No. 171. Read the following Proceedings of the Board of Revenue, dated 21st September 1872, No. 1,885 :—

Read the following letter from R. A. DALYELL, Esq., Madras Civil Service, on Special Duty, to the Secretary to the Board of Revenue, dated Bangalore, 21st August 1872.

I HAVE the honour to report that, in accordance with the sanction of Government as contained in their order under date 21st June 1872, I proceeded to this Province on the 10th ultimo. In consequence, however, of a slight attack of dengue fever immediately on arrival, the commencement of my inquiries was somewhat delayed, but I have since succeeded in visiting the principal distilleries in two out of the three divisions of the Province as well as those in Coorg, and the officers of the Nuggur Division have favoured me with full details of the working of the Sadr distillery system of management in the several districts of that division in reply to my written queries.

2. The Mysore Province was formerly sub-divided into four divisions or districts, those of Bangalore, Astragram, Chitteldroog, and Nuggur, but in 1862 the number of divisions was reduced to three, that of Chitteldroog having been sub-divided between those of Bangalore and Nuggur. The three new divisions were thereafter styled Nundydroog, Astragram, and Nuggur, and comprise the districts noted in the margin. The Province of Coorg, which is a British possession, has always been treated separately, though administered by an Officer of the Commission under the direct orders of the Chief Commissioner.

Nundydroog...	Colar. Bangalore. Toomkoor.
Mysore	Mysore. Hassan.
Nuggur	Chitteldroog. Cuddoor. Shimoga.

3. So far as I have been able to ascertain no special attention seems to have been paid to deriving a revenue from the manufacture and sale of spirituous and fermented liquors until the assumption of the management of the Province by the British Government in 1832. It is stated that Tippoo Sultan had so great a regard for the morality of his subjects that he declared the sale of spirits to be illegal, and directed all the date trees, from which the Toddy-juice was extracted, to be cut down—an order which, however, was carried out only in the immediate vicinity of Mysore and Seringapatam. During the early administration of the late Maharajah, too, the distillation of spirits was discouraged, though the less injurious liquor, " Toddy" or Palm-wine, was largely manufactured. The only impost then generally in force seems to have been a light assessment on the liquor-shops, more of the nature of a " Moturpha" or Professional Tax than of an excise duty, though in the town of Bangalore an exceptional revenue from this source has always been realized. The practice of renting the exclusive right of the manufacture and sale was, however, partially adopted during the later years of the Native Government, and in 1831-32 the revenue under this head amounted to about two lakhs of Rupees or £20,000.

4. The renting system was continued by the British Officers conducting the administration of the Province up to 1847-48, when the revenue amounted to

nearly six lakhs of Rupees or £60,000. In that year, though the Toddy revenue continued to be rented, the direct management of the Arrack revenue was assumed by the Administration in, at any rate, two out of the four divisions; the liquor being manufactured at the cost of the State, and supplied to licensed vendors at a fixed price, who again were required to sell to the public at a moderate profit. This change in the system of management resulted in an immediate rise in the revenue of upwards of a lakh of Rupees, and in 1858-59 the excise receipts of the Province had risen to nearly 8½ lakhs or £85,000. The manufacture of Arrack on Government account was discontinued in that year owing to the high price of materials, and the liquor was for a time obtained from a firm which had established a distillery on the European system at Palhully near Mysore; but eventually the renting system was again reverted to in 1861-62, notwithstanding that in the previous year the excise revenue had risen to nearly eleven lakhs of Rupees (£110,000)—a sum which has never since been realized under this head. It is, however, to be noted that the charges under Abkári in 1860-61 amounted to nearly a lakh and-a-half, so that the revenue of the year 1871-72 (Rs. 10,56,528) represents a considerable increase in the *net* revenue.

5. In 1862 the introduction of the Sadr distillery system, as then in force in the Province of Oude, was first mooted and met with the unanimous approval of the officers in charge of divisions, but it was not generally adopted throughout the Province until 1864-65, in which year the Abkári revenue fell to little over 8½ lakhs of Rupees (£85,000). Of this sum Rs. 3,61,644 was derived from excise duty and licenses for the sale of Arrack, and the remainder from the tax on Toddy and Ganjah, which has continued to be rented out to farmers. Since 1864-65 the former branch of the excise revenue has increased to Rs. 5,13,616 in 1871-72 with certain fluctuations, and as already stated the gross Abkári revenue collected in that year was Rs. 10,56,528.

6. The Oude system of management, which was professedly adopted in Mysore, provides for the erection of a large enclosure, styled a Sadr Distillery, at the head-quarters of each district (and in other places if the consumption requires it) in which all country spirits consumed in the district must be manufactured. Any person who chooses may erect a still, at his own expense, within the enclosure, and distill as much liquor as he pleases, removing it himself, if a licensed vendor as well as a distiller, or selling it to the other licensed vendors, on the sole condition that before removal the excise duty must be paid, and the liquor reduced to the authorized strength; the officers of Government confining themselves to taking such precautions as will insure no liquor being passed out of the distillery except on these conditions, and "having nothing to do with the manufacture, or its costs, or the price at which the produce is sold." I will now proceed to describe how the system is now carried out in the several divisions of the Provinces of Mysore and Coorg, as ascertained in some cases by personal inspection and inquiry on the spot, and in others by correspondence with the district officers.

7. *Nundydroog Division.*—There are Sadr distilleries in each of the three districts of this division in which country spirits are manufactured by the native

Proceedings of the Madras Government, Revenue Department,
21*st October* 1872.

process of distillation. In the Bangalore District four firms are permitted to distill, in the Colar District nine firms, and in the Toomkoor District three firms. Unlike the arrangements in force at the distilleries of Great Britain where excise officers are constantly present, day and night, to insure that every portion of the process of distillation shall be carried out precisely in the mode prescribed by law, the Government officials exercise no supervision over the distilleries beyond seeing that nothing pernicious to health is used in the manufacture of the spirits.

8. The process is a very simple one, and varies little from that described in Buchanan's work as having been practised by Native distillers in the year 1800, except that the stills are larger and are made of copper instead of earthenware. The wash, or wort, is said to be prepared from 3 Maunds (about 25 lbs. each) of sugar-cane jaggery, 2 Maunds of date jaggery, 1 Maund of molasses, ½ a Maund of bark, and ½ a Maund old wash, with 40 gallons of water. These ingredients are placed in a wooden barrel, and left to ferment from 12 to 20 days, according to the state of the weather. When fermentation is complete the wash is placed in the still (some of which contain three barrels, others five, and even seven) at about seven o'clock in the morning and the fires lighted. The first draw, at about 10 A.M., from a five-barrel still is said to be about 12 gallons of 24° of the French Hydrometer (equal to about 20° above proof of Sykes's Hydrometer), the next draw will be 6 gallons of 21°, the next, 6 gallons at 19½°, the next, 6 gallons at 16°, and the last, 6 gallons at 14°, in all, up to about 3 P.M., 36 gallons of various strengths. This quantity is equal to about 40 gallons of spirits at 19° under proof, which is stated to be the daily produce of a five-barrel still. Thirty Maunds of firewood are reported to be required for the process.

9. The establishment, as per margin, is kept up at the Bangalore distillery for the purpose of gauging and measuring the liquor as it leaves the gates, and charging it for duty, and the Supervisor and two Peons also make tours in the district to check any irregularities at the shops and to detect any illicit distillation or smuggling. The Mutsuddis keep a daily account showing the quantity of spirits passed out by each distiller, its destination, and the amount of duty payable thereon. A weekly account, with the same particulars, is despatched to the treasury, and a bill at the same time supplied to each of the distillers, who discharge their liabilities weekly. The distillery is closed on Sundays, and is open on the other days of the week from 6 A.M. to 5 P.M.

	Per Mensem.
	RS.
Supervisor	80
Head Mutsuddi	35
Assistant	15
Tester	15
Duffadar	10
Naigue	8
4 1st-class Peons, at Rs. 6 each	24
4 2nd-class Peons, at ,, 5 ,, ...	20
Total...	207

10. The distillers must not remove any liquor from the distillery except at the prescribed strength of 19° under proof and on the pass of the Government officer; they make their own arrangements for the disposal of the liquor, the only restriction being that it must be issued either to the wholesale shops or to the retail vendors themselves at the distillery. In the former case the cost of the transit to the wholesale shop is borne by the distillers. Not less than 20 gallons

must be removed at one time to a wholesale shop, and the sales at such shops, which are restricted to licensed retail vendors, must not be less than two gallons at a time. The shop accounts must be open to the inspection of the Abkári officer at any time; so that the monthly or daily issue to every retail shop and the price charged can easily be ascertained. The retail vendor binds himself to sell only the liquor supplied by the distillery to which his shop is attached, to require all liquor purchased to be drunk on the premises, not to permit any one person to drink more than two drams of liquor at a time, not to dilute or adulterate the liquor, and to produce his shop accounts when required, as well as to observe certain other Police Regulations.

11. At the Bangalore distillery about 10,000 gallons of spirits are issued each month, of which about two-thirds are for the town and cantonment and one-third for the outlying district. The duty on the former is Rs. 2-13-4 per gallon, being Rs. 2-12-0 Government duty, and Annas 1-4 for Local Fund. The duty on the latter is Rs. 1-8-0 per gallon, or Rs. 1-8-9 with the Local Fund impost. The establishment for the levy of the sayer or octroi on consumable articles entering the town prevents the import of any of the lowly excised liquor into the town limits. The distillers, though apparently working in opposite interests, inasmuch as the quantity issued by each varies considerably, so far combine as to sell to the shop-keepers the duty-paid liquor at a uniform rate of Rs. 4-2-4 per gallon for the town and Rs. 2-14-0 per gallon for the country. The shop-keepers again sell to the public at uniform rates of Rs. 4-8-0 in the town and Rs. 3-8-0 in the outlying district. It would thus appear that the distillers obtain about Rs. 1-5-0 per gallon for the liquor supplied, and the shop-keepers a profit of Annas 10 in the country, and Annas 5 Pies 8 in the town, on each gallon of liquor sold, but the shop license fee, which, in many cases, must be paid by the distiller, who is frequently the shop-keeper's principal, must tend to reduce these amounts. The sum received by the Administration for these licenses during the past year was about Rs. 30,000, which raised the total levy on spirits, both in town and country, to Rs. 3,17,407, or, say, Rs. 2-8-0 per gallon all round; but the whole quantity sold (say, 120,000 gallons, $\frac{2}{3}$rds at Rs. 4-8-0 and $\frac{1}{3}$rd at Rs. 3-8-0 per gallon) must have realized from the consumers about Rs. 5,00,000, or Rs. 4-2-8 per gallon. The sum of Rs. 1-10-8 per gallon has, therefore, been available for the distillers and shop-keepers' costs and profits. The annual consumption per head is ·615 of a gallon in the town and ·069 in the country, and in the town there is a shop to every 1,182 people and in the country to every 2,775.

12. In the two distilleries of the Colar District the manufacture is conducted on the same principles as in the Bangalore distillery. During the past year about 20,000 gallons were issued at the prescribed strength of 19° under proof, and at the nominal duty of Rs. 1-4-0 per gallon, but the shop licenses which, in this district, were disposed of by auction—a practice which has now been discontinued—brings the real amount of the net impost to about Rs. 1-14-0 per gallon. As the selling price of the liquor is Rs. 3 per gallon, the sum available for distillers and shop-keepers' costs and profits is only Rs. 1-2-0 per gallon. The annual consumption in this district amounts to about ·037 of a gallon per head, and there is a shop to about 1,300 people.

Proceedings of the Madras Government, Revenue Department,
21st October 1872.

13. In the Toomkoor District there is one distillery, at which there were formerly two, and there are now three licensed distillers. They issued last year about 6,500 gallons of a strength of 25° to 30° under proof at the nominal excise duty of Rs. 1 per gallon, but the license duty brings this amount up to nearly Rs. 2. As the liquor is sold to the public at Rs. 3 this leaves a sum of Rs. 1 per gallon for distillers and shop-keepers' costs and profits. The annual consumption is ·013 of a gallon per head, and there are about 3,300 people to each shop.

