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AJOY KUMAR BANERJEE & ORS. ETC.

*v.*

B

UNION OF INDIA & ORS. ETC.

*[21st March, 1984*

[Y.V. CHANDRACHUD C.J., R.S. PATHAK AND SABYASACHI MUKHARJI, JJ.]

C

*Constitution of India 1950, Articles 14, 19(1) (g), Article 31B & General Insurance Business (Nationalisation) Act 1972 Sec. 16, Right of Central Government to frame schemes under the Act—Whether affects fundamental rights of employees of companies constituted under the Act.*

D

*Inclusion of an Act in the Ninth Schedule does not protect order or notifications issued under the said Act.*

*Scheme notified under Sec. 16(1) whether protected.*

*Introduction of reform through legislation—Law need not have universal application—Piecemeal method of introducing reforms—Whether permissible—*

E

*Statutory provision whether could be struck down on vice of underinclusion.*

*Industrial Disputes Act 1947—Whether applicable to general insurance companies.*

*General Insurance Business (Nationalisation) Act 1972, Sec. 16(1)(g).*

F

*General Insurance (Rationalisation and Revision of Pay Scales and other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Second Amendment Scheme of 1980—Scheme of 1980 relating to revision of pay scales and other terms and conditions of service—Whether ultra vires Sec. 16(2) and invalid—Whether suffers from vice of excessive delegation of legislative power.*

G

*Administrative Law—Delegated legislation—Principles of—Scope of subordinate legislation.*

*Interpretation of Statutes—Conflict between the statutes—One special other general—Which to prevail—Tests for determination of.*

H

*Interpretation of statutes—Not mere exercise in semantics—Provisions conferring or delegating power—Construction.*

Prior to 1972, there were over 100 Insurance Companies—Indian and foreign. The conditions of service of the employees of these companies were governed by the respective contracts of service between the companies and the employees. On 13th May 1971, the Government of India assumed management of these general insurance companies under the General Insurance (Emergency Provisions) Act, 1971. The General Insurance Business (Nationalisation) Act, 1972 nationalised general insurance business.

Four merger schemes were framed in 1973 by the Central Government in exercise of the powers contained in s. 16(1) of the Act and four companies; Oriental Fire and General Insurance Company, National Insurance Company New India Assurance Company and United India Insurance Company Ltd., were merged into and they alone were allowed to carry on the business of general insurance. These companies started functioning from 1st January, 1973 and the process of merger was completed by 1st January, 1974 when the aforesaid four schemes came into force.

The Government of India by a notification dated 27th May, 1974, framed a 'scheme' called the General Insurance (Rationalisation and Revision of Pay Scales and Other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Scheme, 1974 in exercise of the powers conferred by s. 16(1)(g) of the Act. This scheme provided for the rationalisation and revision of pay scales and other terms and conditions of service of employees working in supervisory, clerical and subordinate positions and governed the pay scales, dearness allowance, other allowances and other terms and conditions of the general insurance employees. Paragraph 23 of the Scheme provided that the new 'scales of pay' shall remain in force till December 31, 1976 and thereafter shall continue to be in force unless modified by the Central Government.

In 1976, the Board of Directors approved a policy for promotion. On 1st June, 1976 another scheme by which amendments were made with regard to Provident Fund, was introduced. On 30th July 1977, a Scheme amending provisions regarding sick leave was also introduced.

The employees submitted a memorandum objecting to the revision of pay scales and other conditions of service and wanted a reference to the Industrial Tribunal. The class III and IV employees however did not accept the revision of Service Conditions, pay scales dearness allowance, etc. and raised industrial dispute. There were conciliation proceedings and there was failure to bring about amicable settlement of disputes.

In 1980, the Government introduced the General Insurance (Rationalisation and Revision of Pay Scales and Other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Second Amendment Scheme, 1980. This Scheme which was introduced by a notification dated September 30, 1980 made detailed provisions as to how the adjustment allowance is to be dealt with so far as Dearness Allowance, Overtime Allowance, Contribution to Provident Fund and other retirement benefits were concerned. Paragraph 7 which dealt with 'retirement' stipulated that an employee who was in service of the Corporation before the

commencement of the Scheme of 1980 should retire from service when he attains the age of 60 years, but an employee, who joins the service of the Corporation after the commencement of the Scheme would retire on attaining the age of 58 years. The Fourth Schedule to the Scheme indicated the revised scales of pay.

The petitioners in their writ petitions to this Court contended that the terms and conditions of service enunciated in 1974 being a result of bilateral agreement could not be changed unilaterally to the detriment of the employees and that the notification deprived the rights of the employees to receive dearness allowance etc. with the rise in the cost of living index. It was further contended that the Scheme was violative of s. 16(2) of the Act and ultra vires Articles 14, 19(1)(g) and Article 31(2) of the Constitution, and that the Constitution 44th amendment deleting Articles 31 and 19 cannot save the Scheme, since the amendment came into force only 20th June, 1979, whereas the impugned notification affecting the rights of the employees to emoluments took effect from 1st January, 1979.

The respondents contested the writ petitions on the ground that s. 16(6) authorised the Central Government by notification, to add, to amend or to vary any scheme framed under s. 16 and consequently rationalisation or revision of pay scales was permissible by the 1980 scheme. Moreover in comparison with other employees in governmental or public sectors, the employees of the general insurance companies were 'High-wage islanders' and it was consequently necessary to put a ceiling on their emoluments and other amenities in order to facilitate better functioning of the insurance companies as well as to subserve the object and purpose of the nationalisation policy.

Allowing the writ petitions,

HELD : 1. (a) The impugned scheme of 1980 is bad as being beyond the scope of the authority of the Central Government, under the General Insurance Business (Nationalisation) Act, 1972, and therefore quashed. This, however, will not prevent the Government, if it is so advised, to frame any appropriate legislation or make any appropriate amendment giving power to the Central Government to frame any scheme as it considers fit and proper. [290G ; 291A-B]

1. (b) The scheme of 1980 so far as it is not related to the amalgamation or merger of insurance companies, is not warranted by sub-s. (1) of section 16. The scheme is therefore bad and beyond authority. [278D]

*A.V. Nachane & Another* v. *Union of India & Another* [1982] 2 S.C.R. p. 246, *Madan Mohan Pathak* v. *Union of India & Ors. etc.*, [1978] 3 S.C.R. p. 334 and *The Life Insurance Corporation of India* v. *D.J. Bahadur & Ors.*, [1981] 1 S.C.R. p. 1083, referred to.

2. The duty of the Court in interpreting or construing a provision is to read the section, and understand its meaning in the context. Interpretation of a provision or statute is not a mere exercise in semantics but an attempt to find out the meaning of the legislation from the words used, understand the context and

the purpose of the expressions used and then to construe the expressions sensibly. [275C-D] A

3 (a) The scheme is an exercise of delegated authority. The scope and ambit of such delegated authority must be so construed, if possible, as not to make it bad because of the vice of excessive delegation of legislative power. In order to make the power valid, s.16 of the Act should be so construed in such manner that it does not suffer from the vice of delegation of excessive legislative authority. [275E] B

3. (b) Unlimited right of delegation is not inherent in the legislative power. [275 F]

*Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.* v. *The Asstt. Commissioner of Sales Tax & Ors.*, [1974] 2 S.C.R. p. 879, referred to. C

4. The growth of legislative power of the executive is a significant development of the 20th century. The theory of *laissez-faire* has been given a go-by and large and comprehensive powers are being assumed by the State with a view to improve social and economic well-being of the people. Most of the modern socio-economic legislations passed by the legislature lay down the guiding principles of the legislative policy. The legislatures, because of limitation imposed upon them and the time factor, hardly can go into the matters in detail. The practice of empowering the executive to make subordinate legislation within the prescribed sphere has evolved out of practical necessity and pragmatic needs of the modern welfare State. [275G-276A] D

5. Regarding delegated legislation, the principle which has been well-established is that the legislature must lay down the guidelines, the principles of policy for the authority to whom power to make subordinate legislation is entrusted. The legitimacy of delegated legislation depend upon its being used as ancillary which the legislature considers to be necessary for the purpose of exercising i.s legislative power effectively and completely. The legislature must retain it its own hand the essential legislative function which consists in declaring the legislative policy and lay down the standard which is to be enacted into a rule of law, and what can be delegated is the task of subordinate legislation which by its very nature is ancillary to the statute which delegates the power to make it effective provided the legislative policy is enunciated with sufficient clearness or a standard laid down. The courts cannot and do not interfere on the discretion and that undoubtedly rests with the legislature itself in determining the extent of the delegated power in a particular case. [276B-D] E F

6. The authority and scope for subordinate legislation can be read in either of the two ways ; namely one which creates wider delegation and one which restricts that delegation. [277E] G

In the instant case, the Act must be read in conjunction with the Memorandum in Clause No. 16 of the Bill which introduced the Act in question. But above all, it must be read in conjunction with sub-section 2 of section 16 of the Act which clearly indicated the object of framing the scheme under s. 16(1) of the Act. [277D] H

7. In view of the language of sub-s. (2) of section 16 and the memorandum to the Bill, the one which restricts the delegation must be preferred to the other. So read, the authority given under s. 16 under the different clauses of sub-section (1) must be to subserve the object as envisaged in sub-section (2) of section 16 of the Act, and if it is so read then framing of a scheme for purposes mentioned in different clauses of sub-section (1) of section 16 must be related to the amalgamation or merger of the insurance companies as envisaged both in the memorandum on delegated legislation as well as sub-section (2) of section 16. [277F-G]

8. Sometimes there have been rise in emoluments with the rise in the cost of index in certain public sector corporations. The legislature however is free to recognise the degree of harm or evil and to make provisions for the same. In making dis-similar provisions for one group of public sector undertakings does not *per se* make a law discriminatory as such. Courts will not sit as super-legislature and strike down a particular classification on the ground that any under-inclusion namely that some others have been left untouched so long as there is no violation of constitutional restraints. [285D-E]

9. Piece-meal approach to a general problem permitted by under-inclusive classifications, is sometimes justified when it is considered that legislatures deal with such problem, usually on an experimental basis. It is impossible to tell how successful a particular approach might be, what dislocation might occur, and situation might develop and what new evil might be generated in the attempt. Administrative expedients must be forged and tested. Legislators recognizing these factors might wish to proceed cautiously, and courts must allow to do so. [286B-C]

*Special Courts Bill*, [1978] 2 S.C.R. p. 476 at pages 540-541, *State of Gujarat and Anr.* v. *Shri Ambica Mills Limited, Ahmedabad, etc.*, [1974] 3 S.C.R. p. 760 and *R.K. Garg etc.* v. *Union of India & Ors. etc.*, [1982] 1 S.C.R. p. 947, referred to.

