1873

# REVENUE

G.O. No. 240-241

Dated. 26.3.1873.

361
361/26.3.1873.

1

*Proceedings of the Madras Government, Revenue Department,*
**26th *March* 1873.**

No. 240. From the Secretary to the Government of India, Department of Agriculture, Revenue, and Commerce, (Salt,) to the Secretary to the Government of Madras, dated Calcutta, 13th January 1873, No. 7.

With reference to Mr. Acting Under-Secretary Galton's letter No. 1,443, dated 18th October 1872, proposing that the Government of Madras should be empowered to raise the selling-price of Government salt to such an amount as would allow of private manufacture and importation taking place with a reasonable profit, I am directed to say that just at this present moment the Governor-General in Council is not altogether prepared to legislate on the subject.

2. Meanwhile, the Government of India will be glad to learn, with the least possible delay, the extent to which Government can manufacture more cheaply than private individuals, or, in other words, what is the amount of the proposed increase to the selling-price of Government salt.

3. I am further to inquire whether in every case the "cost of manufacture" to Government is actually covered by three Annas. If in any district it does exceed that amount His Excellency would be glad to learn what the actual cost of manufacture is in such district. It is clear that Government does not get the full rate of one Rupee thirteen Annas of duty upon any salt, the cost of manufacture of which exceeds three Annas.

4. By cost of manufacture, I am to add, is to be understood interest on capital expended on the works (including stores for the preservation of the salt until it is sold), outlay for the repair and maintenance of these, cost of actual manufacture and storage, and of establishments necessary for the supervision of the manufacture and the prevention of smuggling from these works or stores, as well as cost of carriage to the salt depôts. In short, every charge of every kind which the Government would escape, were the works the property of, and carried on by, private persons, is to be considered part of the cost of manufacture, it being assumed that in the event of any development of private manufacture the cost of all Government establishments required to prevent smuggling from, and insure the payment of duty on all salt manufactured at, such private works would be recoverable from the owners.

5. Where, as may often happen, the same officer may be charged with the immediate control of two separate establishments—the one required to prevent smuggling from certain works, the other to repress generally illicit manufacture in other localities—only a portion of such officer's salary would of course be chargeable to "manufacture."

6. Home-made and imported salt should be on the same footing. Any expenses which would devolve on the State in the case of the latter is a legitimate charge in that of the former; anything over and above this must, where Government salt is concerned, be deemed cost of manufacture, and, where private works are concerned, be made good by the owners.

An early reply is specially requested.

(True Copy.)
(Signed) W. HUDLESTON,
*Chief Secretary.*

Exd. F. R. Bantleman.

REVENUE DEPARTMENT,
FORT ST. GEORGE,
*26th March* 1873.

No. 361.

No. 241.

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF AGRICULTURE,
REVENUE, AND COMMERCE.

| Separate Revenue, No. 18. |
| --- |
| *Salt.* |

SIR,—In reply to your letter No. 7 of 13th January 1873, I am directed to state, with reference to paragraph 2, that there seems to be some misapprehension as to the system of salt-monopoly which exists in this Presidency.

2. The Government nowhere manufactures salt on its own account. It is only the exclusive purchaser, at fixed rates, of all the salt of proper quality made by the people engaged in this manufacture, any salt of inferior quality being rejected and thrown back into the pans. The average cost to Government on the East Coast of the salt so purchased, including all expenses properly appertaining to manufacture and storing, is As. 3 per Indian Maund, and as the salt is sold by Government at 2 Rs. per Indian Maund, it follows that the full "Government duty" of Rs. 1-13-0 is secured on every maund of salt sold on the Eastern Coast.

3. On the Western Coast the systematic manufacture of salt is carried on to a very limited extent in the northern part of South Canara only, and the bulk of the supply required in that district and the whole of the supply required in Malabar in order to meet the demands of the local population and for carriage inland—mainly to Mysore—is obtained from Goa and Bombay through contractors.

4. The manufactured salt of Canara costs about 4 As., and the imported salt of Malabar and part of Canara averages a little over 7 As. per Indian Maund; and as both are sold by Government at the rate of 2 Rs. per Indian Maund the Government loses 1 Anna on the former and 4 As. on the latter for every Indian Maund sold; and the people of these districts, though undoubtedly quite as well able to pay the salt-tax as their brethren on the East Coast, are favoured to the like extent.

5. What the Government is now seeking is power to raise the Government selling-price of its own salt in these districts to the duty of Rs. 1-13-0, *plus* the cost of manufacture or import as the case may be. If this be conceded the price of manufactured salt in Canara will be Rs. 2-1-0, and the price of imported salt in Canara and Malabar will be Rs. 2-4-0 per Indian Maund; and the Government will realize the full duty of Rs. 1-13-0 in both districts, as it does in all the districts of the Eastern Coast, and home-made and imported salt will be on the same footing.

