

(1972) 04 P&H CK 0030
In the Punjab And Haryana At Chandigarh
Case No : Civil Writ No. 1354 of 1968

The Municipal Committee

APPELLANT

Vs

State of Punjab and Others

RESPONDENT

Date of Decision : 19-04-1972

Acts Referred:

Constitution of India, 1950 — Article 132(1), 226, 227
Industrial Disputes Act, 1947 — Section 10

Citation : (1972) 2 ILR (P&H) 564

Hon'ble Judges : Prem Chand Jain, J;D.K. Mahajan, J;Bal Raj Tuli, J

Bench : Full Bench

Advocate : P.S. Mann and G.S. Grewal, for the Appellant; Balhir Singh Bindra, Sarjit Singh, J.C. Verma, Shiella Didi and Surjit Bindra, for the Respondent

Final Decision : Dismissed

Judgement

Prem Chand Jain, J.—Municipal Committee, Banga, through Lehmbar Singh, Secretary of the Committee, has filed this petition under Article 226 and 227 of the Constitution of India, calling in question the legality and propriety of the award dated 11th March, 1968, made by Shri I.D. Pawar, Presiding Officer, Industrial Tribunal, Punjab, Chandigarh, published in the Punjab Gazette, dated March 15, 1968.

2. The facts necessary to determine the controversy raised before me and as given in the petition, may briefly be stated thus: --

3. The Petitioner is Municipal Committee, Banga, District Jullundur. It had employed 24 Octroi Moharrirs. All the Octroi Moharrirs were working on the administrative side of the clerical department of the Committee. Kewal Krishan, Sham Sunder, Gauri Shankar and Lal Chand, four of the seniormost Octroi Moharrirs who had put in more than 15 years of service in the employment of the Committee, applied for the grant of a special concession in recognition of the length of their services. The Committee,--vide its resolution No. 529, dated 26th March, 1964, granted relief to all the said four persons by allowing them grade of

Rs. 50--3--80. This action of the Committee offended the other Octroi Moharrirs who were not treated alike and on their approach, the Punjab Government,--vide Notification No. ID/5/186-11-67/42944, referred the dispute between the employees of the Committee and the Committee itself to the Industrial Tribunal, Punjab Chandigarh, for adjudication u/s 10(I)(d) of the Industrial Disputes Act, 1947 (hereinafter referred to as the Act). The dispute referred to was "Whether the Octroi Moharrirs are entitled to the pay scale of Rs. 50--3--60 ? If so, from what date and with what other details?" The Presiding Officer, Industrial Tribunal, Punjab, Chandigarh, decided the matter in favour of the Octroi Moharrirs and made the award which was published in the Punjab Gazette, dated March 15, 1968 (Copy Annexure "A" to the petition). It is the legality and propriety of this award which has been challenged by way of this petition.

4. Mr. P.S. Mann, Learned Counsel, raised the following two contentions:

(1) That the Octroi Moharrirs were not workmen and the dispute between the Municipal Committee and the Octroi Moharrirs did not partake the nature of an industrial dispute and as such it could not be referred for decision to the Industrial Tribunal.

(2) In any case the question of giving a special grade by the employer to some of its employees was not in nature of an industrial dispute which could be referred for decision to Industrial Tribunal.

5. So far as the first contention is concerned, the same is liable to be rejected in view of a Division Bench decision of this Court in Municipal Committee, Raikot, v. Ram Lal Jain and Ors. AIR 1965 P&H. 15. However, Mr. Maan, Learned Counsel for the Petitioner, challenged the correctness of the Division Bench case on the basis of the decision of their Lordships of the Supreme Court in The Management of Safdarjung Hospital, New Delhi Vs. Kuldip Singh Sethi, ., and of the Division Bench decision of the Bombay High Court in Abdul Sabir Khan and Ors. v. Municipal Council, Bhandara 1970 Lab. I.C. 588. It was also contended by Mr. Maan, Learned Counsel, that the correctness of the decision of their Lordships of the Supreme Court in the Corporation of the City of Nagpur v. Its Employees and Ors. A.I. Rule 1960 S.C. 675., was considerably shaken in view of the decision in The Management of Safdar Jung Hospital's (2) case. On the other hand it was contended by Mr. Bindra, Learned Counsel for Respondents 8 to 28, that the decision in The Corporation of the City of Nagpur's case (4), was still good law, that the Division Bench decision of this Court in Municipal Committee, Raikot's case (1), which was given on the basis of The Corporation of the City of Nagpur's case (4), laid down the correct law and that the decision of the Bombay High Court in Abdul Sabir Khan's case (3), was not correctly decided.

