M.R.O. 1—20,002—12-8-65.

(1) Number of Pages ~~42~~ 38

(2) Date of repair 25. 1. 68 and 27. 1. 68

(3) Initials of the Referencer 24. 4. 68

MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

Rev DEPARTMENT

G.O. No. ~~B.P. No.~~ 1446. Press ~~Mis.~~

Dated 1. 10. 1875 ~~196~~ .

Not to be folded or roughly handled

X846

Proceedings of the Madras Government, Revenue Department, *1st October* 1875.

No. 5. Read the following letter from A. O. HUME, Esq., C.B., Secretary to the Government of India, Department of Revenue, Agriculture, and Commerce, (Customs and Salt,) to A. MACGREGOR, Esq., Acting Secretary to the Government of Madras, Revenue Department, dated Simla, 19th August 1875, No. 274 :—

IN continuation of my letter, No. 189, dated the 12th June last, and, with reference to your letter, No. 985, dated the 1st ultimo, I am directed to convey the orders of His Excellency the Governor-General in Council on the question of the substitution of a system of salt excise for the Government monopoly in the districts of Malabar and Canara.

2. In the opinion of the local authorities on this subject there has been a considerable amount of diversity, and in consequence of this the Madras Salt Excise Act of 1871, which is an enabling Act, and which can be brought into operation only by an order of the local Government, has hitherto remained a dead letter.

3. The system in force in the two districts in question is a modified Government monopoly, under which in one district (Malabar) the manufacture of salt for sale to Government has ceased to exist, while in the other (Canara) the manufacture is conducted on a comparatively limited scale. In Malabar the whole, and in Canara about half, of the tax-paying salt is imported from Bombay, and is sold by Government.

4. Under the law (Regulation II. of 1807) at present in force in these districts, there is no prohibition, as there is under the law (Regulation I. of 1805) in force in the rest of the Madras Presidency against the manufacture of salt without the permission of Government, but only against its sale to any but the officers of Government. The result is that in Malabar, according to Mr. Macgregor's estimate, there are now some six hundred acres annually devoted to the manufacture of salt, which pays no duty, and which, though of an inferior quality, is used to adulterate the Bombay salt, and is likely to be manufactured in still larger quantities, now that the selling price of the Bombay salt is enhanced. There can be no question that the greater part of the salt thus manufactured is really manufactured for sale, and that, in this way, the law is evaded, and the Government revenue suffers.

5. The manufacture of tax-free salt does not seem as yet to have been introduced into Canara; but, if it is permitted to go on in Malabar, as both districts are under the same law, its introduction into Canara can only be a question of time. The Board of Revenue and Mr. Macgregor are agreed in advocating the suppression of the manufacture, as one which threatens seriously to affect the public revenue; but, while Mr. Macgregor is in favor of the application of the Salt Excise Act of 1871, the Board would affect the object by the repeal of Regulation II. of 1807, and the extension of Regulation I. of 1805 to the districts on the western coast. The question is which of these two courses should be adopted.

6. If it could be shown, in regard to either of these districts, that the local manufacture could be so extended as to meet the entire local demand, it might, in the opinion of the Governor-General in Council, be a question whether the Government monopoly system, which, in the opinion of the Madras Government, has answered well in the rest of the Madras Presidency, should not be applied in its entirety to these two districts. But it seems to His Excellency in Council more than doubtful whether the local manufacture can be so extended, with a due regard to the interests

of the revenue, as to suffice for the local demand. In regard to Malabar it appears highly probable that if the manufacture carried on there were subjected to a duty, it would entirely disappear, owing to the very inferior nature of the salt and the great aversion to it felt by the people.

7. It is observed that the Madras Government have recently deputed Dr. Ratton, a medical officer, who has been employed in analysing salt and investigating the method of manufacture in the salt districts on the eastern coast, to Malabar, in order that he may take measures for the revival of the local manufacture in that district on improved principles at selected spots; but it appears to the Governor-General in Council to be very questionable whether it will be possible so to improve the article and extend the manufacture as to supersede the necessity of importing salt. In Canara the local manufacture supplies about half the consumption of the district. The Collector states that it cannot be increased to any very great extent. Under these circumstances, it appears evident that the importation of salt, either by the direct action of Government or by means of private trade, must be continued.

