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MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No. 1175 Press / Mis.

Dated 2nd September 1918 SP.

Not to be folded or roughly handled

Proceedings of the Madras Government, Revenue Department, from 27th August to 2d September 1859.

No. 43. Read the following letter from W. GREY, Esq., Secretary to the Government of India; to J. D. BOURDILLON, Esq., Secretary to the Government of Fort Saint George; dated Fort William, the 12th August 1859, No. 1607.

Home Dept. Sep. Rev,
No. 429, dated 4th March 1859.
,, 1023, ,, 20th May ,,

I am directed to request that the report called for in the letters noted in the margin, regarding the necessity for any alteration in the existing Customs Law or practice, may be submitted as early as possible.

2. I am desired to forward for the information of His Excellency the Governor in Council, the accompanying copy of a correspondence submitted by the Government of Bengal, which discloses the defects of system and of practice which have hitherto prevailed in Calcutta, and shows the measures which it is proposed to take for their amendment. I am desired to request that the Collector of Customs may be called on to report in what degree the practice which already exists at Madras assimilates to that which it is intended now to introduce into Calcutta.

From J. H. YOUNG, Esq., Officiating Collector of Customs, Calcutta; to the Secretary to the Board of Revenue,—(No. 47½, dated the 23th March 1859.)

I have the honor to acknowledge the receipt of your letter No. 199, of the 21st instant, requesting me to report whether in consequence of the general increase in the rate of import duties, any alteration in the existing Customs Law and practice is in my opinion necessary.

2. I hesitate to fatigue the Board with the oft-reiterated arguments on the subject of the abolition of the existing system of passing goods on import at this Custom House, but as I have been called upon to state my opinion as to whether any alteration is necessary in the present Law and practice, I feel bound to record my belief that until the present mode of doing business at the Custom House is set aside, no increase of duties will give the satisfactory results which might be expected from such increase.

3. The present system is shortly this:—When a ship arrives in the Port, the Captain files his Manifest and he is accountable for every thing contained in that document, although he has not the least notion of the quantity or quality of the goods of which it is composed. The Captain delivers his cargo to whoever hold his Bills of Lading, and the Custom House knows nothing of what becomes of the goods. The ship is held responsible for whatever is entered in the Manifest, and this is considered enough. The Preventive Officer allows anything to pass out of the Ship without question, provided it is entered in the Manifest which he holds. The goods are put into a Boat, and the Preventive Officer gives what is called a green Boat Note addressed to the Collector of Customs, asking him to receive the goods mentioned in the Note at the Custom House. But no Officer of the Customs is on board the Boat and there is no certainty that the things ever came near the Custom House. In fact they more generally go to the Merchant's Godowns direct, and are passed subsequently at the Merchant's leisure and merely upon the production of Invoices.

4. After the goods have been sold, it may be, over and over again—when some of them are perhaps exposed at Shops in the Bazars of Benares or Lahore—the owners being desirous of despatching the ship with her export cargo, come to the Custom House to account for the import cargo. This may not be until six months after the arrival of the ship and they apply for what is called an out-pass, that is to pass the goods out of the ship direct without the necessity of bringing them to the Custom House—because in fact they cannot bring them to the Custom House, as they have probably passed into other hands long ago. The cargo, they say, consisted of certain goods for which they show Invoices. These Invoices are (say) for long cloth, shirtings, dhooties and common low priced cottons—though the bales may have contained silks and velvets. Their word is taken. The goods are noted off on the second copy of the Manifest of the ship, and duty is levied according to the Invoices. If there is any suspicion with regard to these documents, if they are informal or mutilated, there is no help for it. They must be received as they are, for as I said before, the goods are probably at the very moment they are being passed, nominally, through the Custom House, actually at Lahore or Benares.

5. Now it must be recollected that the Merchants who carry on this business are, some of them, gentlemen of the highest sense of honor and who would sooner cut off their right hands than produce a false Invoice—and some of them persons who have been convicted of most discreditable transactions and who think it all fair to deceive the Custom House whenever they can do so with impunity. The practice I have described is however the universal one and applies to all parties indiscriminately.

6. The result I believe to be that the Government need to be deprived of a large share of its legitimate returns when the duties were levied at 5 per cent—and if so, it is a fair inference that they will be deprived of a much larger amount of Revenue when the duties

are levied at 10 and 20 per cent. The inducement to dishonesty was small a month ago, it is very great now.

7. The Merchant's Gomastah or Banyan is the person who invariably and chiefly thrives upon the system—he sells the goods and gets his profit and interest for the money at once. The Government on the contrary invariably lose by it, for they have no means of being certain that they are not cheated in the first place, and that velvets worth 10 Rupees a yard are not passed as cottons not worth the same amount in Annas, and they have also been kept out of their money, and consequently its interest, for many months longer than they should have been.

8. This system was condemned by the present Governor of Madras, Sir C. Trevelyan, in his Report of 1855, on the Customs, and has been condemned by every person, I believe, who has had practical knowledge of it in this Custom House from that day to this. It is a system which is entirely Indian, and which exists in no other Custom House in the civilized world I believe—yet it has resisted, and resisted successfully, all the attempts which have been made to reform it.