6. After going through the entire case law and after giving my thoughtful consideration to the entire matter, I am of the opinion that in view of the latest decision of their Lordships of the Supreme Court in The Management of Safdar Jung Hospital's case (2), the Division Bench decision in Municipal Committee,

Raikot's case (1), needs reconsideration, and that it would be proper if this question is decided by a larger Bench.

7. As on the first point the case is being referred for decision to a larger Bench, I do not propose to deal with the second contention on merits as the same can also be disposed of by the Bench hearing the reference. Accordingly I direct that the papers on this case be laid before my Lord, the Chief Justice, for appropriate orders.

ORDER of FULL BENCH.

P.C. JAIN, J.

8. The referring order dated December 23, 1971, by which this case was referred by me for decision to a larger Bench, may be read as part of this judgment.

9. The first question that requires determination, is whether the Octroi Department of the Municipal Committee is an industry and a dispute between the employees of that Department and the Municipal Committee partakes of the nature of an industrial dispute. Though the question was covered by the decision of their Lordships of the Supreme Court in *The Corporation of the City of Nagpur Vs. Its Employees*, ., but Mr. Maan, Learned Counsel for the Petitioner contended that the correctness of the decision in that case was shaken to a great extent by the subsequent decision of their Lordships of the Supreme Court in *the Management of Safdar Jung Hospital, New Delhi v. Kuldip Singh Sethi* A.I. Rule 1970 S.C. 1407. Reference was also made to a Division Bench decision of the Bombay High Court in *Abdul Sabir Khan and Ors. v. Municipal Council, Bhandara* (3). What was sought to be contended by Mr. Maan, Learned Counsel for the Petitioner, was that the activity of the "Octroi Department" falls within the ambit of governmental or regal domain and as such any activity carried on by this Department could not partake of the nature of "industry", with the result that the Octroi Moharrirs employed in the Department could not be held to be workmen. After going through the judicial pronouncements of their Lordships of the Supreme Court, I am of the view that the contention of Mr. Maan, Learned Counsel for the Petitioner, has no merit.

10. Whether the activities carried on by a Municipal Committee or Corporation fall within the definition of "industry", have been the subject-matter of judicial pronouncements by their Lordships of the Supreme Court. The first case in point of time is *D.N. Banerji Vs. P.R. Mukherjee and Others*, . In that case as Sanitary Inspector and a Head Clerk, the two employees of the Municipal Committee, had been dismissed. At the instance of the Municipal Workers Union, the matter was referred by the State of West Bengal to the Industrial Tribunal for adjudication under the Industrial Disputes Act (hereinafter referred to as the Act). The Tribunal made its award and held that the punishment of the two employees were cases of victimisation. The Municipal Committee took the matter to the High Court at Calcutta. One of the points raised was that there was no industrial dispute and, therefore, there could be no reference under the Act to any

Tribunal. The contention was negated by the learned Judges of the High Court. The matter was taken to the Supreme Court after obtaining leave under Article 132(1) of the Constitution. Their Lordships of the Supreme Court ultimately held that the definitions in the Act include also the disputes that might arise between the Municipalities and their employees in branches of work that can be said to be analogous to the carrying out of a trade or a business. However, it was further observed that it was unnecessary to decide whether disputes arising in relation to purely administrative work fall within their ambit or not.

11. The second case to which reference may be made, is Baroda Borough Municipality Vs. Its Workmen, ., where on the strength of the decision in D.N. Banerji's case (5)" (supra) the dispute between the Baroda Borough Municipality and the workmen employed in the Electricity Department was held to be an industrial dispute.