8. Of these two modes of importation, it appears certain that that effected by private trade is likely to be the cheaper if it be allowed free scope; but this cannot be done if the local manufacture is to be the subject of a Government monopoly. In this case, the responsibility of making adequate provision for the entire requirements of the district devolves upon the Government, and Government must see that the stock of salt maintained in the district is sufficient for its consumption, and must, therefore, continue to import.

9. If, on the other hand, the excise system be introduced, the Government practically divests itself of the responsibility of supplying the district with salt, and leaves the provision of this article to private trade, whether in the form of local manufacture, or in the form of importation, levying, in the one case, an excise, and, in the other, an import duty, the rate of taxation being the same in both.

10. In connection with this subject, it must be remembered that the case of Malabar and Canara is different from the case of inland districts which depend on private trade for their salt-supply. Both in Malabar and Canara there was formerly a local manufacture which sufficed for the local consumption; this manufacture was, in the one case, destroyed, and, in the other case, diminished by the introduction of the Government monopoly, and for many years the Government has taken upon itself the responsibility of supplying the deficiency by importation, thus leaving no opening for private trade. The maintenance of the monopoly, and still more the extension of manufacture on the monopoly system, would be incompatible with any attempt to promote private trade, for it would be as impossible for merchants as it has been for the Government to import and sell without loss at the monopoly price, and the existence of Government manufactures and sales at that price, though conducted on a scale insufficient to supply the entire consumption of the district, would probably deter merchants from embarking in the trade.

11. Under the excise system the case would be different. The selling price of the salt would depend on the laws of supply and demand, and although the price of the locally-manufactured salt would probably, for a time at all events, be higher than it is at present, the average price would soon be reduced below what the Government will have to charge, in order to prevent loss of revenue if they continue to be importers of salt. These remarks, I am to remark, are more applicable to Canara than to Malabar, if, as seems probable, there is no possibility of reviving in that district the manufacture of salt of such a quality as to admit of its bearing a duty of Rs. 1-13-0; but if there is to be no manufacture of tax-paying salt, the objection to the application of the Salt Excise Act on the ground that it will facilitate smuggling, ceases to exist. As regards the revival of the manufacture for purposes of revenue, ~~the effect of the application of the Act will be *nil*~~; but it will suppress the present manufacture of untaxed salt which is now carried on under cover of the existing law.

12. In regard to the alleged prevalence of smuggling under the excise system in Bombay, it appears to the Government of India that by insisting on due concentration of the works, as the Government have full power to do under the Salt Excise Act, and by the enforcement of proper regulations regarding the manufacture, storing, and removal of the salt, there ought to be no greater difficulty in preventing fraud under the excise system than under the system of a Government monopoly.

13. I am accordingly to state that, on a full consideration of the important question, the Governor-General in Council has decided that the excise system shall be introduced into the districts of Malabar and Canara, and that Government shall recede altogether from their position as salt traders. The Madras Salt Excise Act of 1871 should be declared applicable to these districts from such date as the Madras Government may determine with the sanction of the Government of India. A report on this point should be submitted without delay.

14. Notice should at once be given that after the 1st April 1876 the system of supplying salt by Government, through contractors, will entirely cease, and that the requirements of the people will be met by private trade.

15. A system of bonded warehouses, with fixed rates of wastage, should be introduced on the plan of the Government salt bonding warehouses at Howrah in Bengal, and the present Government warehouses made available for the purpose, a rent sufficient to cover the repairs of the buildings being charged.

16. To prevent any risk from traders not being at once prepared to introduce a fresh supply of salt into these districts, and until such time as the district salt supplies are assured from other sources, a supply equal to six months' consumption should be purchased and stored by Government, and when the trade by private dealers is fully established this stock should be sold to them.

17. In conclusion, I am to invite attention to my letters of the 12th June last, Nos. 189 and 190, and to request that the Government of India may be favored with replies to them as early as possible.

No. 6. ORDER THEREON, 1st October 1875, No. 1,446.

Separate Revenue, No. 1.
Customs and Salt.

RESOLVED that the sanction of the Government of India be sought for the introduction of the Excise Act VI. of 1871 into Malabar and Canara at the earliest possible date, so as to allow of manufacture under license being commenced while the season serves.