9. There is but one argument that I know to be urged in its favor, and that is, that it is agreeable to the Merchants. It facilitates, they say, their business which is perhaps true, and it gives them (which they do not say, but doubtless feel) a profit upon their goods before they have paid the duty upon them. It also enables the dishonest importer to pass goods of high price and value as articles of inferior quality, and thus not only to defraud the Government of of its dues, but to under-sell the honest tradesman who perhaps in the end is compelled to follow the same practice in order to enable him to compete with his fraudulent rival.

10. I would respectfully urge that this system be abolished, and that that which obtains in England and I believe also at Bombay be introduced. That is to say that every ship be unloaded under the superintendence of a Government Officer, and the articles composing the cargo be held in deposit until the duties are paid. If it be objected that we have not room in the Custom House to receive the entire cargoes of all the ships which enter the Port, exception might be made of some bulky goods such as iron, ale, &c. But if the entire block of ground between Fairlie Place and Coilah Ghaut Street were closed and made over to the Custom House there would, I apprehend, be ample room.

11. As I am asked what alterations in the Law seem to me advisable I do not like to lose the opportunity of respectfully recording my opinion (though I fear quite uselessly) against the levying of any export duties at all, as well as against what may be called their consequence, the payment of drawback upon exports.

12. One great difference between import and export duties is, I need not point out to the Board, that in the import duties the goods upon which they are levied are sold, and profit and interest gained actually before, (or at the least a few days after,) the duties are paid—so that the profit is immediate and no interest accrues to the Merchant. In the case of export duties on the contrary, the duties are paid at once, and the goods are not sold for perhaps a year—after, it may be, they have had to travel over one half the globe and to run the risk of loss and deterioration—during the whole of which time both profit and interest are *against* the Merchant. The export duties have therefore a direct and strong tendency to prevent the development of the resources of the country. Their amount is also comparatively trifling and might, I should think, be made up in other ways. Indeed, I am inclined to believe that if our present lax system were done away and our imports more zealously watched and properly and fairly examined, the amount we should gain would in a measure make up for any immediate loss which might arise from the abolition of the export duties.

13. The drawback system which arises out of the export duties is a great abuse, and I believe it is one which it is most difficult to detect or put a stop to. With the present high duties it will of course increase. The object of allowing drawback is, I imagine, to enable the Merchant to sell his goods in a Foreign Market free of duty, but it gives rise to many fraudulent and ingenious expedients for obtaining money. Thus A imports 1,000 boxes of brandy and pay 6,000 Rupees duty upon the whole, some time afterwards he brings these boxes for drawback and applies to receive 7-8ths of the duty back again or 5,250 Rupees. The boxes are, after examination and identification, taken away *not* to the ship but back to the Merchant's godown, and then 1,000 boxes of *stones* (perhaps) are taken in their place with the same marks and number upon the boxes. They are shipped under the pass which has been granted. They are entered in the ship's clearance and then Government pay the 5,250 Rupees of drawback. Therefore 1,000 boxes of brandy have been imported into the country and have paid 750 Rupees duty only, instead of 6,000 Rupees—besides the small fee necessary to the Custom House Peon who accompanies the goods, it is supposed, until they are on board ship—and who would have to be paid to connive at the fraud. Again, a man buys some claret for two or three Rupees a dozen at auction (this case is given by Sir C. Trevelyan in his Report.) He then purchases from one of the Custom House Arabs an old Import Register Chellan for claret, puts the same marks and numbers upon all his boxes and gets in the usual course his drawback upon exportation,—so that he perhaps gets from Government more than he paid for his claret at auction with the prospect of selling it in a Foreign Market to advantage.

14. Drawback payment should it seems to me, be put a stop to altogether, and if the export duties were abolished drawback would cease as a consequence. Until such time however, goods which are imported for a Foreign Market might be bonded paying no import duty at all,—and then they might be exported free subsequently, and none but such bonded goods be entitled to free exports.

15. Under the new rates the inducement to smuggle has of course been greatly increased, and I would strongly recommend that the baggage of passengers should be subject to some scrutiny. The Board are aware that at present all baggage is passed without a semblance even of examination. And as jewellery, plate, millinery, &c., are now rated at a 20 per cent. duty, I think, as I have said, that passengers' baggage should be now examined.

16. The Custom House has no Preventive Officer on board the Overland route Steamers, and the consequence is, I believe, that even at present extensive smuggling is carried on—it will doubtless be doubled or quadrupled under the new rates.

17. The Peninsular and Oriental Company give Government a Bond that if no Preventive Officer is sent on board their ships they will bring all their cargo to the Custom House and account for the same, *with the exception* of the personal baggage of passengers. It is notorious that the Company make no attempt to examine passengers' baggage and that many dutiable articles are imported into India free of duty, in Overland trunks, without the Company being in any way aware of the fraud.

18. In the same way we should, I think, place a Preventive Officer on board each Steam Tug. If not, it will be very easy for any one on board a ship to transfer such articles as he may wish to avoid bringing to the Custom House to the Tug at any time before the Preventive Officer comes on board at Diamond Harbour.