6. The monopoly system has b in force in Malabar and Canara since 1807. Since then the Government has undertaken and fulfilled the obligation of providing these districts with salt by manufacture and importation. It cannot suddenly throw off this obligation; to do so would lead inevitably to a considerable enhancement of the price, to serious discontent, and probably to loss of revenue consequent on enhanced price. The Government must of necessity maintain a stock of salt to guard against these evils, and the contingency of a failure in the supply. How long a period may elapse before private trade is fairly established and this safeguard may be dispensed with it is impossible to say; it is sufficient for present purposes for the Government to declare that it cannot accept the responsibility of at once leaving the supply of these districts in this necessary of life entirely to private enterprise. But this enterprise is absolutely excluded so long as, while the Government levies (as it now does) an import duty of Rs. 1-13-0, it sells the imported salt at 2 Rs. The difference between these rates, namely, 3 As., is just about enough to pay for the salt in Bombay! If the power which the Government seeks is conceded the private importer will have fair play, as the Government selling-price will be Rs. 2-4-0 instead of Rs. 2; there will thus be a margin of fully 4 As. per Indian Maund for charges and profit. But this power of fixing the Government selling-price at Rs. 2-4-0 cannot be exercised by this Government, as Section 2 of Act XXIV. of 1869 fixes the price at 2 Rs. No alteration of the Madras Act will avail, as the object in view is to alter the Government selling-price only, not the excise or import duty.

7. The alteration proposed will have the effect of increasing the salt-revenue, equalizing taxation, and opening the door to private enterprise.

8. With reference to paragraph 3 of your letter I am to state that every legitimate charge is covered by the rates of 3, 4, and 7 As., except charges for the prevention of smuggling and levy of duty, which do not appertain in any way to "manufacture," but are caused by the State levying a duty on the article. This expense, as in the analogous case of customs duties, falls on the revenue.

9. I am directed to state that this Government has no present intention of extending the excise system beyond Malabar and South Canara.

I have the honour to be,
Sir,
Your most obedient servant,

(Signed) W. HUDLESTON,
*Chief Secretary.*

Exd. F. R. Bantleman.

5

To the Secy - Govt of India
Agricultural Dept

Sir.

In reply to yr Letter No 7 of 13th Jany instant, I am directed to take the
on the Eastern coast of the Madras Presy,
the cost of the manufacture of Salt to
the Govt, including all the items you
specify, is fully covered by three annas
a maund. On the Western Coast the Govt
engage in the manufacture of Salt in
the district of Canara only; there the
cost is four annas the maund, calculated
in the same way. I am to explain, how-
-ever, that the "capital expended on the
works" is not estimated, as they were
formed before the times of the British Govt.

occasionally it
put contributes to
opening a demand
for the supply of salt
Malabar - at the works
are as a Rule made
by the people -

2. As to the Salt now imported by sea
from Bombay into the districts of South
Canara & Malabar by the Govt, the cost
to the State in the first mentioned pro-
-vince is Rs 0.. 7. 2, in the latter
Rs 0. 7. 4.

3. Adverting to your Para 2, I am to
state it is not supposed that, when
private manufacture is once fairly es
-tablished, it will be worked less cheaply
than the Govt system is now. On the

contrary, by comparing what we pay to the Proprietors of the Pans with what they pay to the actual Labourers, we know that the Salt can be manufactured at less than half the sum we pay for its delivery at the Stores. Practically the difference is the Compensation we award for restricting the manufacture. The Proprietors of the Works will miss it at first, but they will no doubt recover the amounts in the profits of an extended market. Meanwhile, however, the Excise will be a novelty to which the manufacturers may not at first readily adjust their operations. The same with regard to importation by traders.

4. With reference to the concluding sentence in Para 6 of Yr. letter, His Govt. ~~assumption~~ assumption, "that in the event of any development of "private manufacture, the cost of all Govt. "Establishments required to prevent "smuggling from, & ensure the payment "of duty on all Salt manufactured at "private Works will be recoverable from "the owners". The Salt Pans are held in very minute divisions & subdivisions by proprietors of all classes, a considerable

why should we charge for the services rendered in Salt - more than on Customs? We do not make them pay to us for our collecting agency.

in itself sufficient to condemn the proposal; but the Govt. considers it would be wrong in principle to demand any thing but the one settled rate of Excise duty. This duty can always be calculated so as to include Govt. charges for Revenue & Preventive purposes; & it is therefore unnecessary as well as inexpedient to levy a separate tax for the recovery of such charges, on the manufacturers. But more than this:- His Exc. is of opinion that, when once the Excise system is fairly started & Govt. withdrawn altogether from the monopoly, the present duty of Rs 1.-13 chargeable on Salt imported shd. constitute in like manner the Excise duty on the country manufacture, at all events until the Excise system has had a fair trial. We anticipate an increase of Revenue, such as will render the question of a slight curtailment of the duty, to cover the cost of the Revenue & Preventive Establt., quite immaterial.

D.F.F.
24/1/73

(3) Fo Govt of Madras
Further explanation
about Salt Excise

Spl

I move recommend this draft being amended so as to make it quite clear that the Madras Govt have no desire or intention to interfere the Excise system generally. I agree with Mr Sim in the concluding para of his Memo: — Mr Hume ought to be invited to pay us a visit & be coached in Madras affairs — before he writes about them. BH

I do not see that under the circumstances it is necessary to introduce it, unless present, only pertinently. I do not think it would matter ultimately if it were not sent with the enclosed ff

25 = Jan/83 - R 14 = Feb/83 R.C. to

Revenue Dept.

