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MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

Revenue DEPARTMENT

G.O. No.	1569.	Press
B.P. No.		Mis.
Dated	8-11-1875	196 . .

Not to be folded or roughly handled

No. 42. Read the following letter from Government of India, Departm (Customs and Salt,) to the Sec Department, dated Simla, 20t

I AM directed to forward the draft o despatch from the Secretary of State an thereof, which it is proposed to issue on for the consideration of the question of the Government monopoly in Madras, a His Excellency the Acting Governor in favored with any suggestions which th in the matter.

2. The favor of a very early re Committee should assemble by the 1st

A. O. HUME, Esq., C.B., Secretary to the t of Revenue, Agriculture, and Commerce, ry to the Government of Madras, Revenue 1875, No. 332:—

olution, together with a copy of the nclosure referred to in the preamble bject of the formation of a Committee stitution of a system of Salt Excise for request that, with the permission of cil, the Government of India may be rnment of Madras may have to make

quested, as it is proposed that the next.

No. 43. ORDER THEREON, 3rd r 1875, No. 1,569.

Separate Revenue, No. 4.
Customs and Salt.

ORDERED that the following telegram at to the Secretary to the Govern- of India, Department of Revenue, culture, and Commerce:—

"Your letter, 20th October. Sal Resolution respectfully approved. This Government nominate Willock, Secretary."

t.)

D. F. CARMICHAEL,
Officiating Chief Secretary.

To the Board of Revenue.

Exd. F. R. Bantleman.

Further Corr. 4520/75.

Govt. of India. 1876. Madras Salt Monopoly.—Informing the Government of India by telegram that the Resolution appointing a Committee for considering the question of substituting a system of Sale Excise for the present Monopoly, has been approved, and sanctioning Mr. Willock's appointment to the Civil Service as Secretary.

NOVEMBER.
Nos. 42-43.

REVENUE.

The BOARD of REVENUE.

October 3rd.

7/1569

SALT IN INDIA.

Notes taken on a Tour

IN NOVEMBER AND DECEMBER, 1874.

By H. E. FALK,

President of the Salt Chamber of Commerce of Cheshire and Worcestershire.

NORTHWICH, 1875.

NORTHWICH:
PRINTED AT THE "GUARDIAN" STEAM PRINTING WORKS.
1875.

Further Cor. 4520/1

Madras Salt Monopoly.—Informing the Government of India by telegram that the Resolution appointing a Commission for considering the question of substituting a system of Salt Excise for the present monopoly, has been approved, and nominating Mr. Wilcox of the Civil Service as Secretary.

3/1507

SALT IN INDIA.

Provided with credentials to the respective authorities by the courtesy and kindness of Sir Louis Mallet, (Under Secretary of State of the Indian Government), I landed from the P. and O. steamer at Madras in the middle of November, 1874, and commenced at once an investigation into the system of the manufacture and distribution of the Salt supplies for the people of that Presidency.

Government assumes here the entire responsibility of providing the requisite supplies, and permits no manufacture except on its own land, and charged with the condition that the whole produce shall be delivered to its own officers at a price fixed by the Department, and likewise charged with a host of regulations and onerous obligations, which may be very necessary for the maintenance of the strict monopoly, but which, of course, prevent the healthy practice of any manufacture.

For Revenue purposes Salt is taxed at 1 rupee 13 annas per maund (about £5 per ton), and Government assumes that the cost of the manufacture and administration is covered by 3 annas per maund (10s. per ton), thence the Salt is issued to the wholesale dealer, who supplies the country—at 2 rupees per maund. In theory, Government imposes a condition on these dealers to retail it to the consumer with a profit of 25 per cent.; but how far this theory is carried out in practice we see by the fact, that the retail prices paid by consumers, in the immediate vicinity of Madras, are equal to 4 rupees per maund. Hence the doctrine

Further Cr. 4520/1

Madras Salt Monopoly.—Informing the Government of India by telegram that the Resolution to appoint a Commission for considering the question of substituting a system of Salt Excise for the present, and nominating Mr. Willcox of the Civil Service as Secretary.

that Government, by charging itself with the distribution of the article, is benefiting the consumer, utterly fails, as it has always failed in similar cases. Wholesome competition through unrestricted trade can alone effect the object.

Government has, in virtue of its responsibility to supply the people with Salt, to become a large importer on the Western Coast of Madras, as the manufacture there is insufficient for the consumption; and it is said that instead of receiving a revenue of 1 rupee 13 annas per maund, barely half this amount is realised,—an injustice which is severely commented on elsewhere in India, as the richest districts of the Presidency and those best able to bear taxation are thus actually exempted from their just share of contribution to the Revenue.