In the instant case, as there was no industrial dispute pending, the ground that the petitioners have been chosen out of a vast body of workmen to be discriminated against and excluded from the operation of the Industrial Disputes Act, is no ground that there has been no violation of Article 14 of the Constitution. [286D]

10. Differentiation is not always discriminatory. If there is a rational nexus on the basis of which differentiation has been made with the object sought to be achieved by particular provision, then such differentiation is not discriminatory and does not violate the principles of Article 14 of the Constitution. There is intelligible basis for differentiation. Whether the same result or better result could have been achieved and better basis of differentiation evolved is within the domain of legislature and must be left to the wisdom of the legislature. [288H-289B]

11. Article 14 does not prevent the Legislature from introducing a reform i.e. by applying the legislation to some institutions or objects or areas only according to the exigency of the situation and further classification of selection can be sustained on historical reasons or reasons of administrative exigency or

piece-meal method of introducing reforms. The law need not apply to all the persons in the sense of having a universal application to all persons. A law can be sustained if it deals equally with the people of well-defined class-employees of Insurance Companies as such, and such a law is not open to the charge of denial of equal protection on the ground that it had not application to other persons. [290E-F]

*State of Karnataka & Anr. etc.* v. *Ranganatha Reddy* & *Anr. etc.* [1978] 1 S.C.R. p. 641 at pages 672, 676 & 691, referred to.

In the instant case, for the purpose of rationalisation, the insurance companies wanted to curtail the emoluments of class III nnd class IV employees on a small scale. It cannot therefore be said that there are no distinguishing factors and that for choosing a particular group for experiment, the respondents should be found guilty of treating people differently while they are alike in all material respects. [288G]

12. The object of the General Insurance Business (Nationalisation) Act 1972 is to run the business efficiently so that the funds available might be utilised for socially viable and core projects of national importance. The Nationalised Banks and the Insurance Companies for the purposes of applicability or otherwise of the provisions of the Industrial Disputes Act cannot be treated as belonging to one class. Historical reasons provide an intelligible differentia distinguishing Nationalised Insurance Companies from the Nationalised Banks. The financial resources, structures and functions of the Banks are different from those of the Insurance Companies. [288A-E]

13. The general rule to be followed in case of conflict between two statutes is that the later abrogates the earlier one. A prior special law would yield to a later general law if either of these two conditions are satisfied :

(i) The two are inconsistent with each other and (ii) there is some express reference in the later to the earlier enactment. [282D-F]

14. (i) The Legislature has the undoubted right to alter a law already promulgated through subsequent legislation, (ii) A special law may be altered, abrogated or repealed by a later general law by an express provision, (iii) A later general law will override a prior special law if the two are so repugnent to each other that they cannot co-exist even though no express provision in that behalf is found in the general law, and (iv) It is only in the absence of a provision to the contrary and of a clear inconsistency that a special law will remain wholly unaffected by a later general law. [282G-H]

*Maxwell—"Interpretation of Statutes" Twelfth Edition* pp. 196-198, referred to.

*J.K. Cotton Spinning & Weaving Mills Co. Ltd.* v. *State of U.P. & Ors.*, [1961] 3 S.C.R. p. 185 and *U.P. State Electricity Board & Ors.* v. *Hari Shanker Jain and Ors.*, [1979] 1 S.C.R. p. 355, referred to.

A 15. The General Insurance Business (Nationalisation) Act was put in the Ninth Schedule of the Constitution as Item 95 on 10th August 1975. If any of the rights of the petitioners had been affected by the scheme of 1980 then these rights would not enjoy immunity from being scrutinised simply because the Act under which the scheme was framed had been put in the Ninth Schedule. In any event any right which accrued to the persons concerned prior to the placement of the Act in the Ninth Schedule cannot be retrospectively affected by the B impugned provisions. [284E-G]

*Prag Ice & Oil Mills & Anr. etc.* v. *Union of India,* [1978] 3 S.C.R. p. 293, referred to.

In the instant case, empowering the Government to frame schemes for carrying out the purposes of the Act does not in any way affect or abridge the C fundamental rights of the petitioners and would not attract Article 19(1)(g). [284H ; 285A]

ORIGINAL JURISDICTION : Writ Petition Nos. 5370-74 of 1980.

D (Under Art. 32 of the Constitution)

*M.K. Ramamurthi, J. Ramamurthi* and *Miss R. Vaigai* for the petitioners in WPs. 5370-74

*R.K. Garg* and *V.J. Francis* for the petitioners in WP. 5434.

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*J.P. Cama* & *Mukul Mudgal* for Intervener in WPs. 5370-74.

*K. Parasaran,* Attorney General, *M.K. Banerjee,* Additional Solicitor General, *Miss A. Subhashini* and *C.V. Subba Rao,* for the respondent (Union of India)

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*P.R. Mridul, O.C. Mathur, S. Sukumaran, D.N. Mishra & Miss Meera Mathur* for respondent no. 2 in WPs. 5370-74 & 5434.

*Hemant Sharma & Indu Sharma* for the respondent in WPs. 5370-74.

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*Vineet Kumar, Lalit Bhasin, Vinay Bhasin & Miss Arshi Singh,* for Respondent Nos. 3 to 6 in WPs. 5434 & 5370-74.

*Ambrish Kumar* for Intervener in WP. 5370.

H *Chandidas Sinha* Intervener-in-person in WPs. 5370-74.

The Judgment of the Court was delivered by

SABYASACHI MUKHARJI J. These petitions under Article 32 of the Constitution are filed by the employees of the General Insurance Companies and the All India Insurance Employeess Association. The respondents are, Union of India, the General Insurance Corporation of India and four General Insurance companies.

The petitioners challenge the Notification dated 30th September, 1980 of the Ministry of Finance (Department of Economic Affairs) (Insurance) introducing what is called General Insurance (Rationalisation and Revision of Pay Scales and Other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Second Amendment Scheme, 1980 as being illegal and violative of their fundamental rights under Articles 14, 19(1)(g) and 31 of the Constitution of India.

Prior to 1972, there were 106 General Insurance companies Indian and foreign. Conditions of service of these employees were governed by the respective contracts of service between the companies and the employees. On 13th May, 1971, the Government of India assumed management of the general insurance companies under the General Insurance (Emergency Provisions) Act, 1972. The general insurance business was nationalised by the General Insurance Business (Nationalisation) Act, 1972 (Act 57 of 1972). The preamble of the Act explains the purpose of the Act as to provide for the acquisition and transfer of shares of Indian insurance companies and undertakings of other insurers in order to serve better the needs of economy in securing development of general insurance business in the best interest of the community and to ensure that the operation of the economic system does not result in the concentration of wealth to the common detriment, for the regulation and control of such business and for matters connected therewith or incidental thereto.

Act 57 of 1972, by Section 2, declared that it was for giving effect to the policy of the State towards securing the principles specified in clause (c) of Article 39 of the Constitution. Under Section 3(a) of the Act, 'acquiring company' has been defined as any Indian insurance company and, where a scheme had been framed involving the merger of one or more insurance companies in another or amalgamation of two or more such companies, means the indian insurance company in which any other company has

A been merged or the company which has been framed as a result of the amalgamation.

Section 4 provides that on the appointed day all the shares in the capital of every Indian insurance company shall be transferred to and vested in the Central Government free of all trusts, liabilities B and encumbrances affecting these.

Section 5 provides for transfer of the undertakings of other existing insurers. Section 6 provides for the effect of transfer of undertakings. Section 8 provides for the Provident Fund, superannuation, welfare or any other fund existing. Section 9 stipulates C that Central Government shall form a Government company in accordance with the provisions of the Companies Act, to be known as the General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of general insurance. Section 10 stipulates that all shares in the capital of every Indian insurance company which shall stand transferred to and D vested in the Central Government by virtue of Section 4 shall immediately after such vesting, stand transferred to and vested in the Corporation.

E Chapter IV deals with the amounts to be paid for acquisition and as such we are not concerned in this case with that chapter in view of the controversy involved.