15

9

It is quite clear that the Supreme Govt do use "at sea" as this question — & rather that at the Home is — I would first tell them with reference to para 2. that the Govt does not in any case manufacture salt in this Presidency all salt is manufactured by private individuals & sold exclusively to Govt who then re-sell it to the public at the fixed monthly price of 2 Rs per

In Ceylon the amount of 82/7 Rs.
The cost in all the Districts
of the Eastern Coast is covered
by 3 annas for S. M. and we
have no grounds to believe
that salt of equally good
quality would be purchased
if for less. if put more out the
sole purchasers. The loss would
is rather the other way - as in
the circumstances of the country
I believe - it is more likely that
the manufacturers would



combine - than that they would
compete - Salt being a necessary
of life - and procurable
only on the coast (and salt
an inferior article produced /
the manufacturers have necessarily
a certain degree of advantage
over the consumer - On the
West Coast the price varies about
4 annas per S. M. & the manu-
-facturer - but the manufacture
is limited to a small area
in the Northern part of S. Canara -
In Malabar there is no manu-
facture - the salt is all imported

by pct. contraction and sold by the pct. at the monopoly rate of 2 Rs. the cost of imported salt is a little under than Jan: per I. M. The people on the Western Coast who consume this imported salt are necessarily favored to the extent of 4 annas per I. M. and the object of introducing the new Act was to do away with this advantage. There can be no doubt that the honorable Members have no right to this advantage. That they are not benefitted as able on their



behalves on the Eastern Coast Rs 2 to pay the full tax of 1-13-0 per I. M. but at the same time considerable uneasiness has always been felt at their considerable rise in the price of salt. What the pct. are seeking is ability & legally to raise the selling price of salt imported by pct. to Rs 2-4-0 per I. M. i.e. to its actual cost + the prescribed duty. It is futile to expect that private individuals will import salt in any less.

terical [illegible] quantity which put
sell now at that rate - on the
other hand put cannot pass
the Division which a tenth
of salt or [illegible] heat an Enhancement
ment of price duty will create in a
[illegible] inflammable
District. The result will be [illegible]
be - that the bubble of the West
Coast will be traced equally
with those of the East Coast -
put will still have to contest
as they now do - Private interests
are not likely to be able to

under 2-8-0 per S. ton. some likely
put in to draw the price will be 14
2-12-0.

I cannot make out what
you mean. The put. for
the duty or tax - according to
the necessities of the State
and the means of the
people - and to the duty
or tax is added the cost
of the article - we cannot
regulate the price of the home
made article, [illegible] in defence to

Revenue Dept.

15

Memo: for Orders

Reg.n 1 of 1805 sec: 3 prohibits the manufacture or sale of salt; and the transport, export and import of it by sea or land in this Presidency, excepting on account of Govt or with their express sanction

Section 4 provides that "the shares heretofore in some places paid as wages to Merasi (hereditary) Manufacturers from the proceeds of sale, and the hire to labourers, shall be paid at the same rates as formerly obtained, unless altered by mutual consent xx

but

Draft by the Price of the Imported article

The Draft seems to me to imply that we are going to interfere the Excise by claim universally - Personally I am altogether debarred to this - as I consider that the risk for new Manufactures the Govt is advantageous to us Legards Pct & the Public - Even in the Madras I think we should let the Merit - until the Experiment can be tried by Government has started

J D L

but × × in money at the average selling price of salt at the pans × × calculated on the 5 years preceding × × ×.

Section 6 declares that "Mirasi manufacturers declining the manufacture of salt, when required by the officers of Govt. to carry it on as usual in the lands they occupy shall forfeit the benefits formerly derived by them from the salt revenue of such lands, and the Govt. officers may employ other persons to make salt in those lands.

Section



Section 8 prohibits all proprietors of land and farmers of land under Govt. from making salt excepting on account of the with the permission of Govt.

Section 9 prohibits the importation of salt from any other territory into the Presidency, excepting on account of Govt. or by special sanction.

Section 23 suspends the operation of the Regulation in Canara and Malabar.

Regn. 2 of 1807 Sec: 2 clause 1 declares that the landholders, proprietors and

and inhabitants of Canara and Malabar are at liberty to carry on the manufacture of salt "as heretofore" - Clause 2 provides that the salt so manufactured shall be sold "to the officers of Govt alone."

Section 3 prescribes psualty in event of sale to any other person -

Section 4 declares all the provisions of Regn 1 of 1805, except those of sections 6 + 8, to be applicable to Canara and Malabar -

Examination of the earlier records showed that the "heretofore" practice had unquestionably



unquestionably left in the hands of the landowners in Canara and Malabar the same facilities for supply-ing salt of their own manufacture for the con-sumption of their families, as grain of their own cultivation, and the law of 1807. did not meddle with any thing except sale, but in process of time the dis-tinctive character of the law as relating to these two provinces passed oc-casionally out of sight, and the same restrictions

on manufacture were
imposed there as elsewhere.
In 1867, however, on a re-
-presentation by the Acting
Joint Magistrate of Cochin,
the High Court ruled in
accordance with the law,
that manufacture was
free.

The result is that
a very extensive petty
manufacture has grown
up in Malabar of a
very inferior article,
and that the Collector
~~powerless~~
is ~~powerless~~ with the means
at his disposal to check
sales.

In Canara where
a better article can (by
reason of the lesser fall
of rain apparently) be
manufactured, the same
result does not seem
to have followed, but
the best sites for manu-
-facture are there pre-
-occupied on account
of Government.