14. *Mysore Division.*—In the two districts of this division the same system of Abkári management is in force as in the Nundydroog Division, but the distillers are required to pay the excise duty *before* removing the spirits. In the Mysore District there is one distillery at Palhully, where there are four separate firms at work; three on the Native system, and one on the European system of distillation. The duty on liquor, 25° under proof, is nominally Rs. 1-8-0 per gallon, and a duty of Rs. 3 is provided for liquor above that strength, which, however, is hardly ever issued. The license fees bring the excise up to about Rs. 1-14-0 per gallon. In a memorandum received from the district officer it is stated that the Administration has nothing to do with either the wholesale or retail price, but that the distillers say they supply the spirit to shop-keepers at Rs. 3 per gallon, and that it is supposed to be sold to the public at from Rs. 4 to Rs. 6 per gallon. I believe the latter sum refers to the spirit of the higher strength as personal inquiries in the town and in the taluqs have satisfied me that, as a rule, the liquor is supplied to the shop-keepers at the rate stated, and sold to the public at Rs. 4 per gallon in the town and Rs. 3-8-0 per gallon in the country. There is thus Rs. 2-2-0 available for distillers and shop-keepers' profits and costs on all liquor sold in the town and Rs. 1-10-0 on liquor sold in the country. Probably the average may be put down at Rs. 1-14-0. The consumption is about ·031 of a gallon per head, and there are 8,200 people to each shop.

15. In Hassan, the only other district in this division, there is one distillery where three firms manufacture spirits, issued, at 25° under proof, at a nominal duty of Rs. 1-8-0 per gallon, but the license fees bring the amount up to about Rs. 1-13-0. As the liquor is retailed at Rs. 3-12-0 per gallon there is a sum of Rs. 1-15-0 available to cover distillers and shop-keepers' costs and profits. The consumption is ·071 of a gallon per head, and there is a shop to every 1,250 people.

16. *Nuggur Division.*—The same system is followed in the three districts of this division. In Shimoga there are, however, four distilleries with fifteen separate firms manufacturing liquor in them and issuing it generally at from 25° to 30° under proof at a nominal excise duty of Rs. 1 per gallon. The license fees bring this amount up to Rs. 1-11-0 as the licenses are sold by auction throughout the division. The retail price apparently varies from Rs. 2-14-0 per gallon to Rs. 4-9-11. Supposing it be sold on the average at Rs. 3-4-0, there would be a sum of Rs. 1-9-0 for distillers and shop-keepers' profits and costs. The consumption is ·062 of a gallon per head, and there is a shop to every 2,200 people.

17. In the Cuddoor District there are three distilleries where eight firms manufacture about 20,000 gallons of spirits per annum and issue it, at 25° under

proof, at a nominal duty of Rs. 1 per gallon, equal to Rs. 1-8-0, when license fees are added. As the liquor is sold to the public at an average price of Rs. 4 per gallon, there is an average sum of Rs. 2-8-0 per gallon, available for distillers and shop-keepers' profits and costs. The consumption is ·111 of a gallon per head, and there are 247 people to each shop.

18. In the Chitteldroog District there are two distilleries from which liquor is issued at a strength of from 25° to 30° under proof, and at a nominal excise duty of Rs. 1 per gallon with a discount of 12½ per cent. to wholesale dealers. Including the amount realized from license fees the duty is raised to Rs. 1-8-0, and the liquor said to be sold, by retail, at from Rs. 3-2-0 to Rs. 3-12-0. If the average be taken at Rs. 3-8-0, there will be a sum of Rs. 2-2-0 available for distillers and vendors' costs and profits, exclusive of the wholesale dealers' discount. The consumption is ·023 of a gallon per head, and there is a shop to every 4,000 people.

19. In the province of Coorg the Abkári system has gone through the same variations as in Mysore, having first been worked on the contract or renting system, then on the so-called "Amani" or direct Government management system, and since 1866-67 on the Sadr distillery system. There is one distillery at Fraserpett, in which five separate firms manufacture nearly 5,000 Imperial gallons of spirits per mensem on the average, and issue it at a strength of 30° under proof, at a nominal duty of Rs. 1-4-0 per common gallon, which is Rs. 1-8-0 per Imperial gallon. The shop licenses, however, which are sold by auction, realize about Rs. 24,000 per annum, which raises the duty levied to about Rs. 1-13-0 per Imperial gallon, and, as a rule, the liquor is sold by retail at no less than Annas 12 per bottle, or Rs. 4-8-0 per gallon, so that a sum of Rs. 2-11-0 per gallon is left in the hands of the distillers and shop-keepers to cover expenses and profits. The consumption is rather more than ½ a gallon per head per annum, and there are about 780 people to each shop.

20. It will be observed from the sketch of the Abkári system as now in force in Mysore and Coorg, given in paragraph 6 to 10 above, and from the foregoing details of its working in each district, that the so-called Sadr distillery system has been so far adopted that a complete and effective control is secured over the retail shops, and that the direct interference of Government, either in the manufacture or distribution of spirits, has ceased. The quality of the spirits supplied to the public is also said to be greatly improved under the new system, and it has the decided advantage over the former system that the revenue is much more easily collected. The natural increase of consumption which was to be expected from the gradually improving condition of the population has also undoubtedly been stayed owing to the high price at which spirits are generally sold throughout the Province, and the district officers are generally of opinion that a decided check has been placed upon smuggling and illicit distillation. With one exception, they think that no liquor is ever now smuggled out of a distillery, and no case of the kind has been detected since their establishment. As to illicit distillation it is believed to be practised to some extent in Coorg and in the Mulnaad portions of the Nuggur Division, but only for private consumption and not for sale.

It is stated that the separate interests of the several distillers would render any attempt to pass unexcised liquor out of the distillery certain of detection, and that the general interests of the distillers and shop-keepers and of the numerous persons employed under the Toddy contractors, extending as they do to all parts of the country, would make illicit distillation an impossibility. The services of the Itinerating Abkári Darogah of the Police and of a large staff of village officials are also available for the purpose of detection.

21. The system of management, even as at present in force, appears to be a very decided improvement upon the farming system which is in operation in most of the districts of the Madras Presidency, and under which the farmer has but one object—the realization of as large profits as possible during the currency of his lease—which induces him to retail an inferior article and to stimulate consumption by every means in his power. With a few modifications which I shall suggest hereafter, and if introduced with due precautions, I believe that the Mysore system might be generally adopted with very decided advantage to the people and with some gain to the revenue.

22. The plan on which the system is worked, however, varies materially in each district. It will be observed that in one district there is an Arrack shop to every 247 people, and in two others there are upwards of 8,000 people to each shop, yet the consumption does not seem to be affected in at all a relative degree. Then the liquor is issued at different strengths and different rates of duty in several districts, and the retail price also varies very considerably, being Rs. 4-8-0 per gallon in Coorg for spirits 30° under proof, and but Rs. 3 per gallon in the Colar District for liquor of only 19° under proof. Yet the consumption in Coorg is half a gallon per head per annum, and that in Colar less than two drams. The number of persons permitted to manufacture liquor in the Sadr distilleries is equally variable. In the Shimoga District there are fifteen firms manufacturing the annual supply of 27,000 gallons, and in Toomkoor 20,000 gallons are divided among nine distilleries, yet only five firms are employed in making the 60,000 gallons for Coorg, and the 124,000 gallons consumed in the Bangalore District are prepared by only four distillers.

23. Notwithstanding these numerous causes which might be supposed to have operated in checking the consumption in some places and stimulating it in others, it appears that though, on the first introduction of the Sadr distillery system, the general consumption of Arrack was very considerably affected to the loss of the revenue, it has, in most cases, increased year by year since that period, though it is still probably considerably below its original proportions. For instance, we find that in those *portions* of the old Bangalore Division, which were under direct State management, the consumption between 1849-50 and 1859-60 varied from about 152,000 to about 122,000 gallons per annum, and that the present consumption of the *whole* of this tract of country, which now comprises the Bangalore and Colar Districts, cannot be estimated at more than 130,000 gallons. The consumption of the old Astragram Division, which was conterminous with the present division of the same name, varied during the same period from about 25,000 gallons to about 19,000 gallons, though in 1861-62 it had risen to about

42,000 gallons, yet the present consumption cannot be estimated at more than 31,500 gallons. Similarly in Coorg the consumption during the four years previous to the introduction of the Sadr distillery system averaged upwards of 65,000 ordinary gallons per annum, and was 77,000 gallons in 1863-64, and it has now reached 69,000 gallons only, and fell as low as 49,000 gallons in 1869-70.

24. When it is remembered that during the past ten years the Abkári revenue of the three adjacent districts of the Madras Presidency has increased by considerably upwards of cent. per cent. as shown in the margin, which, though of course in part, owing to the increased price charged for spirits, must, in a considerable degree, be ascribed to increased consumption, the figures at which the consumption and revenue of the Mysore Districts have stood during the same period are somewhat startling. At the same time it is clear that all the same causes have not been at work in the two Provinces, or we should find that the Toddy revenue of the Mysore Districts, which has been, and is still, managed on the farming system, had increased in a somewhat similar degree to the Arrack and Toddy revenues of the Madras Districts, whereas it now stands at only Rs. 5,32,863 against Rs. 4,88,629 in 1860-61.

	1860-61.	1870-71.
	Rs.	Rs.
Bellary	2,41,726	7,04,016
North Arcot	1,79,113	2,82,885
Salem	1,33,088	3,33,478

25. It may, however, be safely asserted that one of the chief merits claimed for the Sadr distillery system, namely, "the minimum of consumption," has been secured in the Mysore Province and Coorg, but whether it has been combined with the "maximum of revenue" is, I venture to think, very questionable. The retail price of Arrack was everywhere considerably raised when the new system was introduced, and this could not fail to check the natural increase of consumption in some measure, but it should not have also had the effect of reducing the revenue, as an increase of duty should have covered the loss from decreased consumption. This might perhaps have been the case had the new system been carried to its legitimate conclusion, and "if any person who chose had been permitted to distil liquor within the Government distilleries," or rather the state of circumstances would never then have arisen, for it would have been found that a moderate profit could be obtained by the distillers, even after the payment of the Government duty, without materially raising the price to consumers, and no check to consumption would have been given, so that the revenue would probably have continued also to increase. For instance in 1865-66, in the Province of Coorg, when the manufacture of Arrack was in the hands of Government officials, the retail vendor sold a bottle of Arrack for Annas 8 for which he paid to Government a little more than Annas 6—a price which enabled the State to realize a net revenue of about Rs. 80,000 from a consumption of about 50,000 gallons, being a little over Rs. 1-9-0 per gallon. Since 1867-68 the vendor has raised the price to Annas 12 per bottle, and in that year the State realized a net revenue of something less than Rs. 73,000 from a somewhat decreased consumption of about 45,000 gallons, being a duty of about Rs. 1-10-0 per gallon; and during the past year a consumption of about 60,000 gallons has given a net revenue of about Rs. 1,07,000 equal to an excise duty of Rs. 1-13-0 per gallon. Thus, though the price of spirits to the consumer has been increased from Annas 8 to Annas 12 per bottle, or 50 per

Proceedings of the Madras Government, Revenue Department,
21st October 1872.

cent. under the new system, the net duty derived from the sale of a gallon of spirits has only increased from Rs. 1-9-0 to Rs. 1-13-0. If the distilleries of the Coorg District had been open to all, it is at least possible that many would have found it a profitable speculation to supply the retail vendors at, say, Annas 7 a bottle instead of Annas 10, the vendor would then have sold at Annas 9, and there would have been no check to the natural increase of consumption which would probably have resulted in a considerably increased revenue.