12. The next case to which reference may be made is The Corporation of the City of Nagpur case (4), (supra). In that case it was held that regal functions described as primary and inalienable functions of State though statutorily delegated to a corporation are necessarily excluded from the purview of the definition. While explaining the scope of regal functions, it was held that the same was confined to legislative power, administration of law judicial power. The learned Judges considered the various Departments of the Nagpur City Corporation and found the Tax Department as well as the Assessment Department in addition to other Departments, to be an "industry". From this decision it is clear that their Lordships excluded from the ambit of the definition of "industry" the regal functions performed by a Corporation or a Municipal Committee only while every other function performed by them was included in the definition of "industry"; as would be evident from the following observations which appear at page 683 of the Report:

The Learned Counsel then sought to demarcate the activities of a municipality into three categories, namely (i) the activities of the department which performs the services; (ii) those of the departments which only impose taxes, collect them and administer them; and (iii) those of the departments which are purely in administrative charge of other departments. We do not see any justification for this artificial division of municipal activities. Barring the regal functions of a municipality, if such other activities of it, if undertaken by an individual, would be industry, then they would equally be industry in the hands of a municipality. It would be unrealistic to draw a line between a department doing a service and a department controlling or feeding it. Supervision and actual performance of service are integral part of the same activity. In other words, whether these three functions are carried out by one department or divided between three departments, the entire organizational activity would be an industry.

13. The next case to which reference may be made is Secretary, Madras Gymkhana Club Employees" Union Vs. Management of the Gymkhana Club, . In this case the question involved was whether the club was an industry or not. In

this case the three cases relating to the Municipal Committee or Corporation referred to above, came up for consideration but no note of discordance was made with regard to any of those decisions. This case relates to a club but the matter having been considered at great length, it would be useful to reproduce certain observations therefrom as they have a direct bearing on the point in controversy before us. The observations read as under: --

The principles so far settled come to this. Every human activity in which enters the relationship of employers and employees, is not necessarily creative of an industry. Personal services rendered by domestic and other servants, administrative services of public officials, service in aid of occupations of professional men, such as doctors and lawyers, etc., employment of teachers and so on may result in relationship in which there are employers on the one side and employees on the other but they must be excluded because they do not come within the denotation of the term "industry". Primarily, therefore, industrial disputes occur when the operation undertaken rests upon co-operation between employers and employees with a view to production and distribution of material goods, in other words, wealth, but they may arise also in cases where the co-operation is to produce material services. The normal cases are those in which the production or distribution is of material goods or wealth and they will fall within the expression trade, business and manufacture. The word "trade" in this context bears the meaning which may be taken from Halsbury's Laws of England, Third Edition, Vol 38, p. 8--

(a) exchange of goods for goods or goods for money;

(b) any business carried on with a view to profit, whether manual, or mercantile, as distinguished from the liberal arts or learned professions and from agriculture; and business means an enterprise which is an occupation as distinguished from pleasure. Manufacture is a kind of productive in which the making of articles or material (often on a large scale) is by physical labour or mechanical power. Calling denotes the following of a profession or trade.

These words have a clear signification and are intended to lay down definite tests. Therefore the principal question (and the only legitimate method) is to see where under the several categories mentioned a particular venture can be brought of these categories "undertaking" is the most elastic. According to Webster's dictionary "undertaking" means "anything undertaken" or "any business, work or project which one engages in or attempts, as an enterprise." It is this category which has figured in the cases of this Court. It may be stated that this Court began by stating in Banerji's case (5), that the word "undertaking" is not to be interpreted by association with the words that precede or follow it, but after the Solicitor's and the University cases, it is obvious that liberal arts and learned professions, educational undertakings and professional services dependent on the personal qualifications and ability of the donor of services are not included. Although business may result in service, the service is not regarded as material. That is how the service of a Solicitor firm is

distinguished from the service of a building corporation. Otherwise what is the difference between the services of a typist in a factory and those of another typist in a Solicitor's office or the service of a bus driver in a municipality and of a bus driver in a University? The only visible difference is that in the one case the operation is a part of a commercial establishment producing material goods or material services and in the other there is a non-commercial undertaking. The distinction of an essential or direct connection does not appear to be so strong as the distinction that in the one case the result is the production of material goods or services and in the other not.

It is, therefore, clear that before the work engaged in can be described as an industry, it must bear the definite character of "trade" or "business" or "manufacture" or "calling" or must be capable of being described as an undertaking in material goods or material services. Now in the application of the Act, the undertaking may be an enterprise of a private individual or individuals. On the other hand it may not. It is not necessary that the employer must always be a private individual who carries on the operation with his own capital and with a view to his own profit. The Act in terms contemplates cases of industrial disputes where the Government or a local authority or a public utility service may be employer.