In May 1871
the Madras Salt
Excise

Excise act &c=

= cised the assent

of the Governor

General and in

July the Bd. of Revenue

were directed to report

as to the districts in

which, & the time when

it should be brought into

operation -

But in Feby. 1871, when

the act (forwarding) (2) (in the

Legislative Dept. for the assent
of the Governor General it had been
stated as necessary to give
effect to the act that the 1st
Clause of Sec. 2 act 24 of
1869 should be made inoperative
in those Districts to which the
Excise act might be extended,
and it was requested that
steps might be taken by the
Govt. of India for passing an
act for this purpose -

~~I do not find that this~~
~~has~~ Yet has yet been done, but in
~~doing into the Acts, I question~~
~~whether~~ the application was
necessary for Mr. Jolly's Section
Clause 1, Section 2,
Act 24 of 1869 fixes "the price
to be paid to the Local Govt.
for salt manufactured and sold
under the orders of the Govt.
of the Presidency of Fort St George
in Council for consumption within
the territories subordinate to
that Presidency" at 2 Rs the
Indian Maund, but ~~in order~~
~~to alter~~ alter of the Price for which
~~not to stop~~ the repeal

This necessary however
& with the Govt. of Madras
who fixed more than 2 Rs.
per Md. for this Stock
in Consultation & the
Exception standing in
the Excise act -

if this provision should be
necessary to allow of an
excise duty being fixed and
levied on salt not manu-
factured and sold under
the orders of the Governor in
Council, but at the free
will of the licensed manu-
facturer

any stock of the Govt
may think fit to
maintain them.
with private works fixing prices liable to control
a sufficient supply & must the total
remunerative the total cost
such price as may leave a
reasonable margin for profit
to the private manufacturer
or importer

Assuming that
no hindrance exists from
the want of this further
legislation to the introduction
of the Excise Act when desired
by Govt, I proceed to notice
its provisions, and the
correspondence now before
Govt on the subject.

The Act
provides that, in Districts
to which the Act has
been made applicable
by notification of Govt,
the Collector, with the
sanction of the Board
of Revenue, may grant
licenses for the manufacture

of salt to such persons
as he shall think fit,
— that unlicensed manu-
facture shall be penal,
— that any private proprietor
may claim a license for any
salt work which has been in
operation within 5 years of
the introduction of the Act,
provided that the Collector,
under orders of the Board
of Revenue, may withhold or
withdraw a license from any
salt work at which, on the
average of the 3 years preceding
the order, less than 5000
Indian maunds of salt have
been made and sold yearly,
— that the Collector may refuse
a license for a new salt
work in an objectionable
position, — that compensation
shall be given for closing
salt works, — that
the salt made shall
be stored in places
prescribed by the Collector,
— that an Excise duty

to

to be fixed by Govt with sanction of the Governor General in Council, shall be levied on all such salt removed from store, and that such removal must be under permit, that foreign salt may be imported into such District only by certain land routes, or at certain sea-ports, and on payment of the Customs Duty prescribed by law —

The remaining provisions are for the "preventive service," for facilitating trade in salt, for settling compensation, and for making "bye laws" —

It will be observed that the



the introduction of the Act into Canara and Malabar would bar the future exercise of the privilege of free manufacture for nominally domestic purposes.

Whether the people of those Districts have any reasonable claim to such exceptional privileges is one question

Whether, on general grounds, the introduction of the Act is advisable or calculated to secure the results desired, is another

My belief is, that altho' proprietory rights have been more fully maintained in Canara and Malabar than elsewhere in most parts of India, they were equally claimable throughout the whole land, and I think it is obvious that the framers of the Regulation of 1807 had in view only the first recognition

recognition of the right of
every proprietor to turn his
land to such purpose as he
thought best, and not to
relieve him from any taxation
borne by the rest of the
community

The provisions in regard to
Mirasi manufacturers, shown
in Reg: I of 1805, indicate
something of the same intention
as those for manufacture
"as heretofore" in Canara
and Malabar. In both
cases it would seem
intended to save former
privileges to the customary
manufacturers

I do not think
that the privilege of
consuming untaxed salt
can be claimed as a
right by the landholders
and other manufacturers
in Canara and Malabar,
any more than to feed
on untaxed grain, that
is

it is impossible to
say - it is sufficient
for the present purposes
for the Pt. to
declare that it
cannot accept
the responsibility of
the liability of these Dis-
tricts leaving a
in the recovery of the
duties levied by
private persons.
But this can-
not be absolutely
excluded as
long as a sale
the Pt. levy (as
they have Rs / an
amount Rs by
of 1-13-0. they
sell the imported
salt at 2 Rs -
The difference
between these rates

recognition of the right of every proprietor to turn his land to such purpose as he thought best, and not to relieve him from any taxation borne by the rest of the community

The provisions in regard to Travancore manufacturers, shown in Reg: I of 1805, indicate something of the same intention as those for manufactures "as heretofore" in Canara and Malabar. In both cases it would seem intended to save former privileges to the customary manufacturers

I do not think that the privilege of consuming untaxed salt can be claimed as a right by the landholders and other manufacturers in Canara and Malabar, any more than to feed on untaxed grain, that

is



it is impossible to say - it is sufficient for the present purposes for the Govt to declare that it cannot accept the liability of the Travancore Govt to supply salt in the necessary quantity to the private manufacturers. But this entirely excludes the probability of any such liability on the part of the Govt (as they must do) and the Govt must be entirely free to fix the price of salt at 2 Rs - The difference between these rates