26. The absence of the maximum of revenue as combined with the minimum of consumption may, I think, therefore, be fairly ascribed to the want of competition among the distillers, and, though this is specially apparent in Coorg, it seems to me also to be present to a more or less extent in almost every district of the Mysore Province. I am bound here to state that some of the district officers are of a contrary opinion, and consider that there is really a *bona fide* competition among the distillers and shop-keepers. The inquiries I have myself made, however, both at the distilleries and shops which I have visited, leads me to suppose that if any such competition exists at all, it is merely for the purpose of securing a larger sale for the produce of their stills, and rarely, if ever, tends to a reduction in the price of the article to the licensed vendors or to the public. A consideration of the sums available for distillers and vendors' profits and costs as given in paragraphs 11 to 19 above, and again detailed in the margin, seems also to support this view. It will be seen that they vary from Rs. 2-11-0 per gallon in Coorg to Rs. 1 per gallon in Toomkoor. Of course, the prime cost of spirits must vary considerably in different localities with reference to the cost of materials, and spirits of a lower degree of strength can be manufactured at a much lower rate than spirits of the higher strengths. Another element to be considered is the transport from the distilleries to the wholesale shops, which is borne entirely by the distillers, and it is consequently very difficult to arrive at a rate for the cost of production and distribution which will be uniformly applicable. My own calculations, very liberally made, seem to show that in the Bangalore and Mysore Districts Arrack can be profitably manufactured at Annas 12 per gallon. The Deputy-Superintendents who have entered into the question of cost of manufacture fix it at different rates. In Cuddoor at Annas 12, in Chitteldroog at Annas 13, in Colar at Annas 10 Pies 2, in Toomkoor at Annas 9, and in Hassan at Rs. 1-4-0. I cannot but believe that there must be some miscalculation about the latter amount, and that Annas 14 per gallon would be a very liberal average allowance. I ascertained in Coorg that the cost of distribution varies from Pies 9 to Annas 1½ per gallon, and this must be a more expensive item in this locality than in any part of Mysore, so that Anna 1 per gallon would probably be a fair average allowance. Adding Annas 3 per gallon as retail vendor's profits and Annas 2 as further profit to distiller, an average sum of Rs. 1-4-0 per gallon should be ample to cover distillers and shop-keepers' costs and profits; and a reference to the margin will show that this amount is considerably in excess of the

	Rs.	A.	P.
... ...	1	10	8
Bangalore	1	2	0
Colar	1	0	0
Toomkoor	1	14	0
Mysore	1	15	0
Hassan	2	8	0
Cuddoor	1	9	0
Shimoga	2	2	0
Chitteldroog	2	11	0
Coorg			

sums calculated to be available for this purpose in the Toomkoor and Colar Districts. If the amounts deduced for the other six districts, and the Province of Coorg be reduced to this sum, and if the surplus be transferred to the excise duty of Government, it will be found that at present retail prices each district might pay the duties noted in the margin. This on a rough calculation would raise the revenue of the Mysore Province by upwards of a lakh, or more than 20 per cent., and the revenue of Coorg by about Rs. 80,000, or 70 per cent.

	Rs.	A.	P.	
Bangalore ...	2	14	8	(Average for town and country.)
Mysore... ...	2	8	0	
Hassan... ...	2	8	0	
Shimoga ...	2	0	0	
Cuddoor ...	2	12	0	
Chitteldroog.	2	6	0	
Coorg ...	3	4	0	

27. These figures afford ample proof that the change in the system of management of the Abkári revenue which has been introduced into Mysore, though perfectly successful in having effectually checked what may be considered in some quarters the undue consumption of spirituous liquors by the people, cannot be considered as equally satisfactory from a financial point of view. The causes of its want of success in this respect are easily ascertained. They are in no way owing to defective administration, but are, as it seems to me, entirely to be ascribed to the natural operation of the system itself. The Sadr system of management, though theoretically based upon the broadest principles of free trade in spirits, has, I venture to think, an unavoidable tendency to create an unrestricted monopoly—the most objectionable of all fiscal arrangements, and one which enables the monopolists to enrich themselves at the expense of the State and the public. The very essence of the success of the system is unlimited competition in the manufacture of liquor, so that the very best article shall be offered to the public at the very lowest price compatible with a fair return on the capital expended on its preparation. Now it is well known that competition is nearly everywhere considerably influenced by custom. Mr. John Stuart Mill remarks upon this subject: "Political economists generally, and English political economists above others, have been accustomed to lay almost exclusive stress upon the first of these agencies, to exaggerate the effect of competition, and to take into little account the other and conflicting principle. They are apt to express themselves as if they thought that competition actually does, in all cases, whatever it can be shown to be the tendency of competition to do. This is partly intelligible, if we consider that only through the principle of competition has political economy any pretension to the character of a science. So far as rents, profits, wages, prices, are determined by competition, laws may be assigned for them. Assume competition to be their exclusive regulator, and principles of broad generality and scientific precision may be laid down, according to which they will be regulated. The political economist justly deems this his proper business, and, as an abstract or hypothetical science, political economy cannot be required to do, and, indeed, cannot do anything more. But it would be a great misconception of the actual course of human affairs to suppose that competition exercises, in fact, this unlimited sway. I am not speaking of monopolies, either natural or artificial, or of any interferences of authority with the liberty of production or exchange. Such disturbing causes have always been allowed for by political

Proceedings of the Madras Government, Revenue Department,
21st October 1372.

economists. I speak of cases in which there is nothing to restrain competition; no hindrance to it either in the nature of the case or in artificial obstacles; yet in which the result is not determined by competition, but by custom or usage; competition either not taking place at all, or producing its effect in quite a different manner from that which is ordinarily assumed to be natural to it. Competition, in fact, has only become in any considerable degree the governing principle of contracts at a comparatively modern period. The further we look back into history the more we see all transactions and engagements under the influence of fixed customs. The reason is evident. Custom is the most powerful protector of the weak against the strong: their sole protector where there are no laws or government adequate to the purpose. Custom is a barrier which, even in the most oppressed condition of mankind, tyranny is forced in some degree to respect." Probably there is no country in the world where greater weight should be given to these observations than in India. The Hindoo is averse to emerging from the grooves in which his ancestors moved. A powerful and at the same time a liberal government is a benefit which he has enjoyed for a comparatively short period, and real and unlimited competition is alien to his nature and even to his religion.

28. Supposing then that it were possible to carry into effect the rules of the Sadr distillery system, and to permit any person who chose to erect a still within the Government enclosure, I very much question whether there would be anything like *bona fide* competition amongst the distillers. No matter what the numbers were, I believe that they would become a sort of guild, and would combine for their own benefit and to the disadvantage of the public. In practice, however, it must be simply impossible to carry out this provision of the system. No enclosure would be large enough to provide accommodation and no establishment strong enough to supervise an unlimited number of stills. The district officer is consequently compelled to make a selection, and his nominees become virtually monopolists of the manufacture of spirits in the district, and are thus enabled to exact from the public any amount of taxation for their own benefit, which, when added to the duty levied by Government, will not raise the price of the article to a figure which will induce the public to forego its use altogether. It is very true that, with a very high rate of Government excise duty, it would probably be to the interest even of the monopolist manufacturer to sell spirits at the lowest remunerative price, and it is upon this principle that the Abkári farmers of the Madras districts are not limited in regard to the price to be charged for liquor, but it is very questionable policy to charge high duties, as it is well known that this course almost invariably leads to extensive smuggling and illicit distillation.

29. If it be once admitted that it is the tendency of the Sadr distillery system to create a monopoly of manufacture, it will hardly be denied that it is desirable either to retain that monopoly in the hands of the State or to place such restrictions upon the monopolists as will insure the public against exaction. So far as I am able to judge from very limited experience of this special subject, and from my present investigations, I am disposed to think that the most expedient mode of dealing with the question in India would be to retain the monopoly of the *supply* of spirits in the hands of Government, requiring persons willing

to undertake the manufacture to do so at a Sadr distillery, but under much stricter supervision than is at present exercised under the Sadr distillery system, and to deliver the whole produce of their stills at a moderate figure, which would allow a fair and reasonable profit, at such wholesale depôts as might be determined upon. The retail shop-keepers would then supply themselves from these depôts, and the price at which the spirits were issued to them would be so fixed as to include any rate of excise duty, which, for moral or fiscal purposes, it might be deemed proper to impose. It seems to me that under such a system all the advantages of the Sadr distillery system, as in actual practice, would be retained, and its defects would be remedied. There would be the same control over the retail shops, the same accurate knowledge of the consumption of spirits, with the power of checking it, at will, by an increased excise duty, a better security that the spirits manufactured were of the best description, and the distillers would not have it in their power to transfer to themselves any portion of that artificial price of liquor which is the result of its being a taxed commodity.

30. I am aware that such a system might be charged with bringing the Government into more immediate contact with the consumption of spirits than may be thought in some quarters desirable; but so long as the State deems it advisable to derive a revenue from this source, some contact of the sort is inevitable, and the difference is only in degree. Moreover, there is probably no article which is a more fitting subject of taxation than spirituous and fermented liquors. They are extensively used, they are not absolute necessaries of life, the duties do not press heavily upon the people, and in nearly every country a considerable proportion of the revenue is obtained from them. In the United Kingdom £26,185,000 was derived from these duties during the past year, being 37 per cent. of the total revenue, and in recent years they have reached 20 per cent. of the revenue in Russia, 14 per cent. in France, and 9 per cent. in Belgium, yet in the Madras Presidency little over 8 per cent. of the revenue is obtained from the excise. I would not, however, advocate any increase of taxation in this direction at present, which would be likely to throw any additional burden upon the people, but I see no reason why any changes in the system under which the Abkári is administered which would be likely to augment the revenue, without increasing these burdens, should not be adopted merely from a tradition that, on moral grounds, the State should be as much as possible disconnected with the management of any duties levied on the consumption of spirits. So long as the opium and salt monopolies are maintained, such a course would surely be sacrificing revenue for an idea, and it is hardly necessary that this should now be done in this country when opinion is so greatly divided in England as to the proper limits of legislative interference with the manufacture and sale of spirituous and fermented liquors. If, however, it were thought desirable to introduce the Sadr distillery system with as few changes as possible, it would probably be found that its defects would be sufficiently remedied if the distillers were simply admitted to be monopolists, and, being viewed as such, were required to issue their liquor at prices below a certain maximum. That some such change as that advocated, if adopted by the Mysore Administration, would effect a considerable augmentation

Proceedings of the Madras Government, Revenue Department,
21st October 1872.

of revenue, without any increase of taxation, has, I think, been sufficiently demonstrated, but whether equally satisfactory results would follow the introduction into the Madras Presidency of a system of management of the description indicated above is a question which nothing but a careful investigation on the spot can elucidate with certainty.

31. The difficulty to be encountered in any such inquiry would be the entire ignorance of the officers of Government in regard to the consumption of spirituous and fermented liquors in different localities. This is the inevitable result of the system of leasing this branch of revenue to farmers, whose special object it is to keep all information on the subject of consumption to themselves, lest a knowledge of its extent, and the consequent revenue to be obtained therefrom, should lead to an enhanced price being offered for the farm at the termination of their contracts. The very large sums which in some districts have been offered for these leases, and the frequent failures of contractors, might lead to the supposition that the limit of revenue had already been reached, but this can hardly be the case in many districts, for it is often found that a farm re-sold for arrears due by a defaulting contractor realizes an increased rent for the remainder of the lease, and it is within my own knowledge that on a recent occasion, at the very time the defaulting contractor was urgently petitioning for a remission of rent owing to alleged losses during the term of his lease (verified by the production of all his so-called books and accounts) he himself bid a largely increased rent for the new contract of the same farm. Several of the Mysore distillers are Abkári contractors in the Madras districts, and, from the knowledge I have obtained of the large gains realized by them in that Province, I am not disposed to think that they would be willing to embark on the Madras contracts with the prospect of only a trifling profit. It is stated by Mr. Bell of the Bombay Civil Service, who has recently been engaged on special inquiries in regard to the Abkári system of that Presidency, that, so far as he was able to learn, the contractors never paid to Government more than half the amount estimated as likely to be realized by the shop-keepers from the public, retaining the other half for cost of liquor, establishment, bad debts, and profits. If the Madras contractors adopt the same plan, their profits must, in some cases, be by no means insignificant. For instance, in the Bellary District the revenue was last year upwards of seven lakhs of Rupees. Supposing that half the amount represented the Toddy revenue, then the Arrack revenue would be $3\frac{1}{2}$ lakhs, and the contractor would have retained a similar sum for the purposes abovementioned. His total demand for Arrack would have been seven lakhs, which, at Rs. 3 per gallon (a very fair average retail price), would represent a consumption of about 230,000 gallons, or about one-seventh of a gallon per head per annum. Supposing the liquor to cost him Annas 12 a gallon, a sum of about $1\frac{3}{4}$ lakhs would be available for establishment, distillers and shop-keepers' profits and bad debts. Whether or not the contractors' profits are large or small, however, there is very little doubt that the administration of this branch of revenue has been very much neglected owing to the decided financial success of the contract system, and it is very questionable whether the checks provided under that system are everywhere properly carried out, it seems, therefore, very desirable that some sort of investigation should now be made, in

a few districts, in view to the adoption of such improvements in the system of management, at the termination of the present leases, as experience may dictate.