Chapter V of the aforesaid Act deals with "Scheme for reorganisation of general insurance business" Section 16 and 17 of F the Act in this chapter are as follows :

"16. (1) If the Central Government is of opinion that for the more efficient carrying on of general insurance business it is necessary so to do, it may, by notification, frame one or more schemes providing for all or any of the following matters :

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(a) the merger in one Indian insurance company of any other Indian insurance company, or the formation of a new company by the amalgamation of two or more Indian insurance companies ;

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(b) the transfer to and vesting in the acquiring company of the undertaking (including all its business, properties,

assets and liabilities) of any Indian insurance company which ceases to exist by reason of the scheme ; A

(c) the constitution, name and registered office and the capital structure of the acquiring company and the issue and allotment of shares ;

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(d) the constitution of a board of management by whatever name called for the management of the acquiring company ;

(e) the alteration of the memorandum and articles of association of the acquiring company for such purposes as may be necessary to give effect to the scheme ; C

(f) the continuance in the acquiring company of the services of all officers and other employees of the Indian insurance company which has ceased to exist by reason of the scheme, on the same terms and conditions which they were getting or, as the case may be, by which they were governed immediately before the commencement of the scheme ; D

(g) the rationalisation or revision of pay scales and other terms and conditions of service of officers and other employees wherever necessary ; E

(h) the transfer to the acquiring company of the provident, supperannuation, welfare and other funds relating to the officers and other employees of the Indian insurance company which has ceased to exist by reason of the scheme ; E

(i) the continuance by or against the acquiring company of legal proceedings pending by or against any Indian insurance company which has ceased to exist by reason of the scheme, and the initiation of such legal proceedings, civil or criminal, as the Indian insurance company might have initiated if it had not ceased to exist ; G

(j) such incidental, consequential and supplemental matters as are necessary to give full effect to the scheme. H

(2) In framing schemes under sub-section (1), the object of the Central Government shall be to ensure that ultimately there are only four companies (excluding the Corporation) in existence and that they are so situate as to render their combined services effective in all parts of India.

(3) Where a scheme under sub-section (1) provides for the transfer of any property or liabilities, than, by virtue of the scheme, the property shall stand transferred to and vested in, and those liabilities shall be transferred to and become the liabilities of the acquiring company.

(4) If the rationalisation or revision of any pay scales or other terms and conditions of service under any scheme is not acceptable to any officer or other employee, the acquiring company may terminate his employment by giving him compensation equivalent to three months remuneration, unless the contract of service with such employee provides for a shorter notice of termination.

Explanation.—The compensation payable to an officer or other employee under this sub-section shall be in addition to, and shall not affect, any pension, gratuity, provident fund of other benefit to which the employee may be entitled under his contract of service.

(5) Notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, the transfer of the services of any officer or other employee of an Indian insurance company to the acquiring company shall not entitle any such officer or other employee to any compensation under that Act or other law, and no such claim shall be entertained by any court, tribunal or other authority.

(6) The Central Government may, by notification, add to, amend or vary any scheme framed under this section.

(7) The provisions of this section and of any scheme framed under it shall have effect notwithstanding anything to the contrary contained in any other law or any agreement, award or other instrument for the time being in force.

17. A copy of every scheme and every amendment thereto framed under section 16 shall be laid, as soon as may be after it is made, before each House of Parliament."

The object of any scheme under this chapter, according to the petitioners, was clear from the main part of Section 16(1) of the said Act, i.e. a scheme made under this chapter was only for the purpose of providing for the merger of Indian insurance companies, and this was made clear by Section 16(2) of the Act. Section 16(4) of the said Act, it was contended on behalf of the petitioners, implied that any scheme of rationalisation or revision of pay scales and other terms could only be in the context of merger and amalgamation of one or more of the companies. In this connection mention was made in the petition of the "Memorandum regarding delegated legislation" submitted to the Parliament along with the General Insurance Business (Nationalisation) Bill, 1972 (Bill No. 60 of 1972), which later became the aforesaid Act. It was made explicit, according to the petitioners, that clause 16 of the Bill, later Section 16 of the Act "empowers the Central Government to frame one or more schemes for the merger of one Indian insurance company with another or for the amalgamation of the two or more Indian insurance companies and for matter consequential to such merger or amalgamation, as the case might be." It was in the aforesaid context of merger of companies that Section 16(1)(g) provided for rationalisation and revision of pay scales and other terms and conditions of service of officers and other employees wherever necessary.

In exercise of the powers contained in the aforesaid Section 16(1) of the said Act, four merger schemes were framed in 1973 by the Central Government and the four companies, Oriental Fire and and General Insurance Company Ltd., National Insurance Company Ltd., New India Assurance Company Ltd., and United India Insurance Company Ltd., into one or the other of which several general insurance companies in the country were merged, were alone allowed to carry on the business of general insurance. The preamble of the scheme, called the New India Assurance Company Limited (Merger) Scheme, 1973, had stated that the Central Government was of the opinion that for the more efficient carrying on of the general insurance business, it was necessary to frame scheme for the merger of certain Indian Insurance companies in the New India Assurance Company Limited. The preambles of the merger schemes in respect of the other three companies were on similar

lines. These four companies are subsidiaries of the General Insurance Corporation of India. The companies started functioning from 1st January, 1973 and the process of merger of the various companies into one of the other four companies was completed by 1st January, 1974, when the said four schemes came into force. The said schemes provided for the transfer of officers and employees of the merged companies to the transferee Company. The memorandum and the articles of association of the four Companies were also suitably altered by the said schemes. Thereafter there had been no merger or amalgamation of any insurance company. The petitioners stated that there had been no reorganisation of general insurance business either. This position is not in dispute.

By a notification dated 27th May, 1974, the Ministry of Finance (Department of Revnune and Insurance), Government of India, framed a 'scheme' called the General Insurance (Rationalisation and Revision of Pay Scales and other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Scheme, 1974, and the preamble of the scheme stated that "whereas the Central Government is of the opinion that for the more efficient carrying on general insurance business, it is necessary to do", therefore, in exercise of the powers conferred by Section 16(1)(g) of the aforesaid Act, the Central Government framed the 'scheme' to provide for the rationalisation and revision of pay scales and other terms and condition of service of employees working in supervisory, clerical and subordinate position under the insufers. The said scheme governed the pay scales, dearness allowance, other allowances and other terms and conditions of the general insurance employees.

It dealt, inter alia, with nature and hours of work, fixation, retirement, provident fund and gratuity. Paragraph 23 of the 1974 scheme provided that the 'New scales of pay' shall remain in force initially upto and inclusive of 31st December, 1976 and thereafter shall continue to be in force unless modified by the Central Government. The scheme was framed after negotiations with the parties concerned. The petitioners further state that the scheme was purported to have been made under Section 16(1)(g) of the said Act and it was treated as one made under Section 16(1) as part of the four merger schemes. The petitioners state that otherwise, it would have been invalid.

The petitioners further state that the employees of the insu-

rance companies serving throughout the country were, however, subsequently not satisfied with the pay scales, dearness allowance, other terms and conditions available to them on account of several factors. Through their associations, they submitted their charters of demands to the General Insurance Corporation of India in 1977 for the revision of terms and conditions of their service. Negotiations were held between the management and the unions for the upward revision but according to the petitioners, nothing happened. Industrial dispute was raised between the management of General Insurance Corporation of India and the class III and IV employees on the demand of revision of pay scales, dearness allowance and other allowances and service conditions. The Chief Labour Commissioner (Central), Government of India, Ministry of Labour, issued conciliation notice dated 11th September, 1980 under the Industrial Disputes Act, 1947 to the Chairman of the General Insurance Corporation and the general secretaries of the employees' associations. There were several meetings. It was decided, according to the petitioners, that in the meanwhile until the talks were resumed the employees would not resort to strike. There was representation to the respondents not to change the conditions of service pending the conciliation proceedings. It is not necessary to refer in detail to all these, which have been set out in the petition. But nothing fruitful happened. The Labour Commissioner in the circumstances sent a failure report under the Industrial Disputes Act, 1947 to the Secretary, Government of India, Ministry of Labour, stating that there was failure to bring about amicable settlement of of disputes. The petitioners contend that no further action was taken and according to them the conciliation proceedings were still pending. This, however, is not accepted by the respondents, according to whom there was failure report and the conciliation proceedings ended thereafter. The scheme mentioned hereinbefore, which is under challenge was issued thereafter. We will have to deal with the scheme in great detail as the same is the subject matter of challenge is these petitions under Article 32 of the Constitution.

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After the 1974 scheme, in 1976, the Board of Directors approved of promotion policy. On 1st June, 1976 another scheme by which there were amendments with regard to Provident Fund, was introduced. As mentioned before in 1977, major unions submitted charters of demands to the respondent No. 2, seeking revision in the terms and conditions of service of the employees with retrospective

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effect. Between 10th March, 1977 to 30th March, 1977, memorandum was addressed by the employees of all India Association to the Union Finance Minister.

In the memorandum addressed, it was stated that in the normal circumstances on the expiry of the prescribed period of operation of an agreement, settlement of award, the unions usually submitted charters of demands and the said charters of demands were settled either through mutual negotiations or as a result of award of an industrial tribunal, but as the pay scales and other conditions of service of the employees in general insurance industry were, however, governed by a scheme or scheme to be formulated by the Central Government and it was the Central Government which could amend these, the unions submitted that there was justification for making upward revision in the scheme and shifting the base year from 1960 to 1970-71 for the purpose of prescribing pay scales. This point was stressed by counsel appearing for the General Insurance Company, in order to emphasise that the unions always accepted the position prior to the present petition, that the government had the power to amend or make further schemes under the provisions of the Nationalisation Act. On 30 July, 1977 scheme amending the provisions regarding sick leave was introduced. In 1978 Promotion Policy was revised by General Insurance Company. Between 1979-80, there were discussions between the management of the Corporation and the representatives of the Trade Unions which were held on 8th, 9th, 10th October, 1979, 7th, 8th, 9th, April, 1980, 12th and 13th June and 1st August 1980. The management of the Corporation after several rounds of discussions with the Unions sought to narrow down the area of differences and submitted to the Government the demands made by the Unions and the managment's recommendations. The General Insurance Corporation submitted before us that the Central Government after finally considering the demands and recommendations of the management of the Corporation framed and notified the scheme under challenge on 30th September, 1980.