Rj I am. is just
about enough to
buy for the toll
in Bom Rj. If
the buyer should
the pt. tax it is
conceded, the
private contractor
will have his
play - as the pt
selling price will
be R a k
2-4-0 instead
R a k
of 2.0.0 - there
will then be
a margin of
fully 4 on the 2 Rs
for charges & profit.
But the reasons
of fixing the pt.
selling price at
R. 2-4-0. Cannot



is to grow for consumption
crops on land which
shall be free from land
assessment so long as
the crop is not sold
The law, however,
conceded this exceptional
privilege, and thereby certainly
opened a door for evasion.
The climate is, however, so
unfavorable on the west
Coast for manufacturing
salt by solar evaporation,
and in 1807 Canara and
Malabar were so isolated,
that it was probably
assumed that the
concession was not of
material importance
to the State finances,
as the difficulties in
the way of transport,
and the heavier expense
in the way of manu-
facturing a decent
article, precluded the
probability of supply

to the interior, or
at least of competition
with the manufacture
on the Eastern Coast

The Excise Act, if
introduced, will certainly
cancel these Exceptional
privileges, and thereby,
so far as the locally
manufactured article
has hitherto supplied
the local demand, will
substitute a taxed for
an untaxed article,
if the manufacture
can be suppressed, as
it probably can in
great measure, if
not entirely

Is the introduction
therefore politic?

Will the State
gain an equivalent in
revenue to what the
people will lose
in



in the use of this
inferior article, which
is valuable to a
community of fishermen

Will not a
sense of injustice
be inpired into
their minds as
regards the free
use of their lands.

Will not
their "morale" be
impaired by the
inducement offered
to violation of
the law by illicit
manufacture.

As regards
the two last objections,
I do not think
them stronger

on

on the west
Coast than on the
East, Especially as
the Exceptional privilege
had been lost eight
of till very lately

I think the
restrictions on manu-
facture are just
as much, and no
more, an invasion
of the right to use
the land as may
seem best to the
occupier on the East
Coast as on the
West

The monopoly
by encouraging illicit
manufacture, impairs
the



the morale of the
lower orders on the
East Coast just as much
as the Excise would on
the West.

What, in other
respects, will be the
effect of introducing the
Excise.

It will not,
I think, to any material Extent
increase local manu-
facture of a good article
such as Govt would wish
to see enter the market.

It will probably
to some extent check the
manufacture and use of an
inferior article.

The deficient
supply will have to be
met from imports.

The principal
object which Govt set before
themselves in proposing
the

the enactment of the Excise
Law was to make Western
Coast Consumers contribute
their fair share to the revenue,
and to encourage private
imports by sea in lieu of the
existing system of Govt. imports
from Bombay.

It was calculated
that the Govt. selling price per
Indian Maund being then 24
Annas (Rs 1-8-0), and the cost
price to Govt. of the locally
manufactured article being 3 As
on the East Coast and 4½ As
on the West, the Consumer on
the East Coast contributed 21 As
to the revenue where on the
West Coast he contributed only
20, and further that in regard to
the Bombay Salt imported by
Govt. the West Coast Consumer
contributed only Annas 18 to the
revenue on the same quantity
owing to its higher cost to Govt. which
was estimated at As 6. At this
time the import duty on
private trade in salt was

Rs



Rs 1. 6. - while the Govt.
selling price was Rs 1. 8.
The margin of As 2. was
clearly insufficient to allow
of any profit to the Importer
on the Western Coast.

But this Import duty
was fixed with reference to
the first cost of the salt to
Govt. on the Eastern Coast,
viz: 2 As. and represented the
difference between cost and
monopoly selling price, or the
Govt. profit on the sale, or
in other words the duty or tax.

As then the first cost
to Govt. on the Western Coast

was

was not 2 but about 4 As.
it was argued that the diff-
-ference between 4 As and
the monopoly price was the
proper rate of Import duty
to fix on that Coast.

At present the mono-
-poly price is Rs 2, so that
Rs 1-12- would be the
Import duty - on this system
In Bombay under
Act 24 of 1869 it is Rs 1-13-;
the cost of manufacture
being there estimated at
As 3, and the Excise duty
is the same amount. This
prevails in N. Canara, but
Mr

of fixing it at the
Ports between Coast
price & monopoly selling
price. The Import duty
actually charged
under the Consol.d
Customs Act of 71. is
Rs 1-13. per Md.



Mr Webster in his letter
in Board's Proc.s of 8th Jany
1872, now before Govt, shows
that it is questionable
whether the rate is strictly
enforced, as the N. Canara
depots were underselling
the S. Canara Govt stores
notwithstanding the addition-
-al cost of carriage.

Mr Webster also
states that the cost to Govt
of the Bombay salt at
present is Annas 7 2 per
Md: Md: so that the "tax"
is Rs 2 — Rs 0-7-2 = Rs 1-8-10
instead of Rs 1-12 or Rs 1-13.

Yr

It is thus evident that if the Excise Act is introduced and the Bombay rate of Excise duty adopted the Govt. Selling price thus (so long as it maintains a stock in the Dts.) must be raised to about Rs. 2.4.-2 to allow of an Import trade growing up.

I question whether we could adopt a lower rate than Bombay, being in such close proximity - I would be amended to Rs. 1-13. for the Import duty. & the Excise duty must correspond at least - if an Import trade is to grow up.

I question also whether the Govt can safely dispense for some time to come with a Govt reserve of salt in the Dts of Canara and Malabar for fear of a salt famine so to speak.

By telegram from Mr. Macgregor I have ascertained that the average cost of the Bombay salt to Govt in Malabar is annas 7-4 per Md. Md. or 2 Piso dearer



dearer than in S. Canara.

I think that Rs 2.4.- might fairly be taken as the Govt selling price of imported salt, and the import duty and being Excise at Rs 1-13- The difference, or as I would be the margin for the Importer or local manufacturer to work for Expenses and profit.