32. As to those districts into which a modified excise system has now been experimentally introduced, very careful supervision should be exercised by the officers of Government in view to the full value of the experiment being obtained. Special measures against smuggling and illicit distillation will be necessary, for it will be observed that several of the precautions which are relied upon in Mysore, such as the conflicting interests of the distillers and the separate renting of the Toddy farm, are impracticable under the system which has been adopted, and I think it would be very desirable that a supervisor should be appointed for each district, whose special duty would be to make frequent tours in view of the discovery and check of illicit distillation, or of irregularities on the part of licensed vendors. Rewards to informers should also, I think, be freely offered. I would also suggest that under the Abkári Act the Board should make it a condition of the retail license that the spirits shall not be diluted, and that the offering for sale spirits of a less strength than 35° under proof shall render the vendor liable to the loss of his license. Much stress is laid upon this condition of the licenses in Mysore, as if the vendors are permitted to sell diluted liquor; the consumption of liquor of the standard strength will at once be affected at the expense both of the distillers' profits and the State revenue. I believe that a condition of this kind has been adopted in the Ganjam and Vizagapatam licenses at the request of Mr. Minchin, and I think it very desirable that the same course should now be followed in Chingleput and South and North Arcot. As the spirit is issued at 30° under proof, I would allow 5° for deterioration of spirit or variation of hydrometers. In regard to these instruments I would suggest that while Sykes's hydrometer be retained as the standard, a supply of glass hydrometers made on the French system, and set to the average temperature of spirits in each district, be obtained from England for ordinary use. Great difficulty is found in Mysore in working with Sykes's instrument, as the deterioration of the gilding, by frequent use, seems to affect it, and the slightest indentation renders it inaccurate. The necessity for the use of the tables also much complicates the work of testing, and I believe that the glass hydrometers which cannot get out of order, set as proposed above, will be found sufficiently accurate for all practical purposes.

33. Before quitting the subject it is necessary that I should touch upon the question of the licensing of the retail sale of spirits which has recently attracted so much attention in England. Fortunately we have not the same vested interests to deal with in this country, and, consequently, are at liberty to issue only so many retail licenses as, in the opinion of the Government officers of the locality, are really required to meet the wants of the public. The point for decision, however, is whether, in the event of the adoption of any system of management similar to the Sadr distillery system, the licenses shall be sold by auction or issued at fixed rates to respectable persons. In Mysore the auction system has been given up in most districts as tending to ruinous bidding on the part of vendors, and consequent difficulty in realizing the license fees, and also as calculated to enable the wealthy distillers to obtain a monopoly of the shops. In favour of the system

Proceedings of the Madras Government, Revenue Department,
21st October 1872.

it may be urged that it should have the effect of reducing the profits of distillers and shop-keepers to a minimum, and increasing the Government revenue derived from the sale of spirits to a maximum, but it certainly has not had this effect in Mysore. Still it undoubtedly has this advantage, in a revenue point of view, that the more a vendor pays for his license the more anxious he will be to extend his sales and increase his own profits, and concurrently the State revenue, and the more active he will be in endeavouring to prevent the sale of any smuggled liquor. At the same time, the auction system must involve a considerable difference in the actual rate of duty paid to Government in the circle of each shop, and, on the whole, I am disposed to think that the proper course is to fix a very moderate rate of license tax, in different grades, in reference to the business done at each shop. Say Rs. 10 per mensem for shops selling upwards of 120 gallons a month, Rs. 7 for shops selling from 60 to 120 gallons, Rs. 4 between 30 and 60 gallons, and Rs. 2 when selling less than 30 gallons. I calculate that at these rates a little more than Anna 1 per gallon of the excise duty on the average would be paid in the form of a license tax, and that any difference in the rate of excise levied in different localities would thus be reduced to a minimum.

34. I have omitted to discuss in this report the revenue derived from Toddy and fermented liquors, as my investigations were, under orders, directed to the system under which the Arrack revenue was levied, but I may mention here that from a few inquiries which I made incidentally in different parts of the Province of Mysore, I am led to believe that very considerable profits are also realized by the farmers of this branch of revenue. As already stated, it has only increased from Rs. 4,88,629 to Rs. 5,32,863 since 1860-61, and the farms are, I believe, generally disposed of, on tender, for a term of years. It is stated that this revenue in the town of Bangalore is somewhat affected by the sale of cheap country-made Beer, which is only taxed by a license duty on the shop of Rs. 15 per mensem. I can believe that this is the case, as I found the Beer in question to be a highly spirituous compound, and it was sold at the low price of one anna and-a-half per bottle. I am not prepared to say, without further experience, that any change in the system under which the revenue derived from Toddy is collected which tended to bring it more directly under State control would be either feasible or beneficial.

35. In conclusion, I desire to record my appreciation of the uniform courtesy with which I was treated by every officer of the Mysore Commission with whom I became acquainted during my tour, and to return my grateful thanks for the trouble that, in many cases, was taken to assist me in my investigations and for the alacrity with which all my requisitions for information on the subject of my inquiry were invariably met.

Mr. Dalyell's report on the Abkári system prevailing in Mysore will be submitted to Government.

2. Each district has one or more Sudder Distilleries or walled and guarded enclosures in which all country spirit must be distilled. Theoretically any applicant may erect and work a still in the enclosure, but practically only a few can do

so because the space is limited. No liquor is allowed to leave the enclosure except at a prescribed strength (at which it is afterwards sold) and on payment of an excise duty.

Paragraph 32.

3. There is no uniformity in the excise duty, the selling price, the proportion of shops and stills to population or the consumption of spirit in the several districts of the province. The amount consumed is said to be *probably* much less than it would be under the contract system, and a comparison between Mysore and the neighbouring districts of Madras shows that the revenue is also less. The check to consumption arises from the fact that the distillers (combining when more than one are at work in the same field) raise the price at which liquor is sold. The revenue is everywhere collected with great ease and the quality of the spirit is good.

Paragraph 23.

4. It appears that the advocates of this system maintain that it secures the minimum of consumption with the maximum of revenue, but Mr. Dalyell believes that though the minimum consumption is obtained, the share of the receipts which goes to the distiller is too great and the revenue derived by Government unnecessarily low. The Board do not attach much importance to abstract reasoning in a matter like this. The phrase "minimum consumption" conveys too vague an idea to be of use in Abkári administration. The Government of this Presidency do not profess to say who shall drink spirit or how much shall be consumed. It is sufficient that the levy of a revenue on spirituous liquors restrains consumption, and that Government occupy a position in which they can efficiently control the distillation and sale.

5. Viewed practically the Mysore system seems preferable in many respects to the Madras Farming system. It makes the realization of the Abkári revenue much easier and it lessens the inducements, which, as Mr. Dalyell states, impel the farmer who has paid a lump sum for his farm to increase his profits by stimulating consumption and distilling a cheap and inferior article. On the other hand, the farmer's own interest and that of the sub-distillers will prevent their supplying worse liquor than the purchasers will take, and under the Abkári law, they are forbidden on pain of severe penalties (which the Board fear are sometimes disregarded) to mix noxious ingredients in the spirit or sell it below a certain fixed price. The Madras system includes a very complete control over distillers and retailers and there can be no doubt but what it secures a high revenue. During the ten years, from 1860-61 to 1871-72, the Mysore Abkári revenue from all sources increased by 11 per cent. only. In Madras it increased by 46 per cent., and if the rate of increase had been as slow as in Mysore, the revenue would now be less than it is by more than a quarter of a million sterling.

6. The chief point in which it appears to the Board that the Mysore system is *necessarily* superior to the Farming system, is in recording the quantity and strength of the country spirit distilled in each district, thus supplying data for revision. This object is equally attained by the experimental system which is now being tried in South Arcot and four other districts.

Proceedings of the Madras Government, Revenue Department,
21st October 1872.

7. In paragraph 29 Mr. Dalyell states that he is disposed to think that an Abkári system, which may be described as the system prevailing in the town of Madras under which Government, getting spirit distilled by a contractor, supply it direct to salesmen, is the best system for India. The Board do not think that the report bears out this view. Experience shows that a Government monopoly like this, even when it is confined to a limited territory, can only be enforced by a strong establishment and a minute attention to details which would be out of the question in wide rural tracts where the revenue is comparatively insignificant whilst the difficulties of administration are almost as great as in a town.

8. In paragraph 32 Mr. Dalyell deals with the experiment now under trial in Ganjam, Vizagapatam, Chingleput, North Arcot, and South Arcot. He thinks that special measures against smuggling and illicit distillation will be necessary because there are no rival distillers with conflicting interests, and because there is no separate renting of the Toddy farms. He accordingly suggests the appointment of a Supervisor in each district. The Board observe that where there is but one distiller, his interest in stopping smuggling, etc., is ten times as great as if there were ten, and that in most of the districts, the Toddy farm is rented out to men who pay their rent to the Arrack Contractor, but in all other respects are independent of him, and their interest in exposing illicit practices which interfere with their sales is as great as it can be in Mysore. A single Supervisor would be almost powerless in an extensive district, and if one is required at all, a large staff must be entertained. The Board will await Mr. Dalyell's further reports after examining the circumstances of one or more of the Madras districts before they take action in this direction.

9. The question whether dilution by the distillers or shop-keepers after liquor leaves the distillery at the standard strength can and should be absolutely forbidden is a difficult one. It is argued that distillers and shop-keepers will be tempted to dilute, because, having a monopoly, they can be sure that consumers will take their liquor at a price measured by their desire and means of paying for it and not by the worth of the article, so that their profits will increase whilst the revenue of Government will suffer if the purchasers, being unable to spend more than a limited sum on liquor, only consume the same quantity whether it is strong or weak. On the other hand, it is certain that consumption will decrease to some extent as prices are increased, or in other words as spirit sold by volume at a given price is diluted. Altogether the Board think it safest to require that liquor should be sold undiluted at the strength at which it leaves the distillery, except in the case of spirit issued at proof to save cost of carriage which on arrival at its destination may be diluted to the standard strength. By an oversight the wording of the agreements executed by Messrs. Parry and Co., Minchin, Corbett and Morison, and Pritchard does not contain any exact stipulation to this effect, but it was clearly understood in the correspondence which took place before the agreements were instituted, as for instance where it was calculated that the consumption of a district would be so many gallons of spirit paying a duty of Rupees 1-12-0 as 30° below proof. The Collectors of the districts in which the distillers just mentioned are at work will therefore call upon them to execute a supplementary agreement to the effect that they will not dilute liquor below the

standard strength and to make the sale of undiluted liquor a condition with their shopkeepers. As Mr. Dalyell remarks the latter condition is already enforced in Ganjam and Vizagapatam.

10. With regard to the different descriptions of hydrometers the Board have expressed their views in their Proceedings of the 9th August 1872, No. 1,543. The glass hydrometers Mr. Dalyell refers to are less subject to slight injuries than the metal Sykes' hydrometers, but they are all set for a particular temperature which is rarely obtained, and most are inaccurate even at that. Sykes' hydrometer, which is accurate at all temperatures, is made the standard by the English Spirits Act, XXIII. and XXIV. Victoria Cap. 114, and continual disputes will arise if any other instrument is used by Government. When an injury occurs, the error is easily perceived and faulty hydrometers must be at once withdrawn from use and sent back to Madras. Nevertheless it must be conceded that the metal Sykes' hydrometers are not suited to the climate and circumstances of India. The globe being of thin metal is liable to dints and the slightest dint affects the accuracy of the instrument. The two hemispheres of which the globe is composed and which are soldered together become imperfectly united when the gilding wears off and corrosion begins. The ball at the bottom of the stem which contains the adjusting weights (small pellets of lead) can be unscrewed in a moment and a pellet added or subtracted without difficulty. The degree-weights are often so badly gilt as to be subject to corrosion almost from the first. All these sources of injury will be avoided if the instruments are made of glass as the Board believe they sometimes are on the Continent. The Board resolve therefore to request Government to indent on the Secretary of State for fifty Sykes' hydrometers made in glass. A scale, thermometer, set of degree-weights, and book of tables should accompany each. If glass hydrometers of this description are not kept at present by the English dealers and cannot be made or obtained from abroad, the best possible substitute in glass should be got, together with twenty of the standard instruments. There are only four now in store and one of these is useless, the globe being dinted and the weights affected by corrosion.