It was contended on behalf of the petitioners that the said notification had been issued by the Government suddenly and unilaterally, without any notice to the parties concerned. The employees were taken unawares. It was contended that from the provisions of the said notification the service conditions of the employees including the petitioners employees, particularly with regard

to dearness allowance, stagnation increments, retirement age and other increments had become worse than before and detrimental to the employees. While the employees were eagerly awaiting improvement in their service conditions, this notification had unilaterally altered the service conditions to their prejudice. Petitioners in their petitions had alleged certain facts by certain illustrations, which according to them, indicated that employees had been affected adversely, inter alia, in gross starting salary of different groups of employees, salary on confirmation of assistants who are graduates etc. It was further stated that retirement age was 60 years for all the employees under the 1974 scheme. But under the new scheme, retirement age was reduced to 58 years for employees joining on or after 1st January, 1979. Clause 7 of the impugned notification prescribed different ages of retirement, though the employess were of the same class and similarly situated according to the petitioners. Para 12(1) of the impugned scheme provided that an employee who was in service before the commencement of the said scheme would retire at the age of 60 years but provided that an employee joining the service on or after the commencment of the said scheme would retire from service on attaining the age of 58 years. This was discriminatory, according to the petitioners, being violative of Article 14 of the Constitution.

It was further alleged that stagnation increments that is increments after reaching the maximum of the grade to all cadres upto muximum of 3 for every two years of service were given before, but now under the present notification clause 5 substituted paragraph 7 and provided for no stagnation increment except only one increment for two years to the employees in record clerk cadre. Previously, there was no maximum limit on salary. Now maximum limit was fixed at Rs. 2750. Earlier, according to the petitioners, House Rent Allowance was given to all employees irrespective of having official accommodation, under the new scheme, house rent allowance was withdrawn for employees having official accommodation. Earned leave earlier could have been accumulated upto 180 days, but the new scheme limited the accumulation of earned leave upto 180 days for the employees retiring at the age of 58 years and 120 days for the employees retiring at the age of 60 years. It was stated in the petitions that this had substantially reduced the emoluments of the general insurance employees, and it had adversely affected the employess throughout the country.

The main ground of the challenge is that the impugned notification is illegal as the Central Government has no power to issue it under Section 16 of the said Act and such as the notification framing the present "scheme" is ultra vires Section 16(1) of the General Insurance Business (Nationalisation) Act 1972. According to the petitioners, once the merger of the insurance companies took place and the process of reorganisation was complete on 1st January, 1974 as mentioned before by forming the four insurance companies by the four schemes already framed in 1973, there could be no further schemes except in connection with further reorganisation of general insurance business and the merger of more insurance companies as mentioned in sub-section (1) of Section 16 of the said Act. By the present alleged scheme there was no merger or reorganisation contemplated, unlike 1974 scheme, according to the petitioners. The petitioners contend that merely making amendment to the terms and conditions of service of the employees unconnected with or not necessitated by the reorganisation of the business or merger or amalgamation of the companies would not fall within Section 16(1)(g) of the Act. According to the petitioners, the only properly called schemes sanctioned under Section 16(1) are those four merger schemes of 1973 as would be evident from the preamble to the Act.

The petitioners further contend that under the Life Insurance Corporation Act, Banking Companies Act, etc. there were powers to frame regulations independently of reorganisation. But there is no such power, according to the petitioners, under the General Insurance Business (Nationalisation) Act, 1972. The said notification therefore is without the authority of law. It is, further, submitted that the present service conditions of the employees unrelated to reorganisation of general insurance business or merger or amalgamation of insurance companies, could not form part of any scheme or notification under section 16 of the aforesaid Act. Section 16(7) of the Act would not come into play and the provisions of the Industrial Disputes Act, 1947 including section 94 were applicable to the general insurance industry. Therefore if the companies wanted to change the service conditions of their employees affecting them adversely, they should have given, the petitioners contend, notice of changes under section 9A of the Industrial Disputes Act, 1947, negotiated with the employees and arrived at some settlement or had the dispute adjudicated upon under the said Act. Since this has not been done, particularly when the conciliation proceed-

ings were still pending in the absence of Government's acknowledgement of failure report of the conciliation officer, the action of the Government in issuing the unilateral notification is bad in law. It is submitted further that impugned notification is ultra vires being violative of Article 14 of the Constitution because it discriminated between employees similarly situated, particularly in the matter of dearness allowance and retirement age.

The petitioners contend that under the Sick Textile Undertakings (Nationalisation) Act, 1974, the Coking Coal Mines (Nationalisation) Act, 1972 etc., spearate companies had been formed on nationalisation. The employees of those companies were entitled to have their service conditions regulated under Industrial Disputes Act, 1947. In the present case, the employees have been deprived of the existing benefits without following the procedures prescribed under the Industrial Disputes Act, 1947. Therefore, there was discrimination and violation of article 14 of the Constiution. The petitioners therefore contend that the terms and conditions of service enunciated in 1974 being as a result of bilateral agreement, could not be changed unilaterally, to the detriment of the employees' fundamental rights to carry on their employment for gain and as such violative of article 19(1) (g) of the Constitution. It is stated that the notification was illegal, being ultra vires section 16 of the Act. Since, according to the petitioners, such notification deprived the rights of the employees to receive dearness allowance etc. with the rise in the cost of living index without any limit, it is deprivation of property without providing for compensation and is thus also violative of article 31(2) of the Constitution. The petitioners, further, contend that the Constitution 44th amendment deleting Articles 31 and 19(1) (f) cannot save the scheme since that Amendment came into force only on 20th June, 1979, whereas the impugned notification affecting the rights of the employees to emoluments takes effect from 1st January, 1979. It was further urged that the protection of article 31B read with Nineth Schedule of the Constitution was not available to any scheme or notification much less the present one. The present notification, according to the petitioners, disregarded the directive principles enunciated in Article 43 of the Constitution. The petitioners therefore ask for quashing the said notification by these petitions under Article 32 of the Constitution.

The second batch of Writ applications (Writ Petition Nos. 5434-37 of 1980) are on behalf of the employees as well as the

General Insurance Employees All India Association challenge the scheme of 1980 more or less on the same though not identical grounds mentioned in Writ Petition Nos. 5370-74 of 1980. Interim order was passed in the said application regarding payment of dearness allowance as would appear from the Court's order dated 25.8.1981. In the said order, directions were given for payment of dearness allowance payable under the old scheme from the beginning of 1981 with quarter April, as well as quarter beginning from July, 1981 within certain time mentioned in the said order. It was, further, directed that subsequent dearness allowances will be paid in accordance with the directions to be given at the time of disposal of these writ applications.

In the Writ Petitions Nos. 5370-74 of 1980, there is a petition on behalf of All India National General Insurance Employees Association for intervention. It respresents a Trade Union of workmen working in the offices of General Insurance Corporation of India, Bombay as well as its subsidiaries. They, inter alia, allege that the main petitions have challenged the scheme of 1980 on purely technical grounds and though it would be correct to say that the scheme of 1980 does not meet the aspirations of the workers wholly as reflected in the various charters of demands submitted to the management, they are of the opinion that the same is not completely bereft of any merit so that the same may be quashed by this Court. They mentioned certain additional benefits available in the said scheme of 1980 in paragraphs 15, 16, 17, 18 and 19 of the said application. They therefore claim right to intervene in the said Writ application Nos. 5370-74 of 1980. There is also an application by Senior Assistants of the New India Assurance Company Ltd. and National Confederation of General Insurance Employees, represented by its Vice-president under Order XLVII Rule 6 of the Supreme Court Rules of 1966 praying for permission to intervene in these petitions. Upon this an interim order was passed on 24.10.1980 staying the operation of the scheme (operation of the Notification dated 30th September, 1980) and notice was issued in the stay application.

All these will be disposed of by this judgment.

It will, therefore, be necessary, before we examine the contentions raised in these petitions, to briefly consider the scheme of 1980. As mentioned before, this scheme is called the General Insurance

(Rationalisation and Revision of Pay Scales and other Conditions of Service of Supervisory, Clerical and Subordinate Staff) Second Amendment Scheme, 1980. Some new definitions have been provided by paragraph 2 of 1980 scheme which included the meaning of the 'Company' and under the scheme it mentioned that the 'Company' would mean the four nationalised companies, National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Fire and General Insurance Company Limited and the United India Insurance Company Limited. Sub paragraph (ii) of paragraph 2 of the said scheme defines 'Net monthly emoluments'. By sub-paragraph (ii), the amended definition of 'Revised terms', (Revised Scales of Pay) was inserted. By paragraph 3, adjustment of pay was stipulated on the coming into effect of operation of 1980 scheme. How the basic pay is to be fixed is provided by 1980 scheme. It also makes detailed provisions as to how the adjustment allowance is to be dealt with so far as Dearness Allowance, Overtime allowance, Contribution to Provident Fund and other retirement benefits are concerned. Paragraph 5 deals with the 'Increments'. Paragraph 6 deals with Earned Leave and other encashment of leave at the time of retirement and death. Paragraph 7 deals with 'Retirement' and stipulates that an employee who was in service of the Corporation before the commencement of the scheme of 1980 should retire from service when he attains the age of 60 years. But an employee, who joins the service of the Corporation after the commencement of the scheme will retire on his attaining the age of 58 years. It further stipulates that an employee would retire on the afternoon of the last day of the month in which he attains the age of 60 years or 58 years as the case might be. Clause 8 deals with 'Gratuity'. Clause 10 provides the duration of revised terms and stipulates that the revised terms should be continued to be in force unless modified by the Central Government. Then the Second Schedule of 1974 scheme which dealt with Travelling Allowance category, Travel by Road and different allowances for the same, transfer grant were amended and the new Fourth Sehedule included scales of pay to be fixed, on the revised scales of pay indicated therein.