19. I must also be allowed to say that it seems to me that the orders which have been lately issued regarding the passing of "Samples" should be *now* set aside. Within a few days of the promulgation of those orders the Board will recollect that I sent up to them two cases which seemed to me to justify confiscation, in which two boxes, marked "Samples" were found to contain— one, Watches, and the other, an American Lamp, which it was not pretended was a sample. Both of these cases the Board thought were instances of gross carelessness only, and levied no penalty, and I fear these decisions, I say with all respect for the Board, and with no wish to question the propriety of the orders, will not have the effect of discouraging the practice of passing dutiable goods free, as "Samples;" and that the fact of the higher rates of duties which are now levied will tend much to increase the desire to get highly rated articles of small compass, through the Custom House, free and unquestioned, under the designation of "Samples."

20. A good deal of confusion arises at present as to the classification of various goods under the Act. The Governor- General in introducing the new Act said that the high rates of 20 per cent. was to be levied upon "articles of luxury not necessaries of life"—and he added that such articles were "chiefly consumed by the European community in India."

21. The Board in their letter No. 219 of the 25th instant, have laid down the principle that "the New Act makes no change in the nature of the Imports. What were piece goods before the Act are piece goods now," and so on.

22. Broad-cloths for coats, velvets for Ladies dresses, silk neckcloths, and silk or lace scarfs, Ladies embroidered Cambric handkerchiefs and such things if three or four in a piece passed in as woollens or piece goods or at the same rate as piece goods, that is to say at 5 per cent. Now, however, piece goods pay 10 per cent. and Millinery 20 per cent. and a difficulty arises.

23. These articles would seem to be articles of luxury and chiefly for the use of Europeans, and I should have thought should have paid 20 per cent. Under the Board's orders, however, they will come in at 10 per cent. Ladies' bonnets are of course Millinery, and under the spirit of the remarks of the Governor-General I should have taxed Gentlemen's hats at the same rate, but under the Board's orders, as they were formerly considered "unenumerated" and as such liable to a 5 per cent. duty, so must they be still unenumerated and therefore subject to but 10 per cent. duty.

24. No further remarks seem to me at present necessary upon the subject of your letter. The abolition of the present system of passing goods without thorough examination and simply upon Invoices would doubtless cause an outcry here amongst the Mercantile community, but we should at any rate have the consolation of knowing that we were not acting towards them in a harsher spirit than the Customs Authorities in England and in all other countries in Europe act, and always have acted, towards them, and the Merchants would have no juster grounds for complaining in the one case, than in the other.

From A. R. THOMPSON, Esq., Offg. Junior Secretary to the Board of Revenue; to the Offg. Collector of Customs, Calcutta.—(No. 416, dated the 11th May 1859.)

I am directed by the Board of Revenue to acknowledge the receipt of your letter No. 65, dated 20th ultimo, and in reference to the subjects therein adverted to and the communication

received from your predecessor No. 47½, dated the 28th March, to submit the following observations.

2. The Board have had under their consideration the system of clearing goods on Import, which prevails at the Custom House, as detailed in your predecessor's letter; and can come to no other conclusion, but that its abolition under existing circumstances is urgently called for. There can be no doubt whatever that the present arrangements open the way to frauds of no limited extent and entail upon Government severe loss of duty.

3. The Board observe that evil as the system is it has been forced upon the Authorities by the inadequate extent of Wharfs and Godowns, and insufficiency of Establishment, connected with the Customs Department. They are, however, clearly of opinion that until an extensive addition to the premises has been sanctioned and carried out, any immediate and total abolition of the present arrangement would affect materially the commerce of the port and cause embarrassment to all concerned in it.

4. The Board desire me therefore in calling your attention to this subject to suggest for your adoption such modifications in the present practice, as shall tend to place a check upon the abuses which it now engenders; and with this view to propose that in admitting parties to the benefit of clearing goods on Import without prior examination at the Custom House, you should do so, using your discretion as to their being deserving of the favor and not without some discrimination as to their character and position and respectability.

5. There are of course, known to every one, Firms and houses in Calcutta whose name only, in soliciting such a favor, would be sufficient guarantee that the liberty, if granted, would not be abused. To all such of course you could have no hesitation in according the privilege. But what the Board would wish to impress now upon your immediate attention is the necessity, greatly enhanced by the increase of duties chargeable under the recent Act, of suspending at once the practice by which, according to your predecessor's letter, goods are generally allowed, without any check or discrimination, to pass direct from the ship without even entering the Custom House, while the adjustment of the duty is left to the subsequent production of Invoices.

6. I am instructed further to bring to your notice Mr. Young's remarks on the system of drawback, and to request that you will take an early opportunity of submitting to the Board any suggestion for the prevention of the evils to which that officer refers. The Board, however, find it difficult to understand why in all cases, and especially in those of Wines and Brandy, when parties apply for drawback, the goods produced should not, after examination and identification, be transferred *direct* from the Custom House to the ship on which they are to be exported, and not allowed to be removed back to the private Godowns of the parties who brought them. Any moderate measure of precaution would seem to the Board likely to ensure the prevention of the abuse, without having recourse to the abolition of a system which has been the Law of the country for many years.

7. The Board are aware that considerable delay must ensue before the existing Custom House system can be remodelled, or a sufficient addition to the premises and Establishment provided, but a report on the subject is to be submitted to the Government. And in the meantime the Board desire that your care and attention should at once be directed, in accordance with the suggestions above given, to mitigate to the best of your power the great abuses which prevail under the present arrangements.