11. The Board think it very desirable that before Mr. Dalyell concludes his inquiries he should visit North Arcot where the experimental system is in force.

No. 172. ORDER THEREON, 21st October 1872, No. 1,453.

Separate Revenue, No. 14.
Abkari.

ORDERED that copy of Mr. Dalyell's report on the Mysore Abkári System be forwarded for the information of the Chief Commissioner with the thanks of Government for the assistance that was so readily afforded to him in his inquiries.

2. The Governor in Council approves the proposal that Mr. Dalyell shall prosecute his inquiries in the North Arcot District when he has completed them in Salem.

3. The Government will await his further report before discussing the questions raised.

4. The Board of Revenue will submit, in the regular form, their Indent for the required hydrometers for transmission to the Secretary of State, through the Government of India.

(True Extract.)

(Signed) W. HUDLESTON,
Secretary to Government.

To the Board of Revenue.
,, R. A. Dalyell, Esq.
,, the Accountant-General.

Exd. F. R. Bantleman.

Daram poory
19 Septr 72

My dear Huddleston

I have completed my
enquiries in the four southern
talooks, and am now at
work here, intending to
proceed to Upon next
week, and thence to Kattra
-Phang and Dirjeeling. I
have visited Dukkhina and

[illegible]

Boys in every taluk, except
Chittoor which I could not
get at owing to the road
being impassable (N.B. it
was only given over to the
Local Board by the D. C. a month
or two back) and have in most
places got hold of old writers
or their Gumastahs from
whom I have obtained a good
deal of information free from
any taint of "interest." I think
that, in spite of my misgivings,
I shall be able eventually to
make a fair estimate of
the consumption of the District,
and, as I anticipated, I
find that there are all
sorts of irregularities under
the present system. The Bds
orders about the minimum
price were never carried
out, even in the licences, until
this year, and were are
much disregarded in many

places even none, and the most profound ignorance prevails among the shopkeepers as to their duties under their agreements and their liabilities for a breach. The sign boards are almost invariably wanting, and the dram differs exceedingly in size. There in some places the writers open no toddy shops as they find it more profitable to compel the people to drink a nack. This seems to me a very serious abuse, but

I agree with Langley in thinking that he is powerless to interfere, as the Exhibitor makes no agreement to open any particular shops, and unless he licences the sale it cannot take place. In fact we have forgotten the first duty of Govt when they want a monopoly, viz to place such restrictions on the monopolist as will thoroughly protect the public. The drinking population is a distinct [illegible]

pt[illegible] wear none and

m in such liquor only as the
an Renter chooses to provide and
do it may be as nasty or inferior
ca as he chooses provided only it is
The not deleterious to health - Owing
in to the farms having been
de re-sold only in July last matters
re are not in complete working
w order in some places yet,
a and it seemed be undesirable,
t therefore, to defer any enquiries
in ~~any other~~ rented Districts
until next year. In my
calculations for this District

I should have to make allowance
for this, and it is a source of
error which may be obviated by
a little delay - When I passed
through Madras the Board
were very anxious that I
should take a look at both
Arcot when this District is
completed, as they seemed to
be doubtful whether Corbet
was working the new system
in a perfectly satisfactory
way, probably they have put
this letter first in their Proof
in my Improvement - Of course

I should be very glad to do this
and it would be a convenient
arrangement to cross over the
border from Espatore — I am sure
you will be glad to hear that our
old friend Langley is turning out a
capital Officer - His office is all in
apple-pie order and everything done
in the most methodical & workmanlike
way, and he seems to have the
whole District thoroughly in hand.
I hope you are looking after Bob
Mis and not allowing him to run
any more risks as he did the
other day, and also that you are
keeping well yourself and able to enjoy
the Hills. Believe me [illegible]

Espatore
30 Sept.

My dear Hudleston

We doubt it will seem
to you to send a copy of
my Report to the
Controversies there - It would
be only civil to do so. The
Board do not quite take
in my meaning as to the
best Abkaree System for
India - I certainly did not
contemplate the wretched Town

I system as it is, as they seem to think, but merely the Modified Dutilly system, with such modifications as would check its defects. They have not properly understood me either as regards checks on gauging and glass hydrometers - The number of distillers at work at each distillery is a check on gauging

but figures from the enclosure, and I presume that the glass hydrometers should be set to the average temperature required for the district in which they were to be used. I have spare copies of my report at your disposal. I thought it as well to print it myself as nowadays everything seems to be got hold of by the papers, and it seemed not be quite fair on the Irish people for us to make public the short comings of their system. Will you kindly let me know as soon as you can whether

For post comment to the Board's
form that I should visit
both Coorg, as in that case
I should probably defer writing
the report on this District until
I had done so, so as to escape
the travelling when the first
part of the Monsoon is on -
almost every taluk here seems to
be worked on a different plan, and
reliable information is not easily got
without a good deal of investigation
on the spot, but probably a fortnight
or three weeks tour in S. A. would do
all that was necessary.
Yours truly
RWalker
[illegible]

21st Sept 1872. No 1865.

Read the following letter from R. A. Dalyell
Madras Civil Service, on deputation
to Mysore &c.

BANGALORE,
21st *August* 1872.

To

THE SECRETARY TO THE
BOARD OF REVENUE.

SIR,

I have the honor to report that in accordance with the sanction of Government, as contained in their order under date 21st June 1872, I proceeded to this Province on the 10th ultimo. In consequence, however, of a slight attack of Dengue fever immediately on arrival, the commencement of my enquiries was somewhat delayed, but I have since succeeded in visiting the principal Distilleries in two out of the three Divisions of the Province, as well as those in Coorg, and the Officers of the Nuggur Division have favored me with full details of the working of the Sudder Distillery system of management in the several Districts of that Division in reply to my written queries.

2. The Mysore Province was formerly sub-divided into four Divisions or Districts, those of Bangalore, Astragram, Chitteldroog and Nuggur, but in 1862 the number of Divisions was reduced to three, that of Chitteldroog having been sub-divided between those of Bangalore and Nuggur. The three new divisions were thereafter styled Nundydroog, Astragram and Nuggur, and comprise the Districts noted in the margin. The Province of Coorg, which is a British possession, has always been treated separately, though administered by an Officer of the Commission, under the direct orders of the Chief Commissioner.

Nundydroog.	Colar.
	Bangalore.
	Toomkoor.
Mysore..... ...	Mysore.
	Hassan.
Nuggur,... ...	Chitteldroog.
	Cuddoor.
	Shimoga.

3. So far as I have been able to ascertain no special attention seems to have been paid to deriving a revenue from the manufacture and sale of spirituous and fermented liquors until the assumption of the management of the Province, by the British Government, in 1832. It is stated that Tippoo Sultan had so great a regard for the morality of his subjects that he declared the sale of spirits to be illegal, and directed all the date trees, from which the toddy juice was extracted, to be cut down, an order which, however, was carried out only in the immediate vicinity of Mysore, and Seringapatam. During the early administration of the late Maharajah too, the distillation of spirits was discouraged, though the less injurious liquor "toddy" or Palm wine, was largely manufactured. The only impost then generally in force seems to have been a light assessment on the liquor shops, more of the nature of a "Moturpha" or professional tax, than of an excise duty, though in the town of Bangalore an exceptional revenue from this source has always been realized. The practice of renting the exclusive right of the manufacture and sale was, however, partially adopted during the later years of the native Government, and, in 1831-32, the revenue under this head amounted to about two lacs of Rupees, or £ 20,000.

4. The renting system was continued by the British Officers conducting the administration of the Province up to 1847-48, when the revenue amounted to nearly six lacs of rupees, or £60,000. In that year, though the toddy revenue continued to be rented, the direct management of the arrack revenue was assumed by the Administration in, at any rate, two out of the four Divisions, the liquor being manufactured at the cost of the State, and supplied to licensed vendors, at a fixed price, who again were required to sell to the public at a moderate profit. This change in the system of management resulted in an immediate rise in the revenue of upwards of a lac of rupees, and in 1858-59 the excise receipts of the Province had risen to nearly 8½ lacs, or £85,000. The manufacture of arrack on Government account was discontinued in that year owing to the high price of materials, and the liquor was for a time obtained from a

firm which had established a distillery on the European system at Palhully, near Mysore, but, eventually, the renting system was again reverted to in 1861-62, notwithstanding that in the previous year the excise revenue had risen to nearly eleven lacs of rupees (£11,000) a sum which has never since been realized under this head. It is however, to be noted that the charges under Abkarry in 1860-61, amounted to nearly a lac and a half, so that the revenue of the year 1871-72 (Rs. 10,56,528) represents a considerable increase in the *net* revenue.

110,000

5. In 1862, the introduction of the Sudder Distillery system, as then in force in the Province of Oude, was first mooted, and met with the unanimous approval of the officers in charge of Divisions, but it was not generally adopted throughout the Province until 1864-65, in which year the Abkarry revenue fell to little over 8½ lacs of rupees (£85,000). Of this sum Rupees 3,61,644 was derived from excise duty and licenses for the sale of arrack, and the remainder from the tax on toddy and ganjah, which has continued to be rented out to farmers. Since 1864-65 the former branch of the excise revenue has increased to Rupees 5,13,616 in 1871-72, with certain fluctuations, and, as already stated the gross Abkarry revenue collected in that year was Rs. 10,56,528.

6. The Oude system of management which was professedly adopted in Mysore, provides for the erection of a large enclosure, styled a Sudder Distillery, at the Head Quarters of each District (and in other places if the consumption requires it) in which all country spirits consumed in the district must be manufactured. Any person who chooses may erect a still, at his own expense, within the enclosure, and distill as much liquor as he pleases, removing it himself, if a licensed vendor as well as a distiller, or selling it to the other licensed vendors, on the sole condition that before removal, the excise duty must be paid, and the liquor reduced to the authorised strength, the Officers of Government confining themselves to taking such precautions as will insure no liquor being passed out of the Distillery except on these conditions, and "having nothing to do with the manufacture, or its costs, or the price at which the produce is "sold." I will now proceed to describe how the system is now carried out in the several Divisions of the Provinces of Mysore, and Coorg, as ascertained, in some cases, by personal inspection and enquiry, on the spot, and in others by correspondence with the District Officers.

7. **Nundidroog Division.**—There are Sudder Distilleries in each of the three Districts of this Division in which country spirits are manufactured by the native process of distillation. In the Bangalore District four firms are permitted to distill, in the Colar District nine firms, and in the Toomkoor District three firms. Unlike the arrangements in force at the Distilleries of Great Britain where excise officers are constantly present, day and night, to insure that every portion of the process of distillation shall be carried out precisely in the mode prescribed by law, the Government officials exercise no supervision over the Distilleries beyond seeing that nothing pernicious to health is used in the manufacture of the spirits.

8. The process is a very simple one, and varies little from that described in Buchanan's work as having been practiced by native Distillers in the year 1800, except that the stills are larger, and are made of copper instead of earthenware. The wash, or wort, is said to be prepared from 3 maunds (about 25 lbs each) of sugar-cane jaggery, 2 maunds of date jaggery, 1 maund of molasses, ½ a maund of bark, and ½ a maund old wash, with 40 gallons of water. These ingredients are placed in a wooden barrel, and left to ferment from 12 to 20 days, according to the state of the weather. When fermentation is complete, the wash is placed in the still (some of which contain three barrels, others five, and even seven) at about seven o'clock in the morning, and the fires lighted. The first draw, at about 10 A.M., from a five-barrel still is said to be about 12 gallons of 24° of the French Hydrometer (equal to about 20° above proof of Sykes Hydrometer), the next draw will be 6 gallons of 21°, the next, 6 gallons at 19½°, the next, 6 gallons at 16°, and the last, 6 gallons at 14°, in all, up to about 3 P.M., 36 gallons of various strengths. This quantity is equal to about 40 gallons of spirits at 19° under proof, which is stated to be the daily produce of a five-barrel still. Thirty maunds of firewood are reported to be required for the process.