It is not necessary to set out further details of the actual provisions of 1980 scheme. While on behalf of the petitioners, it was contended that the revised scales of pay and the terms included therein were highly detrimental to the employees concerned, on the other hand, it was contended on behalf of the Union of India as well

as the General Insurance Company that on the whole, the revised scales of pay provided for better pay and allowances and better opportunities to the employees concerned. One of the intervener unions also states that the 1980 scheme is not completely devoid of merit. Parties have taken us through in detail by help of charts and other figures in support of the respective cases and contentions. It is not necessary, in view of the nature of the contentions raised before us, to express any opinion on the merits or demerits of the rival contentions of the parties in respect of the details of either or both the schemes. It may, however, be stated that there has been a ceiling on increase of pay automatically with the increase of the ries in the cost of index. The respondents, namely, the union of India as well as the General Insurance Company, contended that in comparison with other employees is governmental sectors or public sectors, the employees of the general insurance companies were 'High wage islanders' and it was necessary to put a ceiling on the emoluments and other amenites in order to facilitate better functioning of the insurance companies concerned as well as subserve the object and purpose of the nationalisation policy. The various defailed items of the scheme of 1974 and 1980 have to be viewed in this background.

The basic and, in our opinion, the main questions are—has the Government and the respondents power in law to introduce the 1980 scheme and if they have that power, have they exercised that power in any arbitrary and whimsical manner to deny to the petitioners any of the fundamental rights and whether the petitioners have been discriminated against? These, therefore, are the questions and it is not necessary, in our opinion, to detain ourselves with lengthy extracts from the scheme of 1974 and 1980 to examine which is better or which is detrimental and if so, to what extent. On these, there will be and are divergent views.

The scheme of 1980 has been framed by the Central Government under the authority given to it by the Act under General Insurance Business (Nationalisation) Act, 1972. The scope of that authority has, therefore, to be found under Chapter V containing Sections 16 & 17 of the Act. We have set out hereinbefore the terms of Sections 16 & 17. Sub-section (1) of Section 16 authorises the Central Government, if it is of the opinon that "for the more efficient carrying on of general insurance business, it is necessary to do so, may, by notification, frame one or more schemes" providin for

all or any of the matters enumerated in the different clauses of Section 16(1) of the said Act, and the matters have been set out in the different clauses of the said sub-section. For the present purpose, clause (g) is relevant, which gives authority to the Central Government to frame scheme for rationalisation or revision of pay scales and other terms and conditions of service of officers and other employees wherever necessary. Clause (j) of the said sub-section gives authority to the Central Government also to frame scheme for such incidental, consequential and supplemental matters as are necessary to give full effect to the scheme. Therefore, the question that is necessary for this purpose to determine, is, whether the power given to the Central Government by clause (g) for the rationalisation or revision of pay scales and other terms and conditions of service of officers and other employees, wherever necessary can be said to authorise the Central Government to frame the present scheme under consideration. This must be judged in conjuction with sub-section (6) of Section 16 which authorises the Central Government, by notification, to add, to amend or to vary any scheme framed under Section 16. The point at issue, is, whether rationalisation or revision of pay scales and other terms and conditions of service of officers and other employees wherever necessary can authorise the Central Government to frame scheme like the scheme of 1980, which is unconnected with or unrelated to the merger of one Indian insurance company with another insurance company or the formation of a new company by the amalgamation of two or more Indian insurance companies. In order to find that out, it is necessary to read the provisions of this Act as a whole. Primarily, if the words are intelligible and can be given full meaning, we should not cut down their amplitude. Secondly, the purpose or object of the conferment of the power must be borne in mind. The first indication of the said object in this case, as is often in similar statutes, can be gathered from the preamble to the Act. We have noticed the preamble of the present Act. This preamble has also to be read in the light of sub-section (2) of Section 16 which provides that the object of the Central Government in framing the schemes under sub-section (1) was to give authority to the Central Government to frame schemes, to ensure that ultimately there are only four insurance companies (excluding the Corporation) in existence and that they are so situate as to render their combined services effective in all parts of India. Sub-section (2), therefore, to a large extent circumscribes the amplitude of the power given under sub-section (1) of Section 16 of the Act. As framing of the scheme is an exercise of the delegated

A authority by the Central Government, the memorandum regarding delegated legislation submitted to the Parliament along with the General Insurance Business (Nationalisation) Bill, 1972 will provide some guidance also. As we have noticed that clause 16 of the said Bill which later on became Section 16 of the Act explained the need for delegated authority and stated the object as 'to frame one or B more scheme for the merger of one Indian insurance company with another or for the amalgamation of the two or more insurance companies and for matters consequential to such merger or amalgamation as the case might be'. Bearing in mind that this is a delegated legislation and keeping in mind that the authority to frame the scheme must be found within the object of the power given under C Chapter V of the Act and reading the entire connected provisions together, it appears to us, that the only authority or power to frame scheme given was for the purpose of merger of one Indian insurance company with another for amalgamation of two or more Indian insurance companies and for matters consequential to such merger D or amalgamation as the case might be. Any scheme though, it might come within the wide expressions used in sub-section (6) of Section 16 as well as clause (g) or clause (j) of sub-section (1) of Section 16, which is unrelated to or unconnected with the amalgamation of the insurance companies or merger consequent upon nationalisation would be beyond the authority of the Central Government. This E has to be so if read in conjunction with sub-section (2) of Section 16 of the Act. It is evident from the scheme of 1980 that it is not connected with or is not for the purpose to ensure that ultimately there are only four insurance companies existing and they are so situate as to render combined services effective in all parts of India. It is true that subsequent to the merger of the four insurance compa- F nies, scheme as indicated herein-before, dealing with Provident Fund, Gratuity etc. have been framed but these, in our opinion, are irrelevant when judging the question of the authority to frame a particular scheme which is impugned. It is also true that the scheme of 1974 so far as pay scale was concerned as indicated in the scheme G as we have set out hereinbefore provided that the scheme would remain in force initially for a period upto 31st December, 1976 and thereafter shall continue to be in force unless modified by the Central Government. It is also true that the employees themselves, as indicated hereinbefore, wanted revision of pay scales and claimed through their numerous charters of demands amending or framing H of a fresh scheme by the Government on the basis that the Central Government alone had the authotity to frame the scheme under the Act. Certain amount of revision of pay scale and other terms and

conditions become inevitable from time to time in all running business or administrations. Clause (g) of sub-section (1) of Section 16 authorises the Central Government to frame scheme for rationalisation and revision of pay scales and other terms and conditions of services of officers and other employees wherever necessary. But it is evident that the scheme of 1980 impugned in these petitions is not related to the object envisaged in sub-section (2) of Section 16 of the Act. In order to be warranted by the object of delegated legislation as explained in the memorandum to the Bill which incorporated Section 16 of the Act, read with the preamble of the Act, unless it can be said that the scheme is related to sub-section (2) of Section 16 of the Act, it wonld be an exercise of power beyond delegation. The duty of the Court in interpreting or construing a provision is to read the section, and understand its meaning in the context. Interpretation of a provision or statute is not a mere exercise in semantics but an attempt to find out the meaning of the legislation from the words used, understand the context and the purpose of the expressions used and then to construe the expressions sensibly.

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There is another aspect which has to be kept in mind. The scheme is an exercise of delegated authority. The scope and ambit of such delegated authority must be so construed, if possible, as not to make it bad because of the vice of excessive delegation of legislative power. In order to make the power valid, we should so cosntrue the power, if possible, given under Section 16 of the Act in such manner that is does not suffer from the vice of delegation of excessive legislative authority.

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It is well-settled that unlimited right of delegation is not inherent in the legislative power itself. This Court has reiterated the aforesaid principle in *Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.* v. *The Assit. Commissioner of Sales Tax & Ors.*(1) The growth of legislative power of the executive is a significant development of the 20th century. The theory is *laissez-faire* has been given a go-by and large and comprehensive powers are being assumed by the State with a view of improve social and economic well-being of the people. Most of the modern socio-economic legislations passed by the legislature lay down the guiding principles of the legislative policy. The legislatures, because of limitation imposed upon them

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(1) [1974] 2 S.C.R. p. 879.

A and the time factor, hardly can go into the matters in detail. The practice of empowering the executive to make subordinate legislation within he prescribed sphere has evolved out of practical necessity and pragmatic needs of the modern welfare State.