From R. THOMPSON, Esq., Officiating Junior Secretary to the Board of Revenue; to the Secretary to the Government of Bengal,—(No. 585, dated the 16th June 1859.)

In reply to your letter No. 1395, of the 9th instant, I am directed by the Board of Revenue, to forward for the consideration and orders of His Honor the Lieutenant-Governor, the accompanying letters* received from the present Officiating Collector of Customs, and to submit with them the following remarks on the subjects to which they refer.

* *Nos. 102 and 103, dated the 13th and 14th May last.*

2. In a previous communication† the Board reported to Government their full concurrence with the views of the Collector as to the necessity of abolishing the out-pass system. At the same time they considered that the inadequacy of the present Custom House premises and the insufficiency of the Establishment, contrasted with the increasing trade of the Port, rendered the immediate adoption of any such measure impolitic, if not impossible. I am desired to observe that the Board see no reason for altering their opinion. They condemn as indefensible the present system of passing goods direct from the Custom House without examination. The indulgence, if allowed on any terms, is a great concession on the part of the Authorities; and if granted indiscriminately must inevitably lead to great abuse, and inflict serious loss on the Government duties. But in the present limited extent of the Custom House Wharfs, premises and Establishment, the Board did not desire to hamper the Collector with any positive instructions as to the course he should follow, but thought it preferable to recommend to his observance the use of a general discretion as to the parties he should admit to the benefit

† *No. 427, dated 12th May* 1859.

of the indulgence: impressing upon him the necessity of employing every means in his power to check the prevailing practice, by which all applicants indiscriminately are allowed to pass their goods direct from the ship, without even entering the Custom House; leaving the adjustment of duties to subsequent production of Invoices.

3. The objections which Mr. Cockburn has urged against this recommendation do not appear to the Board very cogent or conclusive. The distinction between a Firm of respectability and position and applicants almost unknown, too well known, or only of short standing in the commercial community, is sufficiently marked to prevent the occurrence of any such difficulties as the Officiating Collector deprecates; while the exception which he takes to the proposal, on the ground of the frequent changes in the appointment of Collector, do not seem to be of greater weight in the Customs Department than in others of the public service where such changes are as frequently and unavoidably necessary.

4. The Board are inclined for even further reform in the Custom House rules of practice in passing goods on import; and do not see why cash payments of duty should not be made imperative, instead of the present system of preparing and issuing bills. They desire me further to remark that there was nothing whatever in the observations which they sent to the Collector to prevent his adopting the course which Mr. Cockburn suggests in the 11th paragraph of his letter, now enclosed, which he proposes "that a certain number of the cases mentioned in each chellan should be brought to the Wharf for examination." The Board remark that on all occasions where the indulgence is conceded, this rule might with advantage be enforced; but even under such checks (and they are but small) the general and indiscriminate admission of all parties to the favor would, in the Board's opinion, be injudicious and inexpedient.

No. 102, dated 13th May.

5. His Honor the Lieutenant-Governor will not fail to observe that there is no slight variance in the statements made by the two Collectors of Customs, as to the practice which prevails in the Department over which both had at different times presided. Referring to the assertions which Mr. Young had made on the subject of the out-pass system, Mr. Cockburn remarks that he did not believe that Mr. Young, his predecessor, intended to lead the Board to any such conclusion as that which they had formed.

6. The Board desire me to remark that upon Mr. Young's intentions they have nothing to say; but a reference to the 3rd, 4th and following paragraphs of his letter will clearly show that what Mr. Young had there described was, in his opinion, the universal practice in the Custom House Department.

No. 47½ dated March 28th.

7. Similarly with regard to the arrangements which exists on the payment of drawback, Mr. Young's reference to the 1,000 boxes of Brandy imported by A (as given in paragraph 13 of his letter) did certainly lead the Board to infer that it was the general practice in his office to allow parties, claiming drawback, to remove their goods after examination back to their private godowns, instead of directly to the ship on which they were to be exported; and though Mr. Cockburn would again correct the Board on their misapprehension of Mr. Young's meaning, the Board do not conceive that they are expected intuitively to know that Mr. Young means one thing when he says another. They can only refer to the statement of his letter, which is under review; from which there seems clear grounds for concluding that the practice, and the abuse which it entailed, were of general prevelance in the Custom House that though known to the authorities, no precautions were taken to check its recurrence; on the contrary that their permission, if not openly, was tacitly accorded to the proceedings, which are now complained of.

8. The Board consider Mr. Cockburn's allusion to His Excellency the Viceroy in the 11th paragraph of his letter, indecorous and improper.

From F. J. COCKBURN, Esq., Officiating Collector of Customs, Calcutta; to the Officiating Junior Secretary to the Board of Revenue,—(No. 102, dated the 13th May 1859.)

I have the honor to acknowledge the receipt of your letter No. 416 of the 11th May.

2. So much has been written concerning the "out-pass system" and its abuses that I almost fear lest I should weary the Board by again referring to it, but I consider it my duty to state that the abuses which exist are not so great as the Board appear to believe, and I respectfully request their permission to make a few remarks on the subjects touched on in their letter under acknowledgment.