The system of manufacture is most primitive and crude. The topographical conformation of the coast and the composition of the seawater available are both ill calculated to afford a fair and successful result. In order to illustrate the many drawbacks under which this manufacture is carried on, I will give the figures respectively of the essential points of manufacture in Madras and in Cheshire. I take the Ennore Pans of the Northern or Chingleput Division, in the immediate vicinity of Madras, which are said to be a fair average of the Salt Works of the entire Presidency. For purposes of easy calculation I take a lac (100,000) of maunds, at 4,000 tons. The measurement and figures were given to me by the Deputy Collector, Mr. Narsinga Row, a most intelligent native gentleman, at the instance of Mr. Barlow, the Chief Collector of the Division. The make of Chingleput Northern Division averages 52m. tons; it has 35 miles of canal solely used for salt conveyance and salt water conduits. The Saltpans at Ennore, which make 16m. tons, were measured to embrace with their appurtenances 7 square miles, *i.e.* 4,480 acres; hence the make

A/1569

of each 1,000 tons would require 280 acres. The sea water averages 2½ per cent., and contains, as it has to be drawn through the canal, which also takes the drainage of the adjacent district. considerable organic matter, besides some 2 to 3 per cent. of very injurious bittern Salts.

There are 3000 ryots and coolies employed for four months of the year, as the rains will not admit of salt-making for a longer period. The entire labour is manual, no pumps, no wheeled transport. The product is a most inferior, dirty, ill-crystallized salt, containing fully 30 per cent. of water, sand, and other deleterious ingredients; among the latter must be specially named from 2 to 3 per cent. of chloride of magnesium and other bittern salts, which affect the mucous membrane and the skin most seriously, and must cause a considerable amount of suffering. The organic matter, which becomes an ingredient of the salt, must also in times of cholera and other epidemics widely spread the contagion. The deliquescent nature of the bittern salts also accounts for the enormous wastage whic his complained of in this Salt, and is said to be 25 per cent., inasmuch as the moisture of the atmosphere is absorbed to such an extent, that the salt when exposed becomes completely drenched, and wastes immensely even whilst in the hands of the consumer.

In Cheshire a Salt Work of the capacity of 16m. tons would with all its appurtenances of workshops, railway, canal and pannage, occupy about 1 acre, as against 4,480 acres at Ennore. The number of men employed would be 18. The strength of brine used is 25 to 26 per cent. The product is pure chloride of sodium, free from all impurities and perfectly white in colour. The wastage by storage is from 1 to 2½ per cent. for a year, even in the moist climate of the tropics.

The immense extent of land occupied by the Salt Works in Madras Presidency requires, of course, an enormous number of police and a great staff of officers to superintend the various processes of manufacture, receiving, transport and delivering, and it would be difficult to maintain, that even the best regulations can entirely prevent illicit dealings under such circumstances, although I am free to confess that, when comparing the system in India with the continental establishments of Europe, which work under similar antiquated conditions, there is thrift, economy and judicious management in the Indian administration, which it would be unjust not to award its due amount of praise and admiration. In fact I may from my ocular observation say generally, that I honestly believe the whole administration of India to be the most liberal, mild, and effective government which the world possesses. Where it fails, the cause lies in the too conservative maintenance of ancient monopolies, which the advancing strides of the age of free trade will only permit to exist when the whole force of Government is brought to bear. We have seen with what beneficial effect Government has abolished the salt monopoly in Bengal; and Madras should be made to follow without delay.

If it is maintained that the use of 56,000 acres for Salt production in Madras (according to the computation on the standard of the Kanore Works) is indigenous and beneficial to the country, let the question be tried by fairly throwing open the manufacture to the public, and collecting under excise the requisite revenue. It will then be seen whether commerce can displace it. I venture to predict that most of the 56,000 acres will very shortly be converted into rice and jute fields, with a far more beneficial result to the population of the districts, who withal have only *four* out four months of the year as a labouring subsistence.

I have been frequently met by the argument that Government, in an emergency of a great war or rebellion, should not allow the people to depend upon over-sea supplies for an article like Salt. But there are no tenable grounds for assuming a salt famine in case of foreign war, inasmuch as the internal communications of India are now so perfect, that salt from the mighty deposits of the Salt range in the Punjaub could be brought to every household in Madras quite as easily as from the seaboard. And in the case of rebellion, I question whether the fact of every household being dependent on supplies of English salt, would not form a very strong inducement to loyalty. India is not, and never can be made a colony, and the more she can be made to depend upon the mother country and her commerce, the longer will we be able to hold her.