9. The Establishment, as per margin, is kept up at the Bangalore Distillery, for the purpose of guaging and measuring the liquor, as it leaves the gates, and charging it for duty, and the Supervisor, and two peons, also make tours in the District to check any irregularities at the shops, and to detect any illicit distillation, or smuggling. The Mutsuddies keep a daily account showing the quantity of spirits passed out by each distiller, its destination, and the amount of duty payable thereon. A weekly account, with the same particulars, is despatched to the Treasury, and a bill at the same time supplied to each of the distillers, who discharge their liabilities weekly. The Distillery is closed on Sundays, and is open on the other days of the week from 6 A.M. to 5 P.M.

Supervisor	Rs. 80	per mensem.
Head Mutsuddi ...	„ 35	„
Asst. „ ...	„ 15	„
Tester... ...	„ 15	„
Duffadar ...	„ 10	„
Naigue ...	„ 8	„
4 1st class peons at Rs. 6	„ 24	„
4 2nd class peonsat Rs. 5	„ 20	„
	Rs. 207	

10. The Distillers must not remove any liquor from the Distillery except at the prescribed strength of 19° degrees under proof, and on the pass of the Government officer; they make their own arrangements for the disposal of the liquor, the only restriction being that it must be issued either to the wholesale shops, or to the retail vendors themselves at the Distillery. In the former case, the cost of the transit to the wholesale shop is borne by the distillers. Not less than 20 gallons must be removed, at one time, to a wholesale shop, and the sales at such shops, which are restricted to licensed retail vendors, must not be less than two gallons at a time. The shop accounts must be open to the inspection of the Abkarry officer at any time; so that the monthly or daily issue to every retail shop, and the price charged, can easily be ascertained. The retail vendor binds himself to sell only the liquor supplied by the Distillery to which his shop is attached, to require all liquor purchased to be drunk on the premises, not to permit any one person to drink more than two drams of liquor at a time, not to dilute or adulterate the liquor, and to produce his shop accounts when required, as well as to observe certain other police regulations.

11. At the Bangalore Distillery about 10,000 gallons of spirits are issued each month, of which about two-thirds are for the town and cantonment, and one-third for the out-lying district. The duty on the former is Rupees 2-13-4 per gallon, being Rupees 2-12-0 Government duty, and annas 1-4 for Local Fund. The duty on the latter is Rupees 1-8-0 per gallon, or Rupees 1-8-9, with the Local Fund impost. The establishment for the levy of the Sayer, or octroi, on consumable articles entering the town, prevents the import of any of the lowly excised liquor into the town limits. The Distillers, though apparently working in opposite interests, inasmuch as the quantity issued by each varies considerably, so far combine as to sell to the shopkeepers the duty-paid liquor at a uniform rate of Rs. 4-2-4, per gallon, for the town, and Rs. 2-14-0, per gallon, for the country. The shopkeepers again sell to the public at uniform rates of Rs. 4-8-0 in the town, and Rs. 3-8-0 in the outlying district. It would thus appear that the Distillers obtain about Rs. 1-5-0, per gallon, for the liquor supplied, and the shopkeepers a profit of 10 annas in the country, and 5 annas 8 pie in the town, on each gallon of liquor sold, but the shop license fee, which in many cases must be paid by the Distiller, who is frequently the shopkeepers principal, must tend to reduce these amounts. The sum received by the Administration for these licenses during the past year was about Rupees 30,000, which raised the total levy on spirits, both in town and country, to Rs. 3,17,407, or say Rs. 2-8-0 per gallon all round, but the whole quantity sold (say 1,20,000 gallons, ⅔ at Rs. 4-8-0 and ⅓ at 3-8-0 per gallon) must have realized from the consumers about Rs. 5,00,000 or Rs. 4-2-8 per gallon. The sum of Rs. 1-10-8 per gallon has therefore been available for the Distillers and shopkeeper's costs and profits. The consumption per head is ·615 of a gallon in the town, and ·069 in the country, and in the town there is a shop to every 1182 people, and in country to every 2775.

12. In the two Distilleries of the Colar District the manufacture is conducted on the same principles as in the Bangalore Distillery. During the past year about 20,000 gallons were issued at the prescribed strength of 19° under proof, and at the nominal duty of Rs. 1-4-0 per gallon, but the shop licenses, which, in this District, were disposed of by auction, a practice

which has now been discontinued, brings the real amount of the net impost to about Rs. 1-14-0 per gallon. As the selling price of the liquor is Rs. 3-0-0 per gallon, the sum available for Distillers and shopkeeper's costs and profits is only Rs. 1-2-0 per gallon. The annual consumption in this District amounts to about ·037 of a gallon per head, and there is a shop to about 1300 people.

13. In the Toomkoor District there is one Distillery, at which there were formerly two, and there are now three licensed Distillers. They issued last year about 6,500 gallons of a strength of 25° to 30° under proof, at the nominal excise duty of Rs. 1-0-0 per gallon, but the license duty brings this amount up to nearly Rs. 2-0-0. As the liquor is sold to the public at Rupees 3-0-0 this leaves a sum of Rs. 1-0-0 per gallon for Distillers and shopkeeper's costs and profits. The annual consumption is ·013 of a gallon per head, and there are about 3,300 people to each shop.

14. **Mysore Division.**—In the two Districts of this Division the same system of Abkarry management is in force as in the Nundydroog Division, but the Distillers are required to pay the excise duty *before* removing the spirits. In the Mysore District there is one Distillery at Palhully where there are four separate firms at work, three on the native system, and one on the European system of distillation. The duty on liquor 25° under proof is, nominally, 1-8-0 per gallon, and a duty of Rs. 3-0-0 is provided for liquor above that strength, which however is hardly ever issued. The license fees bring the excise up to about Rs. 1-14-0 per gallon. In a memo. received from the District officer it is stated that the Administration has nothing to do with either the wholesale or retail price, but that the Distillers say they supply the spirit to shopkeepers at Rs. 3-0-0 per gallon, and that it is supposed to be sold to the public at from Rs. 4 to Rs. 6 per gallon. I believe the latter sum refers to the spirit of the higher strength as personal enquiries in the town and in the Talnqs have satisfied me that, as a rule, the liquor is supplied to the shopkeepers at the rate stated, and sold to the public at Rs. 4-0-0 per gallon in the town, and Rs. 3-8-0 per gallon in the country. There is thus Rs. 2-2-0 available for Distillers and shopkeeper's profits and costs on all liquor sold in the town, and Rs. 1-10-0 on liquor sold in the country. Probably the average may be put down at Rs. 1-14-0. The consumption is about ·031 of a gallon per head, and there are 8,200 people to each shop.

15. In Hassan, the only other district in this Division, there is one Distillery where three firms manufacture spirits, issued at 25° under proof, at a nominal duty of Rupees 1-8-0 per gallon, but the license fees bring the amount up to about Rupees 1-13-0. As the liquor is retailed at Rupees 3-12-0 per gallon, there is a sum of Rupees 1-15-0 available to cover Distiller's and shopkeeper's costs and profits. The consumption is ·071 of a gallon per head, and there is a shop to every 1,250 people.

16. **Nuggur Division.**—The same system is followed in the three Districts of this Division. In Shimoga there are, however, four Distilleries with fifteen separate firms manufacturing liquor in them, and issuing it generally at from 25° to 30° under proof at a nominal excise duty of Rs. 1-0-0 per gallon. The license fees bring this amount up to Rs. 1-11-0 as the licenses are sold by auction throughout the Division. The retail price apparently varies from Rs. 2-14-0 per gallon to Rs. 4-9-11. Supposing it be sold on the average at Rs. 3-4-0, there would be a sum of Rs. 1-9-0 for Distillers and shopkeeper's profits and costs. The consumption is ·062 of a gallon per head, and there is a shop to every 2,200 people.

17. In the Cuddoor District there are three Distilleries where eight firms manufacture about 20,000 gallons of spirits per annum, and issue it at 25° under proof at a nominal duty of Rs. 1-0-0per gallon, equal to Rs. 1-8-0, when license fees are added. As the liquor is sold to the public at an average price of Rs. 4-0-0 per gallon, there is an average sum of Rs. 2-8-0 per gallon, available for Distillers and Shopkeepers' profits and costs. The consumption is ·111 of a gallon per head, and there are 247 people to each shop.

18. In the Chitteldroog District there are two Distilleries from which liquor is issued at a strength of from 25° to 30° under proof, and at a nominal excise duty of Rs. 1-0-0 per gallon with a discount of 12½ per cent. to wholesale Dealers. Including the amount realized from license fees, the duty is raised to Rs. 1-8-0, and the liquor said to be sold, by retail, at from Rs. 3-2-0 to Rs. 3-12-0. If the average be taken at Rs. 3-8-0, there will be a sum of Rs. 2-2-0 available for Distillers and vendors' costs and profits, exclusive of the wholesale dealers discount. The consumption is ·023 of a gallon per head, and there is a shop to every 4,000 people.

19. In the Province of Coorg the Abkarry system has gone through the same variations as in Mysore, having first been worked on the contract, or renting system, then on the so-called "Amani" or direct Government management system, and, since 1866-67, on the Sudder Distillery system. There is one Distillery at Fraserpett in which five separate firms manufacture nearly 5,000 imperial gallons of spirits, per mensem, on the average, and issue it at a strength of 30 under proof, at a nominal duty of Rs. 1-4-0 per common gallon, which is Rs. 1-8-0 per imperial gallon. The shop licenses, however, which are sold by auction, realize about Rs. 24,000, per annum, which raises the duty levied to about Rs. 1-13-0 per imperial gallon, and, as a rule, the liquor is sold, by retail, at no less than 12 annas per bottle, or Rs. 4-8-0 per gallon, so that a sum of Rs. 2-11-0 per gallon is left in the hands of the Distillers and Shopkeepers to cover expenses and profits. The consumption is rather more than ½ a gallon per head, per annum, and there are about 780 people to each shop.

20. It will be observed from the sketch of the Abkarry system, as now in force in Mysore and Coorg, given in paras 6 to 10 above, and from the foregoing details of its working in each district, that the so called Sudder Distillery system has been so far adopted that a complete and effective control is secured over the retail shops, and that the direct interference of Government either in the manufacture or distribution of spirits has ceased. The quality of the spirits supplied to the public is also said to be greatly improved under the new system, and it has the decided advantage over the former system that the revenue is much more easily collected. The natural increase of consumption which was to be expected from the gradually improving condition of the population has also undoubtedly been stayed owing to the high price at which spirits are generally sold throughout the Province, and the District Officers are generally of opinion that a decided check has been placed upon smuggling and illicit distillation. With one exception, they think that no liquor is ever now smuggled out of a distillery, and no case of the kind has been detected since their establishment. As to illicit distillation it is believed to be practised to some extent in Coorg, and in the Mulnaad portions of the Nuggur Division, but only for private consumption, and not for sale. It is stated that the separate interests of the several distillers would render any attempt to pass unexcised liquor out of the distillery certain of detection, and that the general interests of the distillers, and shopkeepers, and of the numerous persons employed under the toddy contractors, extending as they do to all parts of the country, would make illicit distillation an impossibility. The services of the itinerating Abkarry Darogah, of the Police, and of a large staff of village officials are also available for the purpose of detection.

21. The system of management, even as at present in force, appears to be a very decided improvement upon the farming system which is in operation in most of the districts of the Madras Presidency, and under which the farmer has but one object,—the realization of as large profits as possible during the currency of his lease—which induces him to retail an inferior article, and to stimulate consumption by every means in his power. With a few modifications which I shall suggest hereafter, and if introduced with due precautions, I believe that the Mysore system might be generally adopted with very decided advantage to the people, and with some gain to the revenue.

