questionnaire as the C.C.F. had remarked that their performance in the past was not satisfactory. The Hope Timber Company had already answered the questionnaire and he ordered to negotiate with them. The Premier Shri Prakasam agreed that the lease might be given to Hope Timber Syndicate and ordered that the C.C.F. should be asked to negotiate terms with it. Orders

Orders were accordingly issued, and an agreement was entered into between the Hope Timber Company. Under clause two of the agreement the rates fixed for timber etc. were to be revised every two years, the first revision being in March, 1949. A statement showing the original and the revised rates is attached. The revised rates have been accepted by the Syndicate. It appears from the rates which were revised by the Forest Department at the end of two years in March, 1949 on the basis of test sales conducted in the locality that there was a huge difference between the original rates and the revised rates of per cubic feet of timber of various qualities. Shri T. Prakasam declares that this charge is false, malicious and vindictive and without the knowledge of the conditions and terms of the contract. He says that the Silent Valley being in a remote, unhealthy and uninhabited area, the Chief Conservator of Forests wanted to lease it for a long ^{period} ~~term~~ of 10 to 15 years to Kerala Timber Supply Corporation. The Government considering the nature and extent of the area exploited accepted the Chief Conservator's recommendation and did not insist on tenders for auction. Of the three timber firms that applied for the lease the Kerala Timber Supply Corporation went into voluntary liquidation, the Trinity Trading Company have no experience of timber exploitation and the only company was Hope Timber Syndicate to which the lease was given on the terms recommended by the Chief Conservator. ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ One of the terms recommended by the Chief Conservator and accepted by the Government is the revision of the rates every two years. It is false to allege that the rates were against the recommendation of the Department concerned. The rates were fixed after discussion between the Forest Department and the Hope Timber Syndicate with reference to the then prevailing market rates. The Chief Conservator reported that in the three cases the rates were definitely higher and in ^{no} ~~any~~ case lower than the rates in the neighbouring forests. It is

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therefore false to allege that the rates were nominal. The matter came up twice before the Legislature and the action was defended by the Minister in charge of Forests. Shri Prakasam complains that this case is mentioned as a counter charge only for the purpose of linking it up with the allegation of bribery levelled against him. The suggestion being that a bribe was given to Shri Prakasam to secure the Silent Valley contract. The bribery theory was false and has been abandoned and he wants an enquiry regarding the person who made this charge. It appears that this charge against Shri Prakasam's ministry cannot be sustained. All the Ministers have to exercise discretion in such matters and no work will be possible if every decision taken by a Minister is viewed with suspicion and made the subject of enquiry.

All the charges have been carefully looked into. The statements of the Premier, Shri Prakasam, the Ministers concerned and the final report of the Premier have been considered in detail. The impression left on one's mind after considering all the charges is this: They appear to be serious and formidable charges in the form in which they are made. A close scrutiny of the facts and circumstances relating to them does not make out a case for further investigation. In some cases there is no prima facie evidence in support of any charge and a mere statement of suspicion cannot be considered sufficient for holding a formal enquiry. There is however one thing which should be noted. The action of Ministers should be not only in strict accordance with rules and procedure laid down for dealing with particular matters which come up before them but they should do nothing which might leave room for any reasonable person to entertain any reasonable suspicion. The matter should be dropped and the complaints filed. It is regretted that it has remained pending for such a long time but the number of charges and the volumes of papers to be gone through necessarily required time for study.