Proceedings of the Madras Government, Revenue Department,
1st October 1875.

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2. In regard to the instructions contained in paragraph 14, the Board of Revenue will obtain and submit, with as little delay as possible, a report from the Collectors as to what is the earliest date at which our existing contracts will admit of the stoppage of importation on Government account.

3. Full information should be afforded as to the stock that might be expected to be on hand on the 1st of January and 1st of April 1876, respectively, and of the means of storage available for that quantity, presuming that Government sales were to cease from one or other of those dates. The Government wish also to be informed as to whether, under the existing rates, any private trade in salt has yet been undertaken, or is in contemplation by any of the leading firms.

4. The Collectors of both districts should endeavour to ascertain the views entertained by the firms chiefly interested in salt as to the probable course of trade under the arrangements now proposed.

(True Extract.)

(Signed) L. A. CAMPBELL,
Under-Secretary to Government.

To the Board of Revenue.

Exd. F. R. Bantleman.

Govt. of {1875} Madras.

REVENUE.

To

THE BOARD OF REVENUE.

Dated October, 1st.

Recd. *Encl.*

G. O., 1st October 1875, No. 1,446.

OCTOBER.

Nos. 5-6.

Introduction of the Excise Act VI. of 1871 into Malabar and Canara. — Resolving to apply to the Government of India for sanction for the —, and requesting the Board of Revenue to furnish information on certain points bearing on the subject.

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No. 274.

FROM

A. O. HUME, Esq., C.B.,
Secretary to the Government of India,

To

THE SECRETARY TO THE GOVERNMENT OF MADRAS.

Department of Revenue, Agriculture, and Commerce.
(Customs and Salt.)

SIMLA, *the 19th August* 1875.

SIR,

IN continuation of my letter No. 189, dated the 29th June last, and with reference to your letter No. 985, dated the 1st ultimo, I am directed to convey the orders of His Excellency the Governor General in Council on the question of the substitution of a system of salt excise for the Government monopoly in the Districts of Malabar and Canara.

2. In the opinion of the local authorities on this subject there has been a considerable amount of diversity and in consequence of this the Madras Salt Excise Act of 1871, which is an enabling Act and which can be brought into operation only by an order of the Local Government, has hitherto remained a dead letter.

3. The system in force in the two districts in question is a modified Government monopoly, under which in one district, Malabar, the manufacture of salt for sale to Government has ceased to exist, while in the other, Canara, the manufacture is conducted on a comparatively limited scale. In Malabar the whole, and in Canara about half, of the tax-paying salt is imported from Bombay and is sold by Government.

4. Under the law (Regulation II of 1807), at present in force in these districts, there is no prohibition, as there is under the law (Regulation I of 1805) in force in the rest of the Madras Presidency, against the manufacture of salt without the permission of Government, but only against its sale to any but the officers of Government. The result is that in Malabar according to Mr. Macgregor's estimate there are now some six hundred acres annually devoted to the manufacture of salt, which pays no duty, and which, though of an inferior quality, is used to adulterate the Bombay salt and is likely to be manufactured in still larger quantities now that the selling price of the Bombay salt is enhanced. There can be no question that the greater part of the salt thus manufactured is really manufactured for sale, and that in this way the law is evaded and the Government revenue suffers.

5. The manufacture of tax-free salt does not seem as yet to have been introduced into Canara; but if it is permitted to go on in Malabar, as both districts are under the same law, its introduction into Canara can only be a question of time. The Board of Revenue and Mr. Macgregor are agreed in advocating the suppression of the manufacture, as one which threatens seriously to affect the public revenue; but while Mr. Macgregor is in favour of the application of the Salt Excise Act of 1871, the Board would affect the object by the repeal of Regulation II of 1807, and the extension of Regulation I of 1805 to the districts on the western coast. The question is which of these two courses should be adopted.

6. If it could be shown in regard to either of these districts, that the local manufacture could be so extended as to meet the entire local demand, it might, in the opinion of the Governor General in Council, be a question whether the Government monopoly system, which, in the opinion of the Madras Government, has answered well in the rest of the Madras Presidency, should not be applied in its entirety to these two districts. But it seems to His Excellency in Council more than doubtful whether the local manufacture can be so extended, with a due regard to the interests of the revenue, as to suffice for the local demand. In regard to Malabar it appears highly probable that if the manufacture carried on there were subjected to a duty, it would entirely disappear, owing to the very inferior nature of the salt and the great aversion to it felt by the people.