The Govt must of course withdraw from all concern with the manufacture in S. Canara

I suggest as I say the margin instead of a. 7-2. or 7-3 as this already includes the profit on the first cost and expense of carriage, which the

the Contractor for the supply to Govt. secured to himself and no doubt he could make a sufficient profit out of the slightly smaller sum - If found to be inoperative it can be raised -

I proceed to notice the correspondence now before Govt.

The Board were requested to report where and when the Act should be introduced and in their proceedings of 22nd Septr 1871, the majority recommended its introduction into Canara and Malabar -

They misapprehended the views of Govt, as expressed in Proceedings of 2nd July 1868, which only insisted on the right to manufacture salt being reserved to the landholders &c in Canara and Malabar and this is saved by the Excise Act -

They recommended the immediate and absolute withdrawal of Govt from the importation of Salt and the sale of the Stock of Govt Salt by Auction at the Monopoly price of Rs 2 per Indian Maund -

They advocated the

the equalisation of the Excise and Import duties, which is of course a necessity, if private manufacture is to be fairly encouraged.

The 1st Member (Mr. J. S. Forbes) dissented and advocated the maintenance of the monopoly. He urged the risk of depending on private enterprise for the supply of a necessary of life to a vast extnt of country - Also the incapacity of Malabar and Canara to manufacture sufficient for their own needs. He would prefer trying the Excise first in Ganjam and invite tenders for the purchase of

of the Govt stock. He would supply Canara and Malabar by rail from East Coast.

I dont think his objections or proposals are altogether sound. He seems to me to misapprehend the effect of the Excise Act, and to overestimate the risk of depending on private enterprise. No such sudden and absolute withdrawal of Govt as he dreads is necessary. The reason for selecting Canara and Malabar for the experiment is, that local manufacture cannot supply the demand there, and that the present

system

system of Govt importation is unsound, as the Govt selling price does not leave a sufficient margin for private traders to compete.

The Board sought the opinion of the Collectors of Canara and Malabar on certain details and their replies are submitted in the Proceedings of 8th January and 6th March 1872.



Mem:

I have suggested various alterations in the draft - but I think it would be better to keep close to one object - which is the raising from Malabar & Canara the same Salt Tax as we levy else where - viz 1-13-0.

I would therefore to have paras 1. 2. 3. 4 of the draft & then for para 5 to substitute the following as

5. The manufactured salt of Canara

Cost

cost about 4 an:
and the manufactured
salt of Madras
Coast of Canara
averages a little
less Jan: for S. Mrs.
and as salt are
sold by pct at
the rate of 2 Rs,
per Mds
the pct loses 1 anna
on the former &
4 annas on the
latter, for every
S. Mds sold. And
the people of these
districts. though
manufactured & finished
or sold able to
pay the salt
tax on the latter
as the cost

45

are formed to
it like the Coast.
That the pct
are now selling
is lower to
raise the pct
selling prices in
these districts to
the duty of 1-13-0
plus the cost
of manufacture
or import as
the case may
be. If this be
conceded the
price of manu-
factured salt
in the Canara
will be Rs 2-1-0
and the price of

Imputed Salt
in Canara &
Malabar vide
Le 2-4-0 Bn
Indian Council.
and the pct
is the duties
the sale &c &c
of Rs 1-13-0
in Bott Districts,
as it does in
all the Districts
of the Eastern Coast.
And these Words
and Imported Salt
will be on the
same footing.

The Monopoly
System has been

7

in force in the
Ceded & Conquered
since 1807- since
when the Pct has
undertaken &
fulfilled the
Obligation of providing
these Districts with
Salt- by manufacture
-ture & importa-
tion- It cannot
not suddenly
throw off this Obli-
gation- & if it
should cease in
entirely to a
considerable
Enhancement
of the Price- to

~~as Langsman and~~
Scrigs
* Recruitment &
for Liability to loss
of Revenue on
Shipment on En-
hanced Price.
The Pet. must of
necessity maintain
in a Stock of
Salt to guard against
these risks - and
the contingency
of a Seizure in
the Liability - How
long a period may
elapse before Prima
Facie is finally
Established &
thus the Deposit
may be Refunded with

by the Pet.
3/ to exercise as to Sect
2 of Act XXIV of
1869 fixes the
price at 2 Rs -
No alteration of
the Number act rule
as it, as the
Agent in lieu to
alter the Pet. selling
price only - but
the Excise or Refund
Duty.
The alteration
to be fixed will
have the effect
of increasing the
Salt Revenue -
Speculation by tempo-
rary - and doing
the door to Criminal

Custom Service.

Will the Revenue to from 3 of your letter I am to state that such legislative charge is enacted by the Isle of 3. 4. 47 known as - except charges for the prevention of smuggling and levy of Duty - which I do not believe can in any way be "transmuted" - but are enacted by the State levying a Duty on the article - This

Collector - as in the analogous case of Customs Duties falls on the Revenue."

Then the Legislature of Malt.

Lost

Revenue Department.

55

No.

To

THE SECRETARY TO THE GOVERNMENT OF INDIA.

Dept of Agri: Rev: & Commerce.

Revise draft. Send the objections & Elis's to Mad. Govt. circulated.

Sir,

In reply to your letter No 7 of 13 January 1873 I am directed to state with reference to para 2 that there seems to be some misapprehension as to the system of salt monopoly which exists in this Presidency.

1.

D.C. with Mr. Sim's amendments adopted.

2.