B Regarding delegated legislation, the principle which has been well-established is that legislature must lay down the guidelines, the principles of policy for the authority to whom power to make subordinate legislation is entrusted. The legitimacy of delegated legislation depends upon its being used as ancillary which the legislature considers to be necessary for the purpose of exercising its C legislature power effectively and completely. The legislature must retain in its own hand the essential legislative function which consists in declaring the legislative policy and lay down the standard which is to be enacted into a rule of law, and what can be delegated is the task of subordinate legislation which by very nature is ancillary to the statute which delegates the power to make it effective D provided the legislative policy is enunciated with sufficient clearness —or a standard laid down. The courts cannot and do not interfere on the discretion that undoubtedly rests with the legislature itself in determining the extent of the delegated power in a particular case. It is true that in this case under Section 16(1)(g), rationalisation or revision of pay scales and other terms and conditions of service of E officers and other employees wherever necessary is one of the purpose for which scheme can be framed under Section 16(1) of the Act. It is also true that incidental, consequential and supplemenetary matters as are necessary to give full effect to the scheme are also authorised under clause (j) of sub-section (1) of Section 16. It has F also to be borne in mind, that scheme and every amendment to a scheme framed under section 16 shall be laid as soon as may be after it is made before each House of Parliament. The last provision is indicative of the power of superintendence that the legislature maintains over the subordinate legislation of scheme framed by the delegate under the authority given under the Act. From that point G of view, it is possible to consider as indeed it was argued on behalf of the respondents in this case, that having regard to the fact that one of the objects of the Preamble is regulation and control of general insurance business and other matters connected therewith or incidental thereto and having regard to the fact that rationalisation and revision of pay scales whenever necessary was one of the objects H envisaged under sub-section (1) alongwith clause (j) of sub-section (1) of Section 16 of Section 16 read with the safeguards of section

17 as we have set out hereinbefore in case of revision and rationalisation of pay scales whenever it becomes necessary as in this case, according to the respondents, it had become necessary, the scheme of 1980 was permissible within the delegated authority. But we must bear in mind the observations of Mukherjea, J. in *The Delhi Laws*'[1] case to the following effect :

> "The essential legislative function consists in the determination or choosing of the legislative policy and of enacting that policy into a binding rule of conduct. It is open to the legislature to formulate the policy as broadly and with as little or as much details as it thinks proper and it may delegate the rest of the legislative work to a subordinate authority who will work out of the details within the framework of that policy".

But as explained before the Act must be read as a whole. The Act must be read in conjunction with the preamble to the Act and in conjunction with the memorandum in Clause No. 16 of the Bill which introduced the Act in question. But above all it must be read in conjunction with sub-section (2) of Section 16 of the Act which clearly indicated the object of framing the scheme under Section 16(1) of the Act. The authority and scope for subordinate legislation can be read in either of the two ways ; namely one which creates wider delegation and one which restricts that delegation. In our opinion, in view of the language of sub-section (2) of Section 16 and the memorandum to the Bill, in the peculiar facts of this case the one which restricts the delegation must be preferred to the other. So read, in our opinion, the authority under Section 16 under the different clause of sub-section (1) must be to subserve the object as envisaged in sub-section (2) of Section 16 of the Act, and if it is so read than framing of a scheme for purposes mentioned in different clause of sub-section (1) of Section 16 must be related to the amalgamation or merger of the insurance companies as envisaged both in the memorandum on delegated legislation as well as sub-section (2) of Section 16. We may mention in this connection that in the case of *A.V. Nachane & Another* v. *Union of India & Another*,[2] this contention of delegated legislation was adverted to. In that case the Court was concerned with Life

(1) [1951] S.C.R. 737.
(2) [1982] 2 S.C.R. 246.

Insurance Corporation (Amendment) Act, 1981 where the policy of the Act as stated in the preamble of the Amendment Act was that "for securing the interests of the Life Insurance Corporation of India and its policy-holders and to control the cost of administration, it is necessary that revision of the terms and condition of service applicable to the employees and agents of the Corporation should be undertaken expendiously. That was the object of the Act in question. Unfortunately that is not the object indicated as the object of the power to frame scheme under Section 16 of the present Act. In view of that object mentioned in the said decision and for other reasons in the case of *A.V. Nachane & Another* v. *Union of India & Another* (supra), this Court held that the Act in question did not suffer from the vice of excessive delegation. In view of what we have stated hereinbefore, the scheme of 1980 so far as it is not related to the amalgamation or merger of insurance companies, it is not warranted by sub-section (1) of Section 16. If that be so, the scheme must be held to be bad and beyond authority.

This being the position, it is not necessary to examine the various other contentions raised in this case. Various contentions have been made. Both sides relied on various decisions in support of their respective contentions. Both sides relied on the decisions dealing with the employees of the Life Insurance Corporation and the Acts and the amendments in connection with their terms of employment. We will just note the decisions. Reliance was placed on the decision in the case of *Madan Mohan Pathak* v. *Union of India & Ors, Etc.*[1] The question in that decision was that the validity of Section 3 of the Life Insurance Corporation (Modification of Settlement) Act, 1976. The questions involved in that decision, in the view we have taken as well as in the facts of the instant case, are not relevant. In last mentioned case there was a writ petition which was allowed by the learned single Judge of the High Court and appeal was preferred from that decision. During the pendency of the appeal, there was an amendment to the Act namely, the Life Insurance Corporation (Modificatior of Settlement) Act, 1976. In the Letters Patent Appeal, the Corporation stated that in view of the impugned Act, there was no necesscity for proceeding with the appeal and the Division Bench of Calcutta High Court made no order on the said appeal. This

(1) [1978] 3 S.C.R. 334.

Court held among other things that the rights of the parties had crystallised in the judgment and became the basis of a Mandamus of the High Court and it could not be taken away by indirect fashion proposed by the Act under challenge before this Court.

Chandrachud, J., as the learned Chief Justice then was, speaking for himself and Fazal Ali and Shinghal, JJ. concurred with the majority view on the basis that the impugned Act violated Article 31(2) of the Constitution and was therefore void. Bhagwati, J. speaking for himself and on behalf of Iyer & Desai, JJ. was of the view that irrespective of whether the impugned Act was constitutionally valid or not, the Corporation was bound to obey the writ of Mandamus issued by the High Court and to pay the bonus for the year 1975-76 to class III and Class IV employees. The said learned judges held that writ of Mandamus was not touched by the impugned Act. The other observations of the said Judges as well as the other learned Judges are not relevant in the view we have taken. In instant case before us we do not have any case of settlement which was the subject matter there between the workers and the employers and the rights flowing therefrom.

Reliance was also placed on the decision in the case of *The Life Insurance Corporation of India* v. *D.J. Bahadur & Ors*(1). as well as the decision in the case of *A.V. Nachane & Another* v. *Union of India & Another* (supra). In the view we have taken, it is not necessary to examine these decisions in detail. In those cases, the question under consideration was the Life Insurance Corporation Act, 1956 and the subsequent amendments thereto as well as certain orders in respect of the same.

The basis upon which the aforesaid two decisions proceeded were (a) a right had crystallised by the directions in *D.J. Bahadur's* case (supra) and this could not be altered or taken away except by a fresh industrial settlement or award or by relevant legislation and (b) the relevant legislation which was the subject matter of challenge in *A.V. Nachane's* case (supra) can not take away the rights which had accrued to the employees with retrospective effect. As is evident from the facts of the case before us, the situation is entirely different. We are concerned here with the question primarily whether the scheme is authorised by the Act and if it is so authoris-

(1) [1981] 1 S.C.R. 1083.

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ed, the question is whether the Act in question is constitutionally valid in the sense it had taken away any rights which had crystallised or whether it infringed Article 14 of the Constitution. These decisions also deal with the question whether a special legislation would supersede a general legislation and which legislation could be
B considered to be a special legislation. It may be noted that we are not concerned with any settlement or award. In that view of the matter, it is not necessary to detain ourselves with the said decisions and the various aspect dealt with in the said decisions.

Another aspect that was canvassed before us was whether
C Section 16 of the 1972 Act with which we are concerned in any way affected any industrial dispute and whether the provisions of sub-section (5) of Section 16 or sub-section (7) of Section 16 in any way curtailed any right in respect of any industrial dispute and if so, whether the General Insurance Business (Nationalisation) Act, 1972
D is a special legislation or whether the Industrial Disputes Act, 1947 is a special legislation in respect of adjudication of rights between the employees and the employer.

If we had held that the scheme of 1980 was permissible within the power delegated under Section 16 of the General Insurance
E Business (Nationalisation) Act, 1972, it would have been necessary for us to discuss whether there is any conflict between the provisions of the said Act and the Industrial Disputes Act, 1947 and if so, which would prevail. Section 16(5) of the 1972 Act, as we have noticed earlier, stipulates that notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law
F for the time being in force, the transfer of the services of any officer or other employee of an Indian insurance company to the acquiring company shall not entitle any such officer or other employee to any compensation under that Act or other law, and no such claim shall be entertained by any court, tribunal or other authority. This, to a certain extent, clearly excludes the operation of the Industrial Dis-
G putes Act, 1947 in respect of disputes arising on the transfer of the business of general insurance. There is no such question before us. Had it been possible to hold that the scheme of 1980 was valid in proper exercise of the authority under Section 16 of the Act, a question would have arisen as to whether the ceiling and other con-
H ditions on emoluments could be imposed on the employees in the manner proposed to be done under the scheme of 1980 without reference to the procedure for adujication of these matters under the

Industrial Disputes Act, 1947. Then the question had to be judged by reference to sub-section (5) and sub-section (7) of Section I6 of the 1972 Act. Section 16 empowered the Government by notification to add to, amend or very any scheme framed under Section 16(1). Sub-section (7) provides that the provisions of this section, namely Section 16 of the 1972 Act and of any scheme under it shall have effect notwithstanding anything to the contrary contained in any other law or any agreement, award or other instrument for the time being in force.