3. The Board note two points:—

1*st*. The practice of passing goods direct from the ship without examination.

2*nd*. The so called practice of permitting goods intended to be brought to the Custom House to be taken elsewhere and then taking duty on the invoices.

4. I shall with the Board's permission touch on the second point first.

5. The Board in the 5th paragraph of their letter under acknowledgment mention "*a practice* by which goods are generally allowed, without any check or discrimination, to pass direct from the ship without even entering the Custom House, while the adjustment of duty is left to the subsequent production of invoices." Now I have no hesitation whatever in saying that the "practice" described in this Extract does not exist. I cannot for a moment believe that my *predecessor (and I say it with the greatest respect for my late superior) intended to lead the Board* to believe that it did. He knew very well what the "practice" was and what the exceptions to that practice were. That which he described was what *might* happen, what did on rare occasions happen, and what *might* have happened every day.

6. On I think all occasions, not a dozen during the last four years, in which goods were called for and it was discovered that they had not been brought to the Custom House as they ought to have been, penalties were exacted from the offending parties.

7. It has always been in the power of importers to act as described in the Board's letter, but the power, the facility, of doing so is secured to them by Law. By Law they are allowed to take goods away from the ship for the purpose of bringing them to the Custom House under a boat-note without an Officer or peon, and if they choose deliberately to go elsewhere than to the Custom House, they can do so with little fear of immediate detection. Detection renders the goods liable to confiscation, but of course if we can't get the goods we can't confiscate them and we then inflict a fine. But the facility for avoiding the Custom House if so inclined, remains; and when I consider that 500 Rupees might often certainly be gained by risking a fine of 25 or 50 Rupees, I am *surprised that the "practice" is not what the Board believe it to be.*

8. The penalty in each instance ought not to be 25 or 50 Rupees, but 250 or 500 Rupees, and *invariably exacted without attention to the old excuses of "mistake," "new man;" "stupid* Sircar" or "fool of a mangee."

9. I *now proceed to offer a few remarks on the first point noted above in paragraph 3rd.*

10. The Board propose that the Collector of Customs should grant the indulgence of *passing goods without examination to those Firms only whose* "character, position and respectability" he might consider entitled them to it. With the greatest deference and respect I would urge the Board to reconsider this point. I beg them to believe that I for one would not and will not hesitate to carry out their suggestion, but I think I can advance sufficient strong reasons to induce the Board to alter their views as to its advisability. In the first place it unfortunately for the interest of the public and the Government happens that too frequent changes occur in the office of Collector of Customs. Mr. Young was here a month ago; I am here now, and Mr. Wilkins will be here a couple of months hence. We may all have different notions as to the respectability of different Firms, and it may so happen that a gentleman from Dacca or Patna who has not seen Calcutta for ten years and who knows his own Agents only, may come to this office six months hence and will be all adrift of course, and it seems perfectly clear to *me that in one year's time things would be just as bad as they are now.* In the second place it is not every Collector of Customs who would have the moral courage to look Mr. So and So, the head partner of a Firm, in the face and say "your character, position and respectability *are* bad," for that is simply what he would say if he refused him an "out-pass." In fact I consider that the refusal would amount to a constructive libel. But I again assure the Board I am not shirking the responsibility. I am ready at once to carry out their suggestion.

11. If I might be allowed I would suggest to the Board another course which I think would be a better one. It is the wish of the Board that the entire "out-pass" system be abolished, but want of room as yet prevents this being done. Why not make a commencement? I would have the Board issue a positive order to the Collector of Customs to have at least a certain number of the cases mentioned in each chellan brought to the Wharf for examination. I would have this rule applied rigorously to every one from the Viceroy downwards, and I think the following scale would suffice to ensure the Government against loss until arrange*ments are completed for having all the goods brought here* :—

Number of Packages in the Chellan.	Number to be brought to the Custom House.
1 to 6	All.
7 to 20	2
20 to 50	4
50 to 100	6

If the chellan is a mixed one, the Collector should of course insist on one case or more of each description of goods being brought to the Custom House.

12. *Such is the plan the principle of which I venture to commend to the Board.*

From F. J. COCKBURN, Esq., Officiating Collector of Customs, Calcutta; to the Officiating Junior Secretary to the Board of Revenue,—(No. 103, dated the 14th May 1859.)

In the 6th paragraph of the Board's letter No. 416, of the 11th instant, I am requested to submit suggestions for the prevention of certain evils attendant on the present system of grant-

ing drawback remarked on by Mr. Young in his letter No 47½, of March 28th. This I now have the honor to do.

2. In the first place, however, let me point out an error into which it appears the Board have fallen. In their letter under reply the Board say that they "find it difficult to understand why in all cases, and specially in those of wines or brandy, when parties apply for drawback, the goods produced should not, after examination, and identification, be transferred *direct* from the Custom House to the ship on which they are to be exported, and not allowed to be removed back to the private godowns of the parties who brought them." It never could have been Mr. Young's intention to lead the Board to believe that *permission* was given to parties claiming drawback to take the goods back to their own godowns; *permission* to do so was never granted.