22. The plan on which the system is worked however, varies materially in each district. It will be observed that in one district there is an Arrack shop to every 247 people, and in two others there are upwards of 8,000 people to each shop, yet the consumption does not seem to be affected in at all a relative degree. Then the liquor is issued at different strengths, and different rates of duty, in several districts, and the retail price also varies very

considerably, being Rs. 4-8-0 per gallon in Coorg for spirits 30° under proof, and but Rs. 3-0-0 per gallon, in the Colar district, for liquor of only 19° under proof. Yet the consumption in Coorg is half a gallon per head per annum, and that in Colar less than two drams. The number of persons permitted to manufacture liquor in the Sudder distilleries is equally variable. In the Shimoga district there are fifteen firms manufacturing the annual supply of 27,000 gallons, and in Toomkoor 20,000 gallons are divided among nine distilleries, yet only five firms are employed in making the 60,000 gallons for Coorg, and the 124,000 gallons consumed in the Bangalore district are prepared by only four distillers.

23. Notwithstanding these numerous causes which might be supposed to have operated in checking the consumption in some places and stimulating it in others, it appears that though on the first introduction of the Sudder Distillery system the general consumption of arrack was very considerably affected, to the loss of the revenue, it has, in most cases, increased, year by year, since that period, though it is still, probably, considerably below its original proportions. For instance, we find that in those *portions* of the old Bangalore Division which were under direct State management, the consumption between 1849-50 and 1859-60 varied from about 152,000 to about 122,000 gallons per annum, and that the present consumption of the *whole* of this tract of country which now comprises the Bangalore and Colar Districts cannot be estimated at more than 130,000 gallons. The consumption of the old Astragram Division, which was conterminous with the present division of the same name, varied during the same period from about 25,000 gallons to about 19,000 gallons, though in 1861-62 it had risen to about 42,000 gallons, yet the present consumption cannot be estimated at more than 31,500 gallons. Similarly, in Coorg, the consumption during the four years previous to the introduction of the Sudder Distillery system averaged upwards of 65,000 ordinary gallons per annum, and was 77,000 gallons in 1863-64, and it has now reached 69,000 gallons only, and fell as low as 49,000 gallons in 1869-70.

24. When it is remembered that during the past ten years the Abkarry revenue of the three adjacent districts of the Madras Presidency has increased by considerably upwards of cent. per cent. as shown in the margin, which though, of course, in part owing to the increased price charged for spirits, must in a considerable degree be ascribed to increased consumption, the figures at which the consumption and revenue of the Mysore districts have stood during the same period are somewhat startling. At the same time it is clear that all the same causes have not been at work in the two Provinces, or we should find that the Toddy Revenue of the Mysore Districts, which has been and is still managed on the farming system, had increased in a somewhat similar degree to the Arrack and Toddy Revenues of the Madras Districts, whereas it now stands at only Rs. 5,32,863 against Rs. 4,88,629, in 1860-61.

	1860-61. Rs.	1870-71. Rs.
Bellary	2,41,726	7,04,016
North Arcot	1,79,113	2,82,885
Salem	1,33,088	3,33,478

25. It may however be safely asserted that one of the chief merits claimed for the Sudder Distillery system—viz., "the minimum of consumption," has been secured in the Mysore Province and Coorg, but, whether it has been combined with the "maximum of Revenue," is, I venture to think, very questionable. The retail price of arrack was everywhere considerably raised when the new system was introduced, and this could not fail to check the natural increase of consumption, in some measure, but it should not have also had the effect of reducing the revenue, as an increase of duty should have covered the loss from decreased consumption. This might perhaps have been the case had the new system been carried to its legitimate conclusion, and "if any person who chose had been permitted to distill liquor within the Government Distilleries," or, rather, the state of circumstances would never then have arisen, for it would have been found that a moderate profit could be obtained by the Distillers, even after the payment of the Government duty, without materially raising the price to consumers, and no check to consumption would have been given, so that the revenue would probably have continued also to increase. For instance, in 1865-66, in the Province of Coorg, when the manufacture of Arrack was in the hands of Government Officials, the Retail vendor sold a bottle of Arrack for 8 annas for which he paid to Government a little more than 6 annas, a price which enabled the State to realize a net revenue of about Rupees 80,000 from a consumption of about 50,000 gallons, being a little over Rs. 1-9-0 per gallon. Since 1867-68 the

vendor has raised the price to 12 annas per bottle, and in that year the State realized a net revenue of something less than Rs. 73,000 from a somewhat decreased consumption of about 45,000 gallons, being a duty of about Rs. 1-10 per gallon, and during the past year a consumption of about 60,000 gallons has given a net revenue of about Rs. 1,07,000, equal to an excise duty of Rs. 1-13-0 per gallon. Thus though the price of spirits to the consumer has been increased from 8 Annas to 12 annas per bottle, or 50 per cent., under the new system, the net duty derived from the sale of a gallon of spirits has only increased from Rs. 1-9 to Rs. 1-13. If the Distilleries of the Coorg District had been open to all, it is at least possible that many would have found it a profitable speculation to supply the Retail vendors at say seven Annas a bottle instead 10 Annas, the vendor would then have sold at 9 Annas, and there would have been no check to the natural increase of consumption which would probably have resulted in a considerably increased revenue.

26. The absence of the maximum of revenue as combined with the minimum of consumption may, I think, therefore be fairly ascribed to the want of competition among the Distillers, and, though this is specially apparent in Coorg, it seems to me also to be present to a more or less extent in almost every District of the Mysore Province. I am bound here to state that some of the District Officers are of a contrary opinion, and consider that there is really a bonâ fide competition among the Distillers and shop-keepers. The enquiries I have myself made, however, both at the Distilleries and Shops which I have visited, leads me to suppose that if any such competition exists at all it is merely for the purpose of securing a larger sale for the produce of their stills, and rarely if ever extends to a reduction in the price of the article to the licensed vendors, or to the public. A consideration of the sums available for Distillers and vendors' profits and costs as given in paras. 11 to 19 above, and again detailed in the margin, seems also to support this view. It will be seen that they vary from Rs. 2-11 per gallon in Coorg to Rs. 1-0-0 per gallon in Toomkoor. Of course the prime cost of spirits must vary considerably in different localities with reference to the cost of materials, and spirits of a lower degree of strength can be manufactured at a much lower rate than spirits of the higher strengths. Another element to be considered is the transport from the Distilleries to the whole-sale shops, which is borne entirely by the Distillers, and it is consequently very difficult to arrive at a rate for the cost of production and distribution which will be uniformly applicable. My own calculations, very liberally made, seem to show that in the Bangalore and Mysore Districts arrack can be profitably manufactured at 12 Annas per gallon. The Deputy Superintendents who have entered into the question of cost of manufacture fix it at different rates. In Cuddoor at 12 Annas, in Chittledroog at 13 Annas, in Colar at 10 Annas 2 Pice, in Toomkoor at 9 Annas, and in Hassan at Rs. 1-4. I cannot but believe that there must be some miscalculation about the latter amount, and that 14 Annas per gallon would be a very liberal average allowance. I ascertained in Coorg that the cost of distribution varies from 9 Pice to 1½ Annas per gallon, and this must be a more expensive item in this locality than in any part of Mysore, so that one Anna per gallon would probably be a fair average allowance. Adding 3 Annas per gallon as Retail Vendor's profits, and 2 Annas as further profits to Distiller, an average sum of Rs. 1-4 per gallon should be ample to cover Distillers and Shopkeepers' costs and profits, and a reference to the margin will show that this amount is considerably in excess of the sums calculated to be available for this purpose in the Toomkoor and Colar Districts. If the amounts deduced for the other six Districts, and the Province of Coorg be reduced to this sum, and if the surplus be transferred to the excise duty of Government, it will be found that at present retail prices each District might pay the duties noted in the margin. This on a rough calculation would raise the revenue of the Mysore Province by upwards of a lac, or more than 20 per cent., and the revenue of Coorg by about Rupees 80,000 or 70 per cent.

	Rs.	As.	P.
Bangalore	1	10	8
Colar	1	2	0
Toomkoor	1	0	0
Mysore	1	14	0
Hassan	1	15	0
Cuddoor	2	8	0
Shimoga	1	9	0
Chittledroog	2	2	0
Coorg	2	11	0

	Rs.	A.	P.	
Bangalore	2	14	8	(Average for town and country.)
Mysore	2	8	0	
Hassan	2	8	0	
Shimooga	2	0	0	
Cuddoor	2	12	0	
Chittledroog	2	6	0	
Coorg	3	4	0	

27. These figures afford ample proof that the change in the system of managment of the Abkarry revenue which has been introduced into Mysore, though perfectly successful in having effectually checked what may be considered in some quarters the undue consumption of spirituous liquors by the people, cannot be considered as equally satisfactory from a financial point of view. The causes of its want of success in this respect are easily ascertained. They are in no way owing to defective administration, but are, as it seems to me, entirely to be ascribed to the natural operation of the system itself. The Sudder system of management though theoretically based upon the broadest principles of free trade in spirits, has, I venture to think, an unavoidable tendency to create an unrestricted monopoly, the most objectionable of all fiscal arrangements, and one which enables the monopolists to enrich themselves at the expense of the State and the public. The very essence of the success of the system is unlimited competition in the manufacture of liquor, so that the very best article shall be offered to the public at the very lowest price compatible with a fair return on the capital expended on its preparation. Now it is well known that Competition is nearly everywhere considerably influenced by Custom. Mr. John Stuart Mill remarks upon this subject—"Political economists "generally, and English political economists above others, have been accustomed to lay almost "exclusive stress upon the first of these agencies; to exaggerate the effect of competition, and "to take into little account the other and conflicting principle. They are apt to express themselves as if they thought that competition actually does, in all cases, whatever it can be shown "to be the tendency of competition to do. This is partly intelligible, if we consider that only "through the principle of competition has political economy any pretension to the character of "a science. So far as rents, profits, wages, prices, are determined by competition, laws may be "assigned for them. Assume competition to be their exclusive regulator, and principles of "broad generality and scientific precision may be laid down, according to which they will be "regulated. The political economist justly deems this his proper business, and, as an "abstract or hypothetical science, political economy cannot be required to do, and indeed "cannot do anything more. But it would be a great misconception of the actual course "of human affairs, to suppose that competition exercises in fact this unlimited sway. I "am not speaking of monopolies, either natural or artificial, or of any interferences of "authority with the liberty of production or exchange. Such disturbing causes have "always been allowed for by political economists. I speak of cases in which there is nothing "to restrain competition; no hindrance to it either in the nature of the case or in artificial "obstacles; yet in which the result is not determined by competition, but by custom or "usage; competition either not taking place at all, or producing its effect in quite a different "manner from that which is ordinarily assumed to be natural to it. Competition in fact, has "only become in any considerable degree the governing principle of contracts, at a comparatively modern period. The further we look back into history, the more we see all transactions and engagements under the influence of fixed customs. The reason is evident. "Custom is the most powerful protector of the weak against the strong: their sole protector "where there are no laws or government adequate to the purpose. Custom is a barrier which, "even in the most oppressed condition of mankind, tyranny is forced in some degree to "respect." Probably there is no country in the world where greater weight should be given to these observations than in India. The Hindoo is averse to emerging from the grooves in which his ancestors moved. A powerful and at the same time a liberal government is a benefit which he has enjoyed for a comparatively short period, and real and unlimited competition is alien to his nature, and even to his religion.

28. Supposing then that it were possible to carry into effect the rules of the Sudder Distillery system, and to permit any person who chose to erect a still within the Government enclosure, I very much question whether there would be anything like bonâ fide competition amongst the Distillers. No matter what the numbers were, I believe that they would become a sort of guild, and would combine for their own benefit, and to the disadvantage of the public. In practice, however, it must be simply impossible to carry out this provision of the system. No enclosure would be large enough to provide accommodation and no establishment strong enough to supervise an unlimited number of Stills. The District officer is consequently compelled to make a selection, and his nominees become virtually monopolists of the manufacture of spirits in the District, and are thus enabled to exact from the public any amount of taxation for their own benefit, which, when added to the duty levied by Government, will not raise the price of the article to a figure which will induce the public to forego its use altogether. It is very true that with a very high rate of government excise duty it would probably be to the interest even of the monopolist manufacturer to sell spirits at the lowest remunerative price, and it is upon this principle that the Abkarry Farmers of the Madras districts are not limited in regard to the price to be charged for liquor, but it is very questionable policy to charge high duties, as it is well known that this course almost invariably leads to extensive smuggling, and illicit distillation.

