

APPENDIX VII

LETTER FROM THE CHIEF MINISTER OF SAURASHTRA DATED THE 1ST AUGUST, 1952. TO THE CHAIRMAN, FINANCE COMMISSION

This morning we discussed the question about the powers of the Finance Commission *vis-a-vis* clause (I) of the Federal Financial Agreement entered into between the Government of India and the Government of Saurashtra. As we had anticipated the provisions of Article 280 will not cover an inquiry under clause (I) of the said Agreement. We appreciate the difficulty of the Finance Commission. The Constitution gives them certain powers and it is just and proper that the investigations by the Finance Commission should be confined to the provisions and the terms of the Constitution. On our side, however, you will appreciate the difficulty that for the period for which the Commission is to report there is also another body contemplated by the provisions of the F.F.I. Agreement to report practically on the same matter, although the background and the approach will be different.

2. We have carefully considered whether we should proceed further with an inquiry under Article 280 or should insist upon an inquiry under the provisions of the F.F.I. Agreement. After careful consideration, we have come to the conclusion that in the light of what has happened it would be against the interests of the State to enter into a discussion of the question unless the discussion covers an inquiry contemplated by the aforesaid Agreement.

3. Apart from the question that we feel that an inquiry limited to the terms of Article 280 will prejudice an inquiry under clause (I) of the Agreement, we feel that two Inquiry Bodies inquiring into the needs of Saurashtra for the same period will lead to all sorts of complications all of which cannot be appreciated at the present moment. At least there will be much over-lapping and duplication.

4. Under the circumstances, we have decided to move the Government of India to institute an inquiry under clause (I) of F.F.I. Agreement. I may explain that this is not in a spirit of huff or non-co-operation. We will be glad if this Commission itself is vested with the power to undertake an inquiry suggested above.

5. Subject to what I have said above, we shall have no objection to discuss other aspects of the problem, namely, Article 280(3) (a) i.e., the divisibility of taxes. We shall similarly have no objection to give you a general idea of our backwardness and needs from our angle under clause (I) of the Agreement, should it prove useful to the Commission for the examination of the case of Part B States. I may once again state that I am very sorry that I did not get this point clarified from the proper quarters earlier.

Thanking you.