14. The last case to which reference may be made and on the strength of which it had been contended that the correctness of the decision in *The Corporation of the City of Nagpur* case (4), (supra) was shaken, is *The Management of Safdar Jung Hospital, New Delhi v. Kuldeep Singh Sethi* (2). This case relates to hospitals. In an earlier case of the Supreme Court in *The State of Bombay and Others Vs. The Hospital Mazdoor Sabha and Others*, ., it had been held that hospital was an industry, but that view was not accepted in this decision. Again in this case, all the earlier cases except the case of *The Corporation of the City of Nagpur* (4), were considered and for our purpose the only relevant passage is at page 1413 which explains the meaning of "material services" and reads thus:

what is meant by "material services" needs some explanation too. Material services are not services which depend wholly or largely upon the contribution of professional knowledge, skill or dexterity for the production of a result. Such services being given individually and by individuals are services no doubt but not material services. Even an establishment where many such operate cannot be said to convert their professional services into material services. Material services involve an activity carried on through cooperation between employers and employees to provide the community with the use of something such as electric power, water, transportation, mail delivery, telephones and the like. In providing these services there may be employment of trained men and even professional men, but the emphasis is not on what these men do but upon the productivity of a service organised as an industry and commercially valuable. Thus the services of professional men involving benefit to individuals according to their needs, such as doctors, teachers, lawyers, solicitors etc., are easily distinguishable from an

activity such as transport service. The latter is of a commercial character in which something is brought into existence quite apart from the benefit to particular individuals. It is the production of this something which is described as the production of material services.

15. As earlier observed, it was on the basis of the Management of Safdar Jung Hospital's case (2) that Mr. Mann, Learned Counsel, contended that the activity of the Octroi Department of the Municipal Committee was only a governmental or regal function which had been passed on by the Government to the Municipal Committee, and that the activity of such a department could not fall in the definition of "industry". The contention of Mr. Mann, Learned Counsel, that the correctness of the decision of The Corporation of the City of Nagpur's case (4), is shaken by the decision of their Lordships of the Supreme Court in the Management of Safdar Jung Hospital's case, (2), in view of all the relevant decision referred to above, is without any merit; rather the fact is that all these decisions, when read as a whole, lead to only one conclusion that the view of their Lordships of the Supreme Court in The Corporation of the City of Nagpur's case, (4), still holds the field. According to that decision it is only the regal functions which are necessarily excluded from the purview of the definition of "industry". As to what the regal function is, it has been held by their Lordships that the same is confined to legislative power, administration of law and judicial power. The function of the Octroi Department of the Municipal Committee has no connection either with the performance of any legislative power or administration of law or judicial power. The decision of their Lordships of the Supreme Court in the Management of Safdar Jung Hospital's case (2), does not go counter to the decision in The Corporation of the City of Nagpur case (4) rather in a way it supports the view taken therein. The Municipal Committee as a body is an undertaking which renders material services through its various departments to the community at large. As to what is meant by material services, the same has been clearly enunciated by their Lordships in the Management of Safdar Jung Hospital's case (2), the relevant portion of which has been reproduced in the earlier part of the judgment. For rendering material services, the Municipal Committee has to collect funds by imposing taxes. The departments which perform such functions cannot fall in the ambit of the regal function; rather the activities carried on by such departments are performed for feeding the departments which are rendering material services and in this manner the entire organisational activity of the Municipal Committee is an industry. The only exception as laid down by their Lordships of the Supreme Court is that where any department of the Municipal Committee performs a legislative power or administration of law and judicial power, then to that extent the function being regal in nature, would not fall in the definition of industry. At this stage reference may be made to a Division Bench decision of the Bombay High Court (Nagpur Bench) in Abdul Sabir Khan and Ors. v. Municipal Council, Bhandara (3), wherein it has been held that the activity of Octroi Department of a Municipal Committee is not an industry. With utmost respect I find myself unable to agree with the