The Govt no where manufactures salt on its own account; It is only the exclusive purchaser at fixed

fixed rates of all the salt of proper quality made by the people engaged in this manufacture, any salt of inferior quality being rejected and thrown back into the pans. The average cost to Govt on the East coast of the salt so purchased including all expenses properly appertaining to manufacture and storing, is annas 3 per Indian Maund, and as the salt sold by Govt at the 2 Rs. per 1 Md. it follows that the full "Govt duty" of Rs 1. 13. is secured on every maund of salt.

on the Eastern Coast

salt sold at Rs 2

4. 3

On the Western Coast the systematic manufacture of salt is carried on to a very limited extent in the northern part of S. Canara only, and the bulk of the supply required in order to meet the demands of the local population and for carriage inland - mainly to Mysore - is obtained from Goa and Bombay through contractors.

[It is desired in these western coast districts only to encourage a system of private importation and manufacture under an

As these Districts depend to a great extent on importation it is manifestly desirable

the whole of the supply required in Malabar,

import

import and excise duty, in lieu of the existing method of Govt supply [which at present results in a comparative loss of duty to Govt inasmuch as both the locally manufactured salt and the imported article cost the Govt more than annas 3 per maund, and the "duty" recovered by sale at Rs 2 per maund is proportionately reduced.]

The Govt cannot however venture to withdraw absolutely and at once from the obligation to supply this necessary of life, lest a partial salt famine should result, and they desire therefore to arrange

: the first being then to ascertain the Duty, if any existing - which will ascertain to the merchant rather than to a Govt

cover the Duty & cost - it being left to experience to show whether the private trader can make his profit out of the latter item - for the two sections are closely connected economically as private traders. Such it is multiplied whether the first two cost here is sufficiently

^ or the price be enhanced to such a degree as would create serious discontent

arrange for doing this gradually as private trade and manufacture grow up. But in order to allow of this development of the new system, it is essential that the Govt selling price of the stock that it must (may) maintain at least shall be raised sufficiently high to [leave a margin of profit for the private trader or manufacturer] assuming what is about the fact that the locally manufactured salt costs Govt Annas 4 per maund before it is sold at Rs 2, the "duty" is evidently only Re 1-12 -. And if therefore the local private manufacturer be charged an excise duty of Re 1-13 - it is evident that he cannot afford to sell at the same price as the

the Govt do, unless he can manufacture the article more cheaply. It is possible that to some extent he might do this, but considering the unfavorable circumstances of the West Coast in these latitudes for the manufacture, it is probable that the result would be either the production of so inferior an article that the Govt could not allow it to pass into the market, or that the private manufacture would be abandoned in consequence of the margin for profit being inadequate.

Again in regard to the imported salt, the average cost to Govt, of late years, has been slightly above Annas 7 per maund; and as this also is sold at Rs2, the duty preserved is only Rs1-9-; and if an import duty of Rs1-13 be levied on private imports, it is of

high to admit of a fair encouragement for private manufacture being made at all it. There is however no necessity for the Govt to assume this at the outset. and even if it were the fact, it does not follow that Govt should raise its selling price merely to drive the trade into its channels, to the certain loss of the vast body of customers.

The cost of locally manufactured salt on the West Coast is now 4 annas per I. M.d: the cost of imported salt

averages a little more than 7 annas per I. M.: to the duty of Rs 1-13-0 plus the cost of manufacture or import as the case may be. The selling price of the former would then be Rs 2-1-0 per I. M.: that of the latter about Rs. 2-4-0.)

(Private manufacture under the

of course evident that no private trade can grow up.]

The Government may only therefore desire power to raise the selling price of Government salt in Malabar and Canara [to Rs. 2. 4. 0 per Indian Maund at present, so as to allow a sufficient margin of profit for a private manufacture and import trade to grow up under an excise or import duty of Rs: 1-13-0 per Indian Maund.

The

The difference of Annas 7 between this duty and the Govern= =ment local selling price would it is considered be sufficient to develope private manufacture and import trade, and to allow of the Govern= =ment gradually with drawing in Malabar and Canara from the duty of supply which it at present performs.

Competetion

Act must be decided at Rs 1-13-0 per Md and private imports would be charged with a Duty of Rs 1-13-0 so that in ale cases the pt would bear as elsewhere the weight that the Presidency receive the full Duty of Rs 1. 13. 0. per Md.

Competition it may safely be assumed will keep the price to the Consumers as low as is consistent with reasonable profit and the supply of a good Article, while the Government stock will prevent any artificial sudden enhancement of the selling rate to ~~famine~~ excessive prices, as well as obviate the risk of an actual salt famine

famine.

The difference in the margin of profit that will be afforded to the private manufacturer as compared with the private importer is not more than the greater difficulties in the way of manufacture in South Canara as compared with Bombay demand, which it is also desirable to develope the local manufacture of this necessary of life rather than the importation by sea which is certain to be interrupted by the Monsoon every year & may at any time be diverted by more profitable trade offering in other directions.

The price now paid by



by Government for the locally manufactured article and for the imported salt already includes some profit to the private parties, and there is reason to believe that economy can be effected to a larger extent by the importer from Bombay than by the manufacturer in S. Canara or Malabar

The actual cost of a maund of salt at Bombay to the manufacturer is believed to be about 4 annas 3 & Govt have little doubt that it can be imported at a profit in Malabar and S. Canara at less than annas 7 which the Government now pay and which is the margin between an Import duty of Rs 1.13.0 and a Government selling price of Rs 2.4.0.