3. Until 1854, goods on which drawback was claimed were allowed to leave the Custom House after identification and examination for transmission to the ship unaccompanied by any Custom House officer. In that year, however, and since then a Custom House peon has invariably *been sent with the goods to ensure their being taken direct to the ship.* But as he gets only five Rupees a month, it probably would not take much to induce him to smoke at the corner of a street for half an hour or to go a short distance out of the direct route. This *might* happen daily, but that it *does* happen daily, is what I cannot affirm, nor I imagine was it Mr. Young's intention to do so.

4. I do not myself think that it would be advisable to do away with the system of granting drawback, and as a moderate measure of prevention I would advise the adoption of Mr. Assistant Collector Bonnaud's suggestion to stamp with a peculiar stamp or mark every package on which drawback is claimed when brought to the Custom House for examination and identification. I would further suggest that it be incumbent on the party claiming drawback to ship his goods from the Custom House Ghaut alone, under Custom House supervision and that such shipment should be made either on the day the examination takes place or on that succeeding. The Preventive officer of course would be careful to note the stamp on each package.

5. Of course the stamp might be imitated, but if the boxes are stamped here, shipped here, watched hence and the time of transit noted, I don't think the imitator would gain much.

6. If the Board thought proper the Government might be asked to prohibit by Law the using of the stamp and then all stamped goods found on shore and anywhere but at the Custom House Ghaut might be seized. The Board, of course, know of the broad arrow of England.

From A. R. YOUNG, Esq., Secretary to the Government of Bengal; to the Officiating Junior Secretary to the Board of Revenue, Fort William, the 8th July 1849, No. 1648.

Mis. Rev., Customs.	
No. 127, *dated 12th May* 1859.	I am directed to acknowledge the receipt of your letters noted on the margin, with their accompaniments, in which is discussed *the expediency of introducing* some change in the existing practice of the Calcutta Custom House, with a view to provide additional checks against *smuggling, which* the enhanced rates of duty afford an inducement to attempt.
„ 569, „ *13th June* „	
„ 585, „ *16th* „ „	

2. I am in the first place to observe, that the Lieutenant-Governor did *not*, when it was received, understand that the Board's letter of 12th May was intended as a full answer to the call of 15th March, but His Honor took it rather as a report respecting Mr. Young, the late Officiating Collector of Customs, individually.

3. As Mr. Young has assumed the office of Commissioner of Burdwan, it is not necessary to go into the personal question affecting him. The Board notice what are stated to be numerous inaccuracies in Mr. Young's report submitted in reply to the call above-mentioned; and they allude to frequent occasions of late, in which the course pursued by Mr. Young, as Officiating Collector of Customs, has been what they consider reprehensible. But as this allusion is made only in general terms, without specification of facts, it is unnecessary, under existing circumstances, to pursue that part of the subject.

4. The wording of Mr. Young's letter led the Lieutenant-Governor to the same conclusion as that to which it led the Board, *viz.* that the practices which he mentioned, and on which the Board in their reply to his successor very properly animadverted, were very general, and though Mr. Cockburn, who is now Officiating Collector, disclaims for Mr. Young the intention *of leading the Board to such a conclusion, he admits that what Mr. Young has described is what* has happened, and what "might have happened every day."

5. The Lieutenant-Governor is unable to persuade himself, that even when the rates of duty were very low, what might happen every day did not frequently happen; and he is convinced that now that the rates have been raised so as to approximate more nearly to the rates of Customs duties in other countries, unless the same precautions are taken here that are found necessary in other countries, the amount of loss which the Government will suffer by the evasion of duty will be enormous.

6. The want of more accommodation at the Custom House may be so great as to prevent the immediate introduction of a perfect system. But, on the one hand, the Lieutenant-Governor does not find that what accommodation the space affords is made the most of; and, on the other hand, he observes that the want of ample space is no reason for not correcting defects of system that do not depend on that want, a fact of which the Board's orders to Mr. Cockburn, of the 11th of May, show them to be also fully sensible.

7. From some passages in the correspondence before him, His Honor thinks it is to be inferred that for many years past there has been an antagonism of principle between the successive Collectors of Customs and the Board; the Collectors, being close to the work, having been always urging greater strictness of rule and practice, in the laudable desire of preventing the evasion of duties justly leviable; and the Board, not having the same near view of what is going on, having repressed approaches to a stricter system in the equally laudable desire not to incommode commerce.

8. Without passing any judgment between these two opposite tendencies, as a question of the past, His Honor has no hesitation, upon the question of the future, in determining that all precautions which the law provides, and which are enforced as being held to be indispensable in England, and other great commercial countries, must hereafter be enforced in Bengal, now that the duty has become not an inconsiderable part of the cost of articles of import.

9. I am to request, therefore, that the Board will adopt this principle now, and carry it out in practice. In so doing they will of course make such arrangements as, whilst they sufficiently secure the public from being defrauded by individuals, will put the fair trader to the least avoidable inconvenience.

10. It is needless to observe how completely the system described by Mr. Young and Mr. Cockburn, where uncontradicted, must be changed in order to the enforcement of the principle above prescribed.