7. It is observed that the Madras Government have recently deputed Dr. Ratton, a medical officer, who has been employed in analyzing salt, and investigating the method of manufacture in the salt districts on the eastern coast, to Malabar, in order that he may take measures for the revival of the local manufacture in that district on improved principles at selected spots; but it appears to the Governor General in Council to be very questionable whether it will be possible so to improve the article and extend the manufacture, as to supersede the necessity of importing salt. In Canara the local manufacture supplies about half the consumption of the district. The Collector states that it cannot be increased to any very great extent. Under these circumstances it appears evident that the importation of salt, either by the direct action of Government or by means of private trade, must be continued.

8. Of these two modes of importation, it appears certain that that effected by private trade is likely to be the cheaper, if it be allowed free scope; but this cannot be done if the local manufacture is to be the subject of a Government monopoly. In this case the responsibility of making adequate provision for the entire requirements of the district devolves upon the Government, and Government must see that the stock of salt maintained in the district is sufficient for its consumption, and must therefore continue to import.

9. If, on the other hand, the excise system be introduced, the Government practically divests itself of the responsibility of supplying the district with salt and leaves the provision of this article to private trade, whether in the form of local manufacture, or in the form of importation, levying in the one case an excise, and in the other an import duty, the rate of taxation being the same in both.

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16. To prevent any risk from traders not being at once prepared to introduce a fresh supply of salt into these districts, and until such time as the district salt supplies are assured from other sources, a supply equal to six months' consumption should be purchased and stored by Government, and when the trade by private dealers is fully established this stock should be sold to them.

17. In conclusion I am to invite attention to my letters of the 12th June last, Nos. 189 and 190, and to request that the Government of India may be favoured with replies to them as early as possible.

I have the honour to be,

SIR,

Your most obedient Servant,

A. O. HUME,

Secretary to the Government of India.

Exd.—J. M.

1875.

DEPARTMENT OF REVENUE, AGRICULTURE, AND COMMERCE

CUSTOMS AND SALT.

To
THE GOVERNMENT OF MADRAS.

No. 274.

Dated Simla, the 19th August 1875.

SUBJECT.

DIRECTS the substitution of a system of salt exc for the Government monopoly in Malabar a Canara.

Letter from the Govt: of India d/ 19 Augt: 1875 No: 274
Revenue: Agriculture & Commerce

Discussion is over on this subject and I would not notice the debatable points of the Government of India's letter. We have now to give cordial cooperation in carrying out their orders.

No time must be lost in giving effect to it, for the period of recommencing the private manufacture to be suppressed is at hand and time is required

red to inquire for and license local manufacturers and to enable them to prepare their works. So the notifications required by the Act (Sec) should be published if possible in the next Fort St George Gazette

The Collectors of both Districts must be directed to advertise that persons are at liberty to open Salt Works under the Conditions of Act VI of 1871. Those willing to do so should be invited to tender for licenses. Proviso to Section 6 will shut up all illicit Works in Malabar and for

for the moment stop that traffic. What claims may come forward for compensation remains to be seen

The Collector of Canara should further arrange that the Salt works now open in that District be continued under the excise system - if possible under the management of those who now use them for the purpose of the monopoly supply

It seems to me that all that is necessary (Para 13 of the letter) is to tell the Govt. of India what action we have taken explaining that prompt action is needed to enable persons who wish to establish factories during the

the Coming Season to make their arrangements.

The only point on which I would ask reconsideration is Para 14. The Govt: of India order the withdrawal from supplying Salt to take place from the 1st April 1876 - but as the Coast is about to close for their 6 months Monsoon The date to be fixed should be 1st January 1876. This change will assure all manufacturers and merchants Early in the Season that the Govt. are in Earnest & will leave 4 months open for private trade to adjust itself against the long closure of the monsoon, during which time it is intended that private stores should provide for the supply of the District. In the meantime private Excised manufacture will also be feeling its way under similar assurance and the open Coast will prevent any very serious Salt famine during the first few months of Early transition

The balance of the years Salt supply in Course of receipt through Contractors from Bombay will probably nearly fulfil the Conditions of

f the Govt: of India (Para 16)
iz that the Govt. shall
old a store of salt
qual to 6 months' supply
' present risk from
private manufacture.
and trade not fulfilling
Expectations during
the first long monsoon.