We have noticed the scheme of 1980. That scheme puts certain new conditions about retirement, about emoluments and other benefits of the employees. It may be noted that the application of Industrial Disputes Act as such in general is not abrogated by the provisions of 1972 Act, nor made wholly inapplicable in respect of matters not covered by any provisions of the scheme. This aspect is important and must be borne in mind.

Wrongful dismissal, other disciplinary proceedings, unfair labour practices, victimization etc. would still remain unaffected by any scheme or any provision of the Act. The only relevant and material question that would have arisen, is, whether in case where a statutory ceiling which one of the counsel for the petitioners tried to describe as "statutory gherao on rise of increase in emoluments and other benefits with the rise in the cost of index of prices" affected the position under the Industrial Disputes Act, 1947. It may be noted as we have noted before that this is not a case where any dispute was pending before any tribunal or before any authority under the Industrial Disputes Act, 1947 between the workmen concerned and the insurance companies. Though there was conciliation proceedings, the conciliation proceedings could not reach to any successful solution and the Conciliation Officer has made a report failure of conciliation. The Goverment had the report. Thereafter the Government has not referred the dispute to any industrial tribunal but has framed a scheme which is the subject matter of challenge before us. It cannot, in our opinion, be said that conciliation proceedings or any proceeding under the Industrial Disputes Act were pending and therefore in the middle of the proceedings under the Industrial Disputes Act, the Government had acted and framed the scheme and as such the same was bad and illegal. There were no proceedings pending under the Industrial Disputes Act, 1947. With the finding of the Conciliation Officer, the Government

had two options, either reaching a settlement or framing a scheme on the one hand or to make a reference to the tribunal of the dispute regarding the points mentioned in the demands of the workmen. There is one factual dispute which, in our opinion, is not very material. According to the petitioners, the Government had not acknowledged the receipt of the failure report of the Conciliation Officer. According to the respondents, the receipt was acknowledged; the failure of the conciliation proceedings, however, is admitted. No further steps or proceedings were required as such. The Government had to assess on the failnre of the conciliation proceedings either to refer the matter to the tribunal or to take such steps as it considered necessary. If the Government had not taken any of the steps, then it was open, if the employees concerned were in any way aggrieved, to take appropriate proceedings against the Government for doing so. As mentioned hereinbefore if the scheme was held to be valid, then the question what is the general law and what is the special law and which law in case of conflict would prevail would have arisen and that would have necessitated the application of the principle "*Generalia specialibus non derogant*". The general rule to be followed in case of conflict between two statutes is that the later abrogates the earlier one. In other words, a prior special law would yield to a later general law, if either of the two following conditions is satisfied.

(i) The two are inconsistent with each other.

(ii) There is some express reference in the later to the earlier enactment.

If either of these two conditions is fulfilled, the later law, even though general, would prevail.

From the text and the decisions, four tests are deducible and these are : (i) The legislature has the undoubted right to alter a law already promulgated through subsequent legislation, (ii) A special law may be altergated or repealed by a later general law by an express provision, (iii) A later general law will override a prior special law if the two are so repugnant to each other that they cannot co-exist even though no express provision in that behalf is found in the general law, and (iv) It is only in the absence of a provision to the contrary and of a clear inconsistency that a special law will remain wholly unaffected by a later general law. See in this connection.,

Maxwell on "The Interpretation of Statutes" Twelfth Edition, pages 196-198. A

The question was posed in the case of *The Life Insurance Corporation of India* v. *D.J. Bahadur & Ors.* (supra) where at page 1125, Krishna Iyer, J. has dealt with the aspect of the question. There the learned Judge posed the question whether the LTC Act was a special legislation or a general legislation. Reference in this connection may also be made on Craies on "Statute Law" Seventh Edition (1971) paras 377-382, but it has to be borne in mind that primary intention has to be given effect to. Normally two aspects of the question would have demanded answers, if the scheme of 1980 was held to bo valid on the first ground as we have discussed, one is whether the General Insurance Business (Nationalisation) Act, 1972 is a special statute and the Industrial Disputes Act, 1947 is a general Act or vice versa, and secondly whether there is any express provision in the General Insurance Business (Nationalisation) Act, 1972 which deals with the subject. Now in this case we have categorical reference to the Industrial Disputes Act, 1947 in sub-section (5) and sub-section (7) of Section 16 of the General Insurance Business (Nationalisation) Act, 1972. There is, however, one aspect where it would have been necessary had we held the scheme to be valid otherwise, if there had been no General insurance Business (Nationalisation) Act, 1972, then the employees would have been entitled to raise a dispute on the question of increase of emoluments and revision of pay scale with rise in the cost of index of the prices under the Industrial Disputes Act, 1947. In such a situation, the Government, after conciliation proceedings, was empowered to make a reference if it considered so necessary having regard to the nature of the disputes raised. Though it cannot be said that reference was a matter of right but it was within the realm of power of the Government and the Government has a duty to act with discretion on relevant considerations to make or not to make a reference taking into consideration the facts and circumstances of each case. To that limited extent it could have been said that this right or power has been curtailed by the General Insurance Business (Nationalisation) Act, 1972, if the scheme was otherwise valid. B C D E F G

Having regard to the context in which the question now arises before us, in our opinion, there is no question as to whether the provisions of Industrial Disputes Act would prevail over the provi- H

sions of General Insurance Business (Nationalisation) Act. There is no industrial dispute pending as such. The General Insurance Business (Nationalisation) Act, 1972 has not abrogated the Industrial Disputes Act, 1957 as such.

The question of the application of the principle of "*Generalia specialibus non derogant*" has been dealt with in the case of *J.K. Cotton Spinning & Weaving Mills Co. Ltd.* v. *State of U.P. & Ors.*(1) Some of these aspects were also discussed in the case of *U.P. State Electricity Board & Ors.* v. *Hari Shanker Jain and Ors.*(2)

Had it been possible to uphold the scheme of 1980 as being within the power of 1972 Act, it would have been also necessary for us to consider whether such a scheme or Act would have been constitutionally valid in the context of fundamental rights under Article 14, article 19(1)(g) and article 31 of the Constitution and the effect of the repeal of article 31 by the 44th amendment of the Constitution. The General Insurance Business (Nationalisation) Act was put in the Nineth Schedule of the Constitution as item 95 on 10th August, 1975. The effect of putting a particular provision in the Nineth Schedule at a particular time has been considered by this Court in the case of *Prag Ice & Oil Mills & Anr. Etc.* v. *Union of India.*(3) It was held by the learned Chief Justice in the said decision that on a plain reading of article 31A, it could not be said that the protective umbrella of the Nineth Schedule took in not only the acts and regulations specified therein but also orders and notifications issued under those acts and regulations. Therefore if any rights of the petitioners had been affected by the scheme of 1980 then those rights would not enjoy immunity from being scrutinised simply because the Act under which the scheme was framed has been put in the Ninth Schedule. In any event any right which accrued to the porsons concerned prior to the placement of the Act in the Nineth Schedule cannot be retrospectively affected by the impugned provisions.

It was contended that the rights of the petitiones under article 19(1)(g) have been affected by the impugned legislation and the scheme framed thereunder. Empowering the Government to frame schemes for carrying out the purpose of the Act, does not, in our

(1) 1961] 3 S.C.R. 185.
(2) [1979] 1 S.C.R. 355.
(3) [1978] 3. S,C.R 293.

opinion, in the fects and circumstances of the case, in any way, affect or abridge the fundamental rights of the petitioners and would not attract article 19(1) (g).

The other aspect which was canvassed before us was whether the Act and the scheme in question violated article 14 of the Constitution. This question has to be understood from two aspects, namely whether making a provision for salary and emoluments of the petitioners who are the employees of the General Insurance Corporation specificaly and differently from the employees of other public section undertakings is discriminatory in any manner or not and the other question, is, whether making a provision for the employees of General Insurance Corporation for settlement of their dues by schemes and not leaving the question open to the general provisions of Industrial Disputes Act, 1947 is discriminatory and violative of the rights of the employees.

It is true that sometimes there have been rise in emoluments with the rise in the cost of index in certain public sector corporations. The legislature however is free to recognise the degree of harm or evil and to make provisions for the same. In making dis-similar provisions for one group of public sector undertakings does not *per se* make a law discriminatory as such. It is well-settled that courts will not sit as super-legislature and strike down a particular classification on the ground that any under-inclusion namely that some others have been left untouched so long as there is no violation of constitutional restraints. It was contended that the application of the Industrial Disputes Act not having been excluded from the Nationalised Textile Mills, Nationalised Coal and Coking Coal Mines and Nationalised Banks but if and is so far as it excluded the application of the Industrial Disputes Act, in case of general insurance companies, the same is arbitrary and bad. In this connection reliance may be placed on the observations of the learned Chief Justice in the case of '*Special Courts Bill 1978*'.(1) The same principle was reiterated by this Court in the case of *State of Gujarat and Anr.* v. *Shri Ambica Mills Limited, Ambedabad etc.*(2) In that case, this Court was of the view that in the matter of economic legislation or reform, a provision would not be struck down on the vice of under-inclusion, inter alia, for the reasons that the legislature could not be

(1) [1979] 2 S.C.R. 476 at pages 540-541
(2) [1974] 3 S.C.R. 760

required to impose upon administrative agencies task which could not be carried out or which must be carried out on a large scale at a single stroke. It was further reiterated that piecemeal approach to a general problem permitted by under-inclusive classifications, is sometimes justified when it is considered that legislatures deal with such problems usually on an experimental basis. It is impossible to tell how successful a particular approach might be, what dislocation might occur, and what situation might develop and what new evil might be generated in the attempt. Administrative expedients must be forged and tested. Legislators recognizing these factors might wish to proceed cautiously, and courts must allow them to do so. This principle was again reiterated in the Constitution Bench decision of this Court in the case of *R.K. Garg etc.* v. *Union of India & Ors. etc.*(1)

As there was no industrial dispute pending, we are of the opinion that on the ground that the petitioners have been chosen out of a vast body of workmen to be discriminated against aud excluding them from the operation of Industrial Disputes Act, there has been no violation of Article 14 of the Constitution. This question, however, it must be emphasised again, does not really arise in the view we have taken.