29. If it be once admitted that it is the tendency of the Sudder Distillery system to create a monopoly of manufacture, it will hardly be denied that it is desirable either to retain that monopoly in the hands of the State, or to place such restrictions upon the monopolists as will insure the public against exaction. So far as I am able to judge from very limited experience of this special subject, and from my present investigations, I am disposed to think that the most expedient mode of dealing with the question in India would be to retain the monopoly of the *supply* of spirits in the hands of Government, requiring persons willing to undertake the manufacture to do so at a Sudder Distillery, but under much stricter supervision than is at present exercised under the Sudder Distillery system, and to deliver the whole produce of their Stills at a moderate figure, which would allow a fair and reasonable profit, at such wholesale depôts as might be determined upon. The retail shopkeepers would then supply themselves from these depôts, and the price at which the spirits were issued to them would be so fixed as to include any rate of excise duty, which, for moral or fiscal purposes, it might be deemed proper to impose. It seems to me that under such a system all the advantages of the Sudder Distillery system, as in actual practice, would be retained, and its defects would be remedied. There would be the same control over the retail shops, the same accurate knowledge of the consumption of spirits, with the power of checking it, at will, by an increased excise duty, a better security that the spirits manufactured were of the best description, and the Distillers would not have it in their power to transfer to themselves any portion of that artificial price of liquor which is the result of its being a taxed commodity.

30. I am aware that such a system might be charged with bringing the Government into more immediate contact with the consumption of spirits than may be thought in some quarters desirable, but so long as the State deems it advisable to derive a revenue from this source, some contact of the sort is inevitable, and the difference is only in degree. Moreover there is probably no article which is a more fitting subject of taxation than spirituous and fermented liquors. They are extensively used, they are not absolute necessaries of life, the duties do not press heavily upon the people, and in nearly every country a considerable proportion of the revenue is obtained from them. In the United Kingdom £ 26,185,000 was derived from these duties during the past year, being 37 per cent. of the total revenue, and in recent years they have reached 20 per cent. of the revenue in Russia, 14 per cent. in France, and 9 per cent. in Belgium, yet in the Madras Presidency little over 8 per cent. of the revenue is obtained from the Excise. I would not, however, advocate any increase of taxation in this direction, at present, which would be likely to throw any additional burden upon the people, but I see no reason why any changes in the system under which the Abkarry is administered which would be likely to augment the revenue, without increasing these burdens, should not be adopted merely from a tradition that, on moral grounds, the State should be as much as possible disconnected with the management of any duties levied on the consumption of spirits. So long as the Opium and Salt monopolies are maintained, such a course would surely be sacrificing revenue for an idea, and it is hardly necessary that this should now be done in this country when opinion is so greatly divided, in England, as to the proper limits of legislative interference with the manufacture and sale of spirituous and fermented liquors. If, however, it were thought desirable to introduce the Sudder Distillery System with as few changes as possible, it would probably be found that its defects would be sufficiently remedied if the distillers were

simply admitted to be monopolists, and, being viewed as such, were required to issue their liquor at prices below a certain maximum. That some such change as that advocated, if adopted by the Mysore Administration, would effect a considerable augmentation of revenue, without any increase of taxation, has I think been sufficiently demonstrated, but whether equally satisfactorily results would follow the introduction into the Madras Presidency of a system of management of the description indicated above, is a question which nothing but a careful investigation on the spot can elucidate with certainty.

31. The difficulty to be encountered in any such enquiry would be the entire ignorance of the officers of Government in regard to the consumption of spirituous and fermented liquors in different localities. This is the inevitable result of the system of leasing this branch of revenue to farmers, whose special object it is to keep all information on the subject of consumption to themselves, lest a knowledge of its extent, and the consequent revenue to be obtained therefrom, should lead to an enhanced price being offered for the farm at the termination of their contracts. The very large sums which in some Districts have been offered for these leases, and the frequent failures of contractors, might lead to the supposition that the limit of revenue had already been reached, but this can hardly be the case in many districts, for it is often found that a farm re-sold for arrears due by a defaulting contractor realizes an increased rent for the remainder of the lease, and it is within my own knowledge that on a recent occasion, at the very time the defaulting contractor was urgently petitioning for a remission of rent owing to alleged losses during the term of his lease (verified by the production of all his so called books and accounts) he himself bid a largely increased rent for the uew contract of the same farm. Several of the Mysore Distillers are Abkarry Contractors in the Madras districts, and from the knowledge I have obtained of the large gains realized by them in that Province I am not disposed to think that they would be willing to embark on the Madras contracts with the prospect of only a trifling profit. It is stated by Mr. Bell, of the Bombay Civil Service, who has recently been engaged on special enquiries in regard to the Abkarry system of that Presidency, that so far as he was able to learn, the contractors never paid to Government more than half the amount estimated as likely to be realized by the shopkeepers from the public, retaining the other half for cost of liquor, establishment, bad debts, and profits. If the Madras Contactors adopt the some plan, their profits must in some cases be by no means insignificant. For instance in the Bellary District the revenue was last year upwards of Seven lacs of rupees. Supposing that half the amount represented the toddy revenue, then the arrack revenue would be $3\frac{1}{2}$ lacs, and the Contractor would have retained a similar sum for the purposes abovementioned. His total demand for arrack would have been Seven lacs, which at Rs. 3 per gallon (a very fair average retail price) would represent a consumption of about 230,000 gallons, or about one-seventh of a gallon per head per annum. Supposing the liquor to cost him 12 Annas a gallon, a sum of about $1\frac{3}{4}$ lacs would be available for establishment, Distillers' and Shopkeepers' profits, and bad debts. Whether or not the Contractors' profits are large or small, however, there is very little doubt that the administration of this branch of revenue has been very much neglected owing to the decided financial success of the contract system, and it is very questionable whether the checks provided under that system are everywhere properly carried out, it seems, therefore, very desirable that some sort of investigation should now be made, in a few Districts, in view to the adoption of such improvements in the system of management, at the termination of the present leases, as experience may dictate.

32. As to those Districts into which a modified excise system has now been experimentally introduced, very careful supervision should be exercised by the officers of Government in view to the full value of the experiment being obtained. Special measures against smuggling and illicit distillation will be necessary, for it will be observed that several of the precautions which are relied upon in Mysore, such as the conflicting interests of the Distillers, and the separate renting of the Toddy Farm, are impracticable under the system which has been adopted, and I think it would be very desirable that a Supervisor should be appointed for each district, whose special duty would be to make frequent tours in view of the discovery and check of illicit distillation, or of irregularities on the part of licensed vendors. Rewards to informers should also, I think, be freely offered. I would also suggest that under the Abkarry Act, the Board should

make it a condition of the retail license that the spirits shall not be diluted, and that the offering for sale spirits of a less strength than 35,° under proof, shall render the Vendor liable to the loss of his license. Much stress is laid upon this condition of the licenses in Mysore, as if the vendors are permitted to sell diluted liquor the consumption of liquor of the standard strength will at once be affected, at the expense both of the Distiller's profits, and the State revenue. I believe that a condition of this kind has been adopted in the Ganjam and Vizagapatam licenses at the request of Mr. Minchin, and I think it very desirable that the same course should now be followed in Chingleput, and South and North Arcot. As the spirit is issued at 30° under proof, I would allow 5° for deterioration of spirit, or variation of Hydrometers. In regard to these instruments I would suggest, that while Sykes' Hydrometer be retained as the standard, a supply of glass Hydrometers made on the French system, and set to the average temperature of spirits in each district, be obtained from England for ordinary use. Great difficulty is found in Mysore in working with Sykes' instrument, as the deterioration of the gilding, by frequent use, seems to affect it, and the slightest indentation renders it inaccurate. The necessity for the use of the tables also much complicates the work of testing, and I believe that the glass hydrometers which cannot get out of order, set as proposed above, will be found sufficiently accurate for all practical purposes.

33. Before quitting the subject it is necessary that I should touch upon the question of the licensing of the retail sale of spirits which has recently attracted so much attention in England. Fortunately we have not the same vested interests to deal with in this country, and, consequently, are at liberty to issue only so many retail licenses as, in the opinion of the Government officers of the locality, are really required to meet the wants of the public. The point for decision, however, is whether in the event of the adoption of any system of management similar to the Sudder Distillery system, the licenses shall be sold by auction or issued at fixed rates to respectable persons. In Mysore the auction system has been given up in most districts, as tending to ruinous bidding on the part of vendors, and consequent difficulty in realizing the license fees, and also as calculated to enable the wealthy distillers to obtain a [illegible]d that it should have the effect of reducing the profits of distillers and shopkeepers to a minimum, and increasing the Government revenue derived from the sale of spirits to a maximum, but it certainly has not had this effect in Mysore. Still it, undoubtedly, has this advantage, in a revenue point of view, that the more a vendor pays for his license, the more anxious he will be to extend his sales and increase his own profits, and, concurrently, the State revenue, and the more active he will be in endeavouring to prevent the sale of any smuggled liquor. At the same time, the auction system must involve a considerable difference in the actual rate of duty paid to Government in the circle of each shop, and, on the whole, I am disposed to think that the proper course is to fix a very moderate rate of license tax, in different grades, in reference to the business done at each shop. Say Rs. 10, per mensem, for shops selling upwards of 120 gallons a month, Rs. 7 for shops selling from 60 to 120 gallons, Rs. 4 between 30 and 60 gallons, and Rs. 2 when selling less than 30 gallons. I calculate that at these rates a little more than one anna per gallon of the excise duty, on the average, would be paid in the form of a license tax, and that any difference in the rate of excise levied in different localities would thus be reduced to a minimum.

34. I have omitted to discuss in this report the revenue derived from toddy and fermented liquors, as my investigations were, under orders, directed to the system under which the Arrack revenue was levied, but I may mention here that from a few enquiries which I made, incidentally, in different parts of the province of Mysore, Iam led to believe that very considerable profits are also realized by the farmers of this branch of revenue. As already stated, it has only increased from Rupees 4,88,629 to Rupees 5,32,863 since 1860-61, and the farms are, I believe, generally disposed of, on tender, for a term of years. It is stated that this revenue in the town of Bangalore is somewhat affected by the sale of cheap country-made beer, which is only taxed by a license duty, on the shop, of Rupees 15, per mensem. I can believe that this is the case as I found the beer in question to be a highly spirituous compound, and it was sold at the low price of one anna and a half per bottle. I am not prepared to say, without further experience,

that any change in the system under which the revenue derived from toddy is collected which tended to bring it more directly under State control, would be either feasible, or beneficial.

35. In conclusion I desire to record my appreciation of the uniform courtesy with which I was treated by every officer of the Mysore Commission with whom I became acquainted during my tour, and to return my grateful thanks for the trouble that in many cases was taken to assist me in my investigations, and for the alacrity with which all my requisitions for information on the subject of my enquiry were invariably met.

I have the honor to be,

Sir,

Your most obedient servant,

R Dalyell

Lawrence Asylum Press, by Wm. Thomas—1872.

No. 3155

Rev. 1872. Sept.

Board of Revenue,

MADRAS.

PROCEEDINGS, 21ST SEPTEMBER 1872, No. 1,885.

Desp. 25 Sept. 72

Encl. 1

Received 28th Sept. 72

SEPTEMBER.

No. 1,885.

Abkári system—prevailing in Mysore.—Mr. Dalyell's report on — submitted to Government with remarks, and with the request that an indent may be sent to the Secretary of State for India for 50 Sykes' Hydrometers made in glass. Opinion expressed that Mr. Dalyell should visit North Arcot before he concludes his Abkári inquiries. Certain Collectors directed to call upon the Government Distillers in their districts to execute a supplementary agreement with reference to the dilution of liquor.

No. 1453 - 21st Oct. 1872

To the Chief Secretary to Government, R. D., with Report of Mr. Dalyell.
,, the Collector of Ganjam.
,, the Collector of Vizagapatam.
,, the Collector of Chingleput.
,, the Collector of North Arcot.
,, the Collector of South Arcot.

Copy to R. A. Dalyell Esqre.

Exd. T. Cartledge.