view taken by the learned Judges in that case. The activity of the Octroi Department of a Municipal Committee is not a regal function. As earlier observed, it has a direct bearing on the other activities of the Municipal Committee which render material services to the community at large because the funds realised by the Municipal Committee from any source, including the Octroi Department, are spent for rendering the material services. The decision in Abdul Sabir Khan's case (3), has proceeded on the basis that the collection of taxes is primarily the duty and responsibility of the Government and this function having been delegated to the Municipal Committee, the same could not be held to be an industry, because if the Government were to impose the taxes without delegating that power to the Municipality, it would have been a governmental or regal function which nobody else could do and it would not have been an activity which could come within the purview of the definition of the word "industry". In this case the learned Judges treated the Octroi Department as entirely a separate entity and then held that the Department as such was not rendering any material services. I am afraid, I find myself unable to agree with the reasoning of the learned Judges. While finding out whether a particular department of the Municipal Committee is an industry or not, no emphasis can be laid on the activity of that particular department alone; rather it has to be found out in relation to the other activities. It may be observed at this stage that the departments of the Municipal Committee which are rendering material services cannot perform their part of the function until and unless they are fed by the departments which carry out the work of imposing and collecting the taxes. In this connection the following observations of their Lordships of the Supreme Court in *The Corporation of the City of Nagpur's* case (4), while dealing with the Tax Department may be read with advantage:

Tax Department: The main function of this department are the imposition and collection of conservancy, water and property taxes. No separate staff has been employed for the assessment and levy of property taxes: the same staff does the work connected with assessment and collection of water rates as well as scavenging taxes. It is not disputed that the work of assessment and levy of water rate and scavenging rate for private latrines is far heavier than the other works entrusted to this department. No attempt has been made to allocate specific proportion of the staff for different functions. We, therefore, must accept the finding of the State Industrial Court that the staff of this department doing clerical or manual work predominantly does the work connected with scavenging taxes and water rate. The said rates are really intended as fees for the service rendered. The services, namely, scavenging and supply of water, can equally be undertaken by a private firm or an individual for remuneration and the fact that the municipality does the same duty does not make it any the less a service coming under the definition of "industry". We would, however, prefer to sustain the finding on a broader basis. There cannot be a distinction between property tax and other taxes collected by the municipality for the purpose of designating the tax department as an industry or otherwise. The scheme of the Corporation

Act is that taxes and fees are collected in order to enable the municipality to discharge its statutory functions. If the functions so discharged are wholly or predominantly covered by the definition of "industry", it would be illogical to exclude the tax department from the definition. While in the case of private individuals or firms services are paid in cash or otherwise, in the case of public institutions, as the services are rendered to the public, the taxes collected from them constitute a fund for performing those services. As most of the services rendered by the municipality come under the definition of "industry", we should hold that the employees of the tax department are also entitled to the benefits under the Act.

Further it would not be out of place to refer to the Division Bench decision of this Court in *Municipal Committee, Raikot v. Ram Lal Jain and Ors.* (1), wherein exactly a similar question came up for consideration and after relying on the decision of the Supreme Court in *The Corporation of the City of Nagpur's case* (4), it was held that Octroi Department of the Municipal Committee was an industry. As a result of the above discussion it clearly follows that the Octroi Department of the Municipal Committee is an industry and a dispute between the employees of the department and the Municipal Committee partakes of the nature of an industrial dispute.

16. This brings me to the second contention of Mr. Mann, Learned Counsel which proceeded on the employees was in the nature of a special grade and that the giving of such a grade was purely a managerial act and as such the Industrial Tribunal has exceeded in its jurisdiction by adjudicating upon such a matter. In support of his contention the Learned Counsel placed reliance on a Division Bench decision of the Assam and Nagaland High Court in *The Management of Takloi experimental Station Cinnamara v. The presiding Officer Labour Court, Assam at Gauhati and Ors.* A.L.R. 1966 Ass and Nag 111.

This contention of the Learned Counsel on the face of it is untenable. The committee has prescribed a grade for the Octroi Moharrirs and there is no justification for it to give that grade to a few and deny the same to others. The private Respondents, when denied their legitimate right, made a grievance before the proper forum. In the present case no question of special or selection grade is involved. The decision of the Assam and Nagaland High Court has no applicability to the facts of the case in hand. In that case the question involved was whether an employee should be given the selection grade or not and it was in that situation that the learned Judges held that giving of selection grade is entirely within the power of the Management and the Labour Court had no Jurisdiction to interfere with the exercise of such a managerial function. Thus, as earlier observed, this contention too has no merit.

(17) No other point was urged.

(18) For the reasons recorded above, this petition fails and is dismissed. But in the circumstances of the case I make no order as to costs.