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Note

The Collector has already arranged for the supply of salt required up to the date when cargoes may be expected to arrive after next Monsoon. i.e till the end of October 1876.

It is not however usual to ruin the stocks very near & practically it may be considered that with what is now in

I think the modification is [illegible] reasonable & right —
I am not in favor of arguing the thing further with the Govt of I. as it has the appearance of pressing unwillingness to accept the order —
10/9

P.S. Of course if we undertake — the work it'd avoid the Coll. must be asked to modify his contracts which probably he will be able to do

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store, & what is
to arrive there is
salt to supply the
market till the end
of December ~~187~~ 1876.

If therefore Govt. sales
be discontinued from
1st Jany. 1876 the
Collector will have in
hand, by the time all
salt contracted for has
been delivered, a stock
for one year —

Under ordinary con-
ditions this would

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never occur, as there
would be heavy sales
in Jany. Feby. & March Dr.
to counterbalance arrivals.

There is therefore no
storage room for such
an amount, even
for a period of fine
weather. With the
smaller ~~year~~ maximum
quantity ~~hitherto~~ at
times on hand great
difficulty is often ex-
perienced & heaps are
covered over in a

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rough manner which answers in fine weather, it being known that the overplus will be disposed of before the beginning of the rains. On the plan now proposed 12 month's stock would have to be kept all through the Monsoon. Even if the Govt. of India date were adhered to the Monsoon stock would be larger than the normal amount by the ordinary sale amount of April & May -

Either therefore the ~~not~~ discontinuation of Govt. sales should be postponed to 1st Nov 1876. or some of the contracts made must be cancelled at a sacrifice

I commend these remarks to the consideration of my hon Coll. Of course I sh'd like to postpone the date to after the monsoon -- because I do not like the change under any circumst. & therefore mistrust my judgmt. in the point. But the change is ordered & sh'd be carried out as ordered

The G. of I. having resolved to abandon the monopoly & to introduce the Excise & Import duty system for the salt supply of Malabar & Canara, we of course have only to carry out this policy. & I for one see no objection.

The Excise Act. & the contract proposing the price of salt are not in the bundle of papers so I must trust to my recollection as to their requirements.

My impression is that the Govt. selling price lately fixed in these

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District is such as to
allow a sufficient margin
for private trade (in import
or Excise) to be worked with
a fair profit.

I understand also from
Dr. MacGregor's note that
the Col. Dr. is in Calcutta
at present. if not in time
Dr. committed to contract
for a supply which wd.
meet the demand up to
Oct. 76.

The L.G. calls on us
with sanction of G.I.
— to fix the date for the introd.
of the Excise on private
manufacture

— to notify that after
1st. April 76. the importation
of salt on account of

Govt. will cease — such
operations being left to
private trade. & the Govt.
saltstores being made
available as bonded
warehouses

— to provide & maintain
a 6 months supply
of salt to prevent risk
of short supply by private
trade or manufacture.
such reserve stock to be
sold off when precaution
no longer necessary —

On the first point I wd.
~~at once notify that after~~
recommend the adoption
of the earliest possible
date for the introducn. of
the Excise on private manu-
facture — I have not
the data at hand to appro

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probable requirements.
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& but I don't think there
is anything in it & the
Govt. sales concurrently
with sales on private account
& sale. & import duty on
private trade. & I don't
remember that there is any
thing in the "Salt price"
Act to preclude the Govt.
from adjusting their selling
price if necessary. so as
to leave ample margin
to allow of fair profit
for private trade whether
in Home made or Foreign
Salt. Govt. selling price
in M.P. is now sufficiently
high for this purpose no
change wd. be necessary
to allow of private trade
growing up.

As to 2d. point below.

---

taken the Colld.s of M.P.
& Export to take the earliest
date at wh. our existing
contracts will admit for
stopping imports on
Govt. account.