11. To instance some particular points in which the laxity of the system is most striking, and must be corrected. It is alleged by Mr. Young to be a common practice that goods taken out of ships under a Boat Note for the Custom House are carried direct to the Importer's Godowns; and it is admitted by Mr. Cockburn that "if they (Importers) choose deliberately to go elsewhere than to the Custom House, they can do so with little fear of immediate detection." The fact stated by Mr. Cockburn, (if it be really a fact,) that the detection of this irregularity has not occurred a dozen times in the last four years, amply proves the smallness of the risk of detection incurred, for it is not credible that, even by the accidents referred to in Mr. Cockburn's 8th paragraph, such irregularities do not occur even three times in a year. It seems much more probable that they should happen every day whether intentionally or otherwise; and it is plain that very slight precaution is necessary to avoid detection in any case in which it should be desired to commit this irregularity with fraudulent intent. It is further evident from what Mr. Cockburn says that, when once this easy fraud has been committed, it is irremediable so far as the interests of Government are concerned. "Detection," says Mr. Cockburn, "renders the goods liable to confiscation, but of course if we cannot get the goods we cannot confiscate them." The Collector is helplessly in the hands of the Importer. He must accept any Invoice that is produced, and as remarked by Mr. Young, velvets may be passed as Cottons or anything else, and so long as the number of packages in the Manifest are accounted for, the Collector is obliged to be satisfied, and has no redress save that he may and does very rarely inflict a small fine for the irregularity—a punishment by the way for which there does not appear to be any direct sanction of law.

12. But the chance or even the certainty of having to pay a small fine would not operate as a check when deliberate fraud was intended. The probable amount of the fine would no doubt enter into the calculation as a drawback from the profit of the transaction, which would still, in the cases supposed, remain highly remunerative.

13. So long as this facility for evading the payment of just dues after the vessel has entered the Port remains, it seems to the Lieutenant-Governor scarcely consistent to incur all the expense of Preventive Officers from Diamond Harbour. The presence of these officers on boardship may prevent the surreptitious landing of packages not entered in the Manifest; but the description or the packages manifested, and the value upon which duty shall be levied, being left entirely to be fixed by Importers themselves, it would scarcely be worth while to omit any thing from the Manifest. The landing of goods unprotected by any Custom House document, from a vessel which has not professedly broken bulk, would always be attended with some risk; whereas the landing of costly goods on payment of duty on a trifling value, in accordance with the forms of the Custom House, would appear to be attended with no appreciable risk whatever.

14. The Lieutenant-Governor is convinced that to secure to Government the full amount of Customs Duty to which it is entitled, it is absolutely essential that all imported goods should be landed at the Custom House, and subjected to inspection before leaving the premises. Every package should be liable to examination; but it is not necessary that every package or any large proportion of the packages should be actually opened and examined, or that as a general rule imported goods should be unladen at all and deposited or detained at the Custom House.

15. Next, as regards the drawback system, it is true that Mr. Young has fallen into some confusion in treating of this subject in connection with Export Duties, but the facts stated by him in illustration of the facilities of perpetrating frauds in the Custom House are not contradicted by Mr. Cockburn, who admits that they "might happen daily." The precautions taken at present are obviously insufficient. There is no objection to the plan proposed by Mr. Cockburn of a peculiar mark to be stamped on every package on which drawback is allowed; but in addition to this, an officer of the rank of a Preventive officer, to be paid by the shipper, should in the opinion of the Lieutenant-Governor, accompany all drawback goods from the Custom House to the ship. A peon on Rupees 5 a month cannot be relied on as check on fraud, where any such check is necessary.

16. The subject of passenger's baggage, to which attention is drawn by Mr. Young, is not noticed either by Mr. Cockburn or the Board. It is stated by Mr. Young that extensive smuggling is carried on, and many dutiable articles are imported free of duty in Overland Trunks by passengers in the Peninsular and Oriental Company's Steamers. It is certain at all events that this *could* be done with impunity, as there is no pretence of checking smuggling in these vessels. A Preventive officer should, the Lieutenant-Governor thinks, be put on board to search any baggage the passengers may desire to remove at once, and the remainder should be sent to the Custom House. It is found to be indispensable in all countries of Europe to search passenger's baggage, and now that rates of duty have been raised to more of an equality with those obtaining in Europe, there can be no reason to suppose that what is indispensable there can be prudently dispensed with here.

17. Some precaution ought also undoubtedly to be taken to prevent the transfer of goods from inward-bound vessels to the Steamers by which they are towed up the river. The expedient of a separate officer on board each Tug would probably be found too costly; but the Pilot on board the ship should be held strictly responsible that no goods are put out of the vessel before the Preventive officer joins; and the latter officer should be empowered and directed to search the Tug Steamer whenever he has reason to think that goods have been surreptitiously put on board.

18. In regard to the two sample cases discussed in this correspondence, without pretending to express any opinion himself, or to question the propriety of the Board's decision, which he doubts not was quite correct, the Lieutenant-Governor would observe that the officers of the Custom House are bound, as a general rule, to hold the goods themselves responsible for the carelessness or misconduct of the Agent employed to pass them, without reference to ownership; and any discretion they may have in considering special circumstances in any particular case should be very cautiously exercised. The owner has his action against the Agent if his goods are confiscated, or if a fine is levied upon them, by reason of any act of the Agent not authorized by the owner; and a Collector who acts in this view of the question is not necessarily blameable, even though the penalty he may inflict should be afterwards very properly remitted by the Board.