Before us it was contended that sick mills which have been nationalised have been treated differently than general insurance employees under 1972 Act in Section 16(5) and Section 16(7) and in the scheme framed under the General Insurance Business (Nationalisation) Act, 1972. The object and purpose of the Sick Textile Undertakings (Nationalisation) Act, 1974, was "reorganising and rehabilitating such sick textile undertakings so as to subserve the interests of general public by augmentation of the products and distribution at fair prices of different varities of cloth and yarn". The basic objective of the said Act was rehabilitation of the sick textile mills. That was different from the purpose of the present Act. The sick textile units had under them the bulk of their employees as workmen those who came under the provisions of Industrial Disputes Act. Section 14 of the said Act statutorily recognises the special position of the workmen as contra-distinguished from the other employees by enacting seperate provisions in this respect thereon. Further-more it has to be borne in mind that the aforesaid

(1) [1982] 1 S C.R. 947

Act was concerned with the ensuring augmentation of production and distribution of certain cloth and yarn which are commodities essential to the national economy being important consumer items. Therefore the case of the employees of sick textile undertakings which has been mentioned by the petitioners and argued before us cannot be compared on similar lines in respect of this aspect with the present petitioners. We would have rejected this submission on behalf of the petitioners, had it been necessary for us to do so but in the view that has been taken, it is not necessary.

Another item mentioned before us was the employees of Coking Coal Mines (Nationalisation) Act, 1972. It has to be borne in mind that the object covered by the scheme of the Act was entirely different from the General Insurance Business (Nationalisation) Act, 1972. The Coking Coal Mines (Nationalisation) Act, 1972 was enacted to provide for the transfer of the interest of the owners of such mines and also the transfer of the interest of owners of coke oven plants with a view to "reorganising and re-constructing such coal mines and plants for the purpose of protecting, serving and permitting scientific development of resources of coking coal needed to meet the growing requirement of iron & steel industry". According to the normal prevalent view, the workmen of Coking Coal Mines were sweated labour. These workmen constituted very large percentage of the employees. The act in question namely the Coking Coal Mines (Nationalisation) Act recognised the independent existence of the said workers as a class. It has also to be kept in mind that coking coal is a commodity very vital to the national economy and prime raw materials of iron & steel industry which is a basic industry. The workmen employed in the coal mines were also sweated labour. Their special position was also statutorily recognised in the said Act. Coal is also one of the basic materials required to sustain growth. The provisions of Coking Coal Mines (Nationalisation) Act have been considered in detail and the special feature has been taken note of in the case of *Tara Prasad Singh etc.* v. *Union of India & Ors*(1). According to the respondents, Class III and Class IV employees of the General Insurance Company are high wage earners. They are islanders by themselves—according to the respondents. It is true that judges should not bring their personal knowledge into action in deciding the controversy before the Courts but if common knowledge is any guide, then undoubtedly these

(1) [1980] 3 S.C.R. 1042.

employees are very highly paid in comparison to many others. The object of the General Insurance Business (Nationalisation) Act, 1972 is to run the business efficiently so that the funds available might be utilised for socially viable and core projects of national importance. From one point of view the Nationalised Banks and the Insurance Companies for the purpose of applicability or otherwise of the provisions of the Industrial Disputes Act cannot be treated as belonging to one class. Historical reasons provide an intelligible differentia distinguishing Nationalised Insurance Companies from the Nationalised Banks. The reason suggested by the respondents was that prior to Banks Nationalisation, Industrial disputes between workmen and the Banks were treated since 1950 on All India basis with the totality of the banks being involved therein. Several awards have been made treating them as such like Shastri Award, 1953. Shastri Award Tribunal was constituted with a view to settle the disputes of the workmen of the Banks with all commercial Banks (excluding Co-operative Banks etc.) on the one hand and the employees on the other. Desai Award, 1962 bipartite settlement between Indian Banks Association and the Exchange Banks Association on the one hand and All India Bank Employees Associatton and All India Bank Employees Federation on the other, are some of the examples. As against this, prior to the Act in question before us, disputes between insurance companies and their workmen were settled on independent company basis with no All India projections involved. It may also be noted that unlike the case of some banks, there is no existing award or settlement with the petitioners employees of the general insurance companies and the four insurance companies. The financial resources, structures and functions of the Banks are different from those of the insurance companies. It may also be noted as was pointed out to us on behalf of the respondents that Bank's Class III and IV employees are about 4,85,000 in 1982 as compared to insurance companies which employ about 25,000 Class III and Class IV employees. Therefore for the purpose of rationalisation, the insurance companies wanted to curtail their emoluments on a small scale. It cannot be said that there are no distinguishing factors and that for choosing a particular group for experiment, the respondents should be found guilty of treating people differently while they are alike in all material respects.

Differentiation is not always discriminatory. If there is a rational nexus on the basis of which differentiation has been made with the object sought to be achieved by particular provision, then such differentiation is not discriminatory and does not

violate the principles of article 14 of the Constitution. This principle is too well-settled now to be reiterated by reference to cases. There is intelligible basis for differentiation. Whether the same result or better result could have been achieved and better basis of differentiation evolved is within the domain of legislature and must be left to the wisdom of the legislature. Had it been held that the scheme of 1980 was within the authority given by the Act, we would have rejected the challenge to the Act and the scheme under article 14 of the Constitution.

It was also urged before us on behalf of the respondents that the petitioners being employees of public sector undertakings, and these are economic instrumentalities of the State and having regard to the contents and contour of the concept of public employment as developed in the Indian legal system, an employee in a public sector can be approximated with and treated as a government servant. Having regard to the principles which govern the employer and employee relationship in the governmental sectors, the conditions of service of employees in public employment should be exclusively governed by the statute and by the rules and regulations framed thereunder. Predication of such power would necessarily exclude the provisions of Industrial Disputes Act and the principles of collective bargaining just as these would exclude the principles of contractual relationship in such matters. The point is interesting. However, in the view we have taken, we need not discuss this aspect any further.

It was further submitted on behalf of the respondent that the rationale, justification and the genesis of the law of nationalisation being the creation of economic instrumentalities to subserve the constitutional and administrative goals of governance in a social welfare society, the running of public sector undertakings is neither for profit earning of the management nor for sharing such profits with the workmen alone but to utilise the investible funds available as a result of such ventures and undertakings for socially-oriented goals laid down by the governmental policies operating on the said sectors. In this connection reference was made before us to the decision in the case of *State of Karnataka & Anr. etc.* v. *Ranganatha Reddy & Anr. etc.*[1]

1. [1978] 1 S.C.R. 641 at pages 672, 676 & 691.

A Employment in the public sector undertakings enjoys a statuh. It was submitted that both historically as well as a matter of law, the public sector undertakings being the economic instrumentalities of the State and discharging the obligations which the State have, the employees of such undertakings in principle cannot be distinguished from the employees in the government services. In this connection B our attention was drawn to the case of *Sukhdev Singh & Ors.* v. *Bhagat Ram Sardar Singh Raghuvanshi & Anr.*(1) It was urged that in all constitutional democracies, the relationship between the government and the civil service is exclusively governed by the statutory provisions with the power in the Government to unilaterally alter the condi- C tions of service of the government employees. Reference was made to "*The Law of Civil Service*" by Kaplan. It was further submitted that in India the law is that origin of the Government service might be contractual but once appointed to a post under the Government, the government servant acquires a status and the rights and obligations are no longer dependent on the consent of both the parties but by D statut.

We would have considered these aspects had it been necessary for us to do so but it is not necessary in the view taken. We may reiterate that article 14 does not prevent legislature from introducing a reform i.e. by applying the legislation to some institutions E or objects or areas only according to the exigency of the situation and further classification of selection can be sustained on historical reasons or reasons of administrative exigency or piece-meal method of introducing reforms. The law need not apply to all the persons in the sense of having a universal application to all persons. A law F can be sustained if it deals equally with the people of well-defined class-employees of insurance companies as such and such a law is not open to the charge of denial of equal protection on the ground that it had not application to other persons.

In the view we have taken of the matter, these applications G succeed and the impugned scheme of 1980 must be held to be bad as beyond the scope of the authority of the Central Government, under the General Insurance Business (Nationalisation) Act, 1972. The operation of the scheme has been restrained by the order passed as interin order in these cases. The impugned scheme is therefore quashed, and will not be given effect to. The parties will be at H

1. [1975] 3 S.C.R. 619 at page 646.

liberty to adjust their rights as if the scheme had not been framed. The application for intervention is allowed. Let appropriate writs be issued quashing the scheme of 1980. This, however, will not prevent the Government, if it so advised, to frame any appropriate legislation or make any appropriate amendment giving power to Central Government to frame any scheme as it considers fit and proper. In the facts and circumstances of these cases and specially in view of the fact that petitioners had themselves at one point of time wanted that new scheme be framed by the Central Government, we direct that parties will pay and bear their own costs in all these matters. The rules are made absolute to the extent indicated above.

A

B

N.V.K. *Petitions allowed.*