I presume this will certainly
not be earlier than the
closing of the contracts
before next S.W. monsoon

Meanwhile I wd. take it
that we cannot adopt
this date without risk
of serious penalties for
breach of existing
contracts.

And that the existing
position of affairs
leaves us with ample

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stock to guard agst.
risk of short stocks
for trying experiments.

The rule abt. to Bom-
salt being exported without
payt. of full duty. or
the exception in the Customs
Act abt. prohibition of
duty on interportal trade
not applying to salt.
will have to be repealed
unless all Bombay
supply to west coast
is to be stopped by
sea. -

[illegible]
[illegible]
[illegible]

~~I have been reading~~
~~the last 12 months~~
~~proceedgs. in this Salt~~
~~Question. It is~~
~~evident that~~ [illegible]
[illegible]
[illegible]
~~[illegible] opt. to~~
[illegible]
[illegible]
~~[illegible]~~
[illegible]
~~In the present [illegible]~~
~~I think~~ [illegible]
the [illegible] to [illegible]

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~~[illegible] [illegible]~~

~~[illegible] [illegible]~~

~~[illegible]~~

~~[illegible]~~

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~~the S.I.O. proposes~~

~~Nothing is as simple~~

as ~~burning of they still~~

~~between [illegible]~~

We see also then that

Govt. Salt godowns

cannot be completed

with Bombay merchants

while we require them for

[illegible] stock.

& that this [illegible] will

produce supply of Bombay

salt to west coast. but

that Cheshire can compete

with Canara & Malabar

produce. & that 800

will [illegible] ad: tit

Note ?

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As regards Canara Dr.

Rattan's report is to the

effect that 453½ acres

are available suitable

for the manufacture of

salt & capable of

turning out 280.315

Maunds of Salt. or rather

more than the estimated

requirement —

In Malabar he inspected

& enumerated 848 acres of

land as fit for salt

cultivation. which he

estimates as capable of

producing 593.600 maunds.

or 12970. more than

the probable requirements.

Nearly all this land

is private property.

As regards the probable extent of illicit manufacture he would reduce the Collector's estimate of 3000 pans to 1000. The out turn of them he takes as 30 favourable days work of 70 measures per diem or 65.620 maunds.

The ground on which he bases his estimate of the number of pans is that according to the Collector's estimate the people would consume 22 lb. 6 oz. per head the average rate of the Presidency being only 12 lbs. Also that

in his tour, which however appears to have occupied only a fortnight he did not see more than 500 pans.

Considering the intricate net work of backwaters stretching along the coast it seems improbable that anything like half the number should be seen in a cursory visit not made with the object of seeking them out.

As regards the amount consumed per head it is to be considered that a large quantity of salt is used for curing fish that the people are wealthy & the cost of carriage small & that probably a great

quantity of salt entered
as purchased for
home consumption in
reality finds its way
into Coimbatore &
Mysore.

ALL

Dr. Rattin's report
on Malabar &
Canara ——
with brief abstract.

The Collector's reports
thereon have not
yet been received

ALL

C 29 Sept/75 Pd 1st Octr/75

No. 1446 7 13/1446

1st Octr/75.

Read letter from Secy. G. of I. Dept. of A. & C.
dated Simla Augt 19/75. 274

Resolved that the
sanction of the G. of I.
be applied for for
the introduction of the
Excise act VI of 1871
into Malabar & Canara
at the earliest possible
date [illegible]

In regard to the instructions
contained in para 14
the Board of Rev. will
obtain & submit, with
as little delay as
possible, a report
from the Collectors as to
what is the earliest date

2/10

at which our existing contracts will admit of the stoppage of importation on Govt. account —

Full information should be afforded as to the stock that might be expected to be on hand on the 1st of Jany. & 1st of April 1876 respectively, & of the means of storage available for that quantity presuming that Govt. sales were to cease from one or other of those dates.

The Govt. wish also to be informed as to whether under the

existing rates any private trade in salt has yet been undertaken or is in contemplation by any of the leading firms —

The Collectors of both Districts should endeavour to ascertain the views entertained by the firms chiefly interested in salt as to the probable course of trade under the arrangements now proposed.

A.M.

Fwd Copy to the Board of Rev.
Dec 2. Ack

14 Forwarded copy Dec 12.

4.0 in letter from
[illegible]
[illegible]