If the S. Canara or Malabar manufacturer cannot put a good article into

into the market at a less price than annas 4 (which the Government now pay him) then his margin for profit will be (annas 4 + Rs 1-13-0 excise duty = Rs 2-1-0 deducted from Rs 2-4-0 =) annas 3 per Indian maund.

Economy in manufacture and competition with the importer will gradually, the Government do not doubt reduce the price to the consumer below Rs 2-4-0 to what is the lowest rate at which a good article can be placed in the market, while the Govt revenue will be assured which it is not at present in these districts or at least in Malabar. ]

9. I am directed to state that this Government have no present intention ~~of~~ of extending the excise system



system beyond Malabar and S. Canara

[ Elsewhere they believe that the present system secures to the Government its public revenue from this source by what is on the whole the least objectionable method. ]

Govt of India

Relative to the system of salt monopoly at present existing in the Presidency

Copy

Special circulation

Ind. Sep. Dep. 25 March 1873 No. 28

Rev Dept

26: March 1873.

No 361

To The Secretary to the
Government of India
Dep.t of Agri. Rev & Comm.ce

Sir,

In reply to your Letter No.y of 13th Inst.t 1873, I am directed to state with refce to para: 2 that there seems to be some misapprehension as to the system of salt monopoly which exists in this Presidency. —

2. The Govt. nowhere manufactures salt on its own account. It is only the exclusive purchase at fixed rate of all the salt of proper quality made by the people engaged in this manufacture, any salt of inferior quality being re-

jected

rejected and thrown back into the pans. The average cost to Govt. on the East Coast of the salt so purchased including all expenses properly appertaining to manufacture and storing is annas 3 per Indian Maund, and as the salt is sold by Govt. at 2 Rs. per I. Md. it follows that the full "Govt. duty" of Rs. 1-13. is secured on every maund of salt sold on the Eastern Coast.—

3. On the Western Coast the systematic manufacture of salt is carried on to a very limited extent in the northern part of South Canara only, and the bulk of the supply required in that district and the whole of the supply required in Malabar, in order to meet the demands of the local population and for carriage inland—mainly to Mysore—is obtained from Goa and Bombay thro' Contractors.—

4. The manufactured salt of Canara costs about 4 annas and the imported salt of Malabar and part of Canara average a little over 7 annas per I. Md.—and as both are sold by Govt. at the rate of 2 Rs. per I. Md., the Govt. loses 1 anna on the former and 4 annas on the latter for every I. Md. sold.—and the people of these districts—tho' undoubtedly quite as well able to pay the salt tax as those in the East Coast, are favored to the

the like extent.—

5. What the Govt. are now seeking is powers to raise the Govt. selling price of its own salt in these districts to the duty of Rs. 1-13-0 plus the cost of manufacture or import as the case may be. If this be conceded the price of manufactured salt in Canara will be Rs. 2-1-0 and the price of Imported salt in Canara and Malabar will be Rupees 2-4-0 per I. Md.— and the Govt. will realise the full duty of Rs. 1-13-0 in both districts, as it does in all the districts of the Eastern Coast— and Home made and Imported



Imported salt will be on the same footing.

6. The monopoly system has been in force in Malabar & Canara since 1804— Since then the Govt. has undertaken & fulfilled the obligation of providing these districts with salt— by manufacture and importation. If cannot suddenly throw off this obligation— To do so would lead inevitably to a considerable enhancement of the price— to serious discontent, and probably to loss of revenue consequent on enhanced price. The Govt. must of necessity maintain a stock of salt. To guard against these evils— and the contingency of a failure in

in the supply - How long a period may elapse before private trade is fairly established and this safeguard may be dispensed with, it is impossible to say - it is sufficient for present purposes for the Govt. to declare that it cannot accept the responsibility of at once leaving the supply of these districts in the necessary of life entirely to private enterprise - But this enterprise is absolutely precluded so long as while the Govt. levy (as they now do) an Import duty of Rs. 1-13-0, they sell the imported salt at 2 Rs. - The difference between these rates

viz. 3 annas, is just about enough to pay for the salt in Bombay! If the power which the Govt. exercises is exceeded, the private importer will have fair play - as the Govt. selling at a price will be 2-4-0 a p instead of 2-0-0 - there will then be a margin of fully 4 annas per Md. for charges and profit - But this power of fixing the Govt. selling price at Rs. 2-4-0 can not be exercised by the Govt. as section 2 of Act XXIV of 1869 fixes the price at 2 Rs. - No alteration of the Madras Act will avail, as the object

object in view is to
alter the Govt's selling
price only - not the
Excise or Import duty -

2nd. The alteration pro-
posed will have the
effect of increasing
the salt revenue - repe-
aling taxation - and
opening the door to
private enterprise -

8. With refce to para
3 of your letter I am
to state that every
legitimate charge is
covered by the rate
of 3, 4 and 7 annas
except charges for
the prevention of smug-
gling and levy of duty
which do not appear
to me in any way to
"manufacture" - but
are caused by the
State

3

State levying a duty
on the article - This
expense - as in the ana-
logous case of Customs
duties - falls on the re-
venue. -

9. I am directed to
state that this Govt
have no present in-
tention of extending
the Excise system
beyond Malabar
and South Canara. -

I. B.

Agriculture 1873 Department.

From Government of

Fort St. George.

Dated 26th March. } No. 361.
R. } Enclosures.
6 spare copies.

D. No.

L. No. Price. { D. / No.

Offering explanation with reference to the supposed misapprehension as to the system of salt-monopoly which exists in the Madras Presidency.