19. The main question of all, however, is the out-pass system, to the consideration of which the Lieutenant-Governor will now return. The Board freely admit the evils of this system, but hold that, to a great extent, the laxity involved in it is inevitable, in consequence of the want of room at the Custom House. All that can be done, it seems to be thought, is to narrow the limits to which the indulgence is now extended; and with this object different suggestions have been made.

20. The way in which the Board propose to distinguish between the goods to be allowed this benefit and other goods, is by the Collector's opinion of the personal character of the consignee. Mr. Young would discriminate with advertence to the nature of the goods themselves, giving an out-pass to certain heavy articles alone, selecting, it is to be presumed, such goods as afford no facilities for fraud either in regard to their own value or to their capability as means of concealing valuable articles liable to duty. Mr. Cockburn recommends that a proportion of all packages in every invoice should be sent to the Custom House, and there opened and examined.

21. To the personal rule proposed by the Board there is, in the first place, this objection, that it practically places under different Customs Regulation, at the discretion of the Collector, members of the Mercantile community engaged in the same trade, and divides the Merchants into the two classes of trusted men and men not trusted. The additional reasons urged by Mr. Cockburn against this proposal are, in the Lieutenant-Governor's opinion, sound and conclusive.

22. Mr. Cockburn's plan, to which the Board see no objection, would be an improvement; but it would not be any thing like a complete safeguard. Mr. Young's seems by far the most promising plan, and the one which, unless it can be shown to be impracticable at present, the

Lieutenant Governor would wish to have at once enforced. If found to be really impracticable a combination of that with Mr. Cockburn's plan should be attempted.

23. In the mean time the existing accommodation of the Custom House should be made the most of. As a first step in this direction the Opium now stored on the Custom House premises should be removed to the Bonded Warehouse. This would at once make available a very considerable amount of Godown* accommodation, which would go far, His Honor believes, towards providing the space, the want of which is the principal obstacle to the introduction of a proper system of Customs Administration. This measure, if the Board see no objection to it, may be at once carried out; and the Lieutenant-Governor is prepared to take further steps in the same direction if it should be considered advisable to do so. With the view to satisfy himself on this point, it is His Honor's intention at once to appoint a Committee to report on the subject. The Committee will be instructed to report.

* *The Opium Godowns are calculated to hold* 36,000 *Chests.*

1st. What can be done for increased accommodation within the present Custom House walls; and secondly, whether it is advisable to include in the Custom House premises any portion of the adjoining ground which has been set apart for a new Post Office.

24. While this enquiry is going on, I am to request that the Board will instruct the Officiating Collector of Customs to draft what he considers needful in the way of a change of law, and also in the way of a new set of Rules to suit the change of system at the Custom House. This Draft Law and set of Rules the Board will be so good as to forward to Government with their own remarks and amendments, as soon as possible. At the same time a Statement should be prepared and submitted of any increase of Establishment which may be deemed necessary to the efficient working of the new system.

No. 49. ORDER THEREON, 2d September 1859, No. 1175.

Ordered that this letter and its enclosure be forwarded to the Board of Revenue with reference to the orders of the 18th March and 1st June 1859, Nos. 355 and 742, and that they be requested to expedite the report therein called for.

2. The Board will also submit an early report in reply to the question in the second paragraph of the letter from the Government of India now to be transmitted to them.

(Signed) J. D. BOURDILLON,
Secretary to Government.

FROM

W. GREY, ESQUIRE,
Secy. to the Govt. of India,

To

J. D. BOURDILLON, ESQUIRE,
Secy. to the Govt. of Fort St. George.

SIR,

No. 1007

Dated Fort William, the 12th August 1859.

HOME DEPT. Sep. Rev.

I AM directed to request that the report called for in the letters noted in the margin, regarding the necessity for any alteration in the existing Customs Law or practice, may be submitted as early as possible.

No. 429, dated 4th March 1859.
No. 1024, dated 20th May 1859.

2. I am desired to forward for the information of His Excellency the Governor in Council, the accompanying copy of a correspondence submitted by the Government of Bengal, which discloses the defects of system and of practice which have hitherto prevailed in Calcutta, and shows the measures which it is proposed to take for their amendment. I am desired to request that the Collector of Customs may be called on to report in what degree the practice which already exists at Madras assimilates to that which it is intended now to introduce into Calcutta.

I have the honor to be,
SIR,
Your most obedient servant,

Secy. to the Govt. of India.

Exd.—M. A. Mendes.

Read 27th March 59 P. 33 V 38.
to 10 Sheets — 4 — 12 V 13.

No 1849

Read 12th } August 59
Recd 27th } No 1867

Encl 621.

Requesting sanction to the substitution of the Salt already called for, the monthly for an alteration in the existing Customs Rules & Schedules and forwarding a copy of certain correspondence on the subject.

No 875. 26th September 1859.
Letter and Order

Revenue 1859 Oct 5th

Fort St. George

No 1853

From the Secy.
to the Govt. of India

Dated 12th } August
Recd 27th } No 1867

Encl 621.

Requesting sanction to the substitution of the Salt already called for, the monthly for an alteration in the existing Customs Rules & Schedules and forwarding a copy of certain correspondence on the subject.

No 875. 26th September 1859.
Letter and Order