Another great defect in the Madras Salt system is the utter absence of provision for storage. There are no godowns provided by Government, and the Salt is exposed to the inclement tropical storms with no other protection but a thatch of palm-leaves. It is a source of great loss now, but it would be greater still, if a delicate pure white Salt were introduced. Proper bonded Golahs as at Calcutta should be provided at the different ports, where it is likely a Salt trade would spring up. The interest on the capital expended would easily be earned by the rent charged for their use.

Government is perfectly alive to the necessity of improving the manufacture; and a scientific officer, Dr. Ratton, has been employed to thoroughly investigate and report on the subject. These papers are very exhaustive, and give a thorough insight into the whole details of the system, but the remedy they suggest is, in my opinion and in that of the officers I have conversed with on the subject, quite beyond the reach of

Further Corr. 4540/1

practice, where you have to deal with the most ignorant and prejudiced people on the face of the globe, and the coolies, who are the real salt manufacturers of Madras, will never be made to understand the nice tests and their practical application, which an improved system would necessitate. Large sums may be spent in experiments and attempts to improve, but I am certain they will fail.

We have in England attempted many economical improvements, but they have always failed eventually, from the fact that the material we have to deal with, is most singular and capricious in all its properties, and will admit in the great practice of manufacture of no subtle manipulations.

There exists no prejudice against the use of imported Salt in Madras, as I have been assured from several authoritative sources, on the contrary, there is a great craving for pure white salt, and all households who can afford it, dissolve the native product in water and re-evaporate it in the kitchen, in order to obtain a white pure Salt.

Madras, with its splendidly productive climate and soil, is sadly short of a heavy article of import to bring her ships, which would carry her own tropical productions to Europe and elsewhere. By bringing Salt from England this defect would at once be remedied, and, as in the case of Calcutta, beneficial commerce would result to an extent which at present is little contemplated. The question of Revenue need only be measured by the Calcutta standard; compare the receipts in monopoly times with those of the present day.

From Madras I proceeded by railway to Bombay, thus traversing the whole Presidency. I tested my conclusions wherever I had the opportunity, and they have not been impaired.

Madras Salt Monopoly.—Informing the Government of India by telegram that the Resolution of the Committee for considering the Question of substituting a system of Salt Excise for the present Monopoly, and abolishing Mr. Wallock of the Civil Service as Secretary.

b 1561

At Bombay the Chief Collector of the Salt Department gave me the opportunity of investigating fully the whole system in practice there.

With one exception, Government leaves the manufacture there entirely free to native enterprise, and contents itself with collecting by excise the Revenue, say 1 rupee 13 annas per maund, *i.e.* in round numbers £5 per ton.

The bulk of the salt produced here, on the islands round Bombay, is of a much superior description to the Madras salt, and at half the cost. Many circumstances contribute to bring about this result: the topographical position of the coast, the stronger sea water, the better climate, and the fact that wholesome competition is kept up through the unrestricted sale of the salt by each individual producer. I found here a sort of two shift system of salt and rice-farming, the rice growing side by side with the salt beds, which I was told was most profitable, as the salt beds grow, after being sweetened, admirable rice crops.

At Kharaugora Government has for the supply of the northern districts and Central India established a large work, which is managed successfully, as Mr. Pritchard assured me, by the contract system. The salt costs only 5s. per ton and is of very superior quality. The coolies here are said to earn an average wage of 13 rupees per month, whereas in Madras the average is 4 rupees. The climate at Kharaugora is very favourable, as rain only falls during 3 months of the year, and the heat is extreme. In addition to this, the brine is nearly 12 per cent. strong as it rises in the wells. I have come to the conclusion that, from our point of view, the manufacture and system of supply in this Presidency cannot be amended; nor would it be desirable to alter or interfere with it. English salt cannot compete here effectually under present circumstances, and it would be useless

Further Cor. 4540/1

to make attempts, which would result in failure. The carriage from all the saltbeds on the islands round Bombay is extremely light, as small boats can come alongside the various deposits and carry the salt straight to ships in harbour, and as the price for ordinary common salt is but 5½ rupees for 70 maunds—or about 4s. per ton, whilst for a very superior large-grain bay salt but three times the price or 12s. per ton is charged,—competition of foreign salt is out of question. The exports in 1878 exceeded 80m. tons, chiefly to the Malabar coast, Calcutta, Penang, and Singapore.

From Bombay I proceeded to the Punjaub by way of Jubbulpore, Allahabad and Delhi. The Central Provinces, Oude, and the North-west Provinces, are all supplied promiscuously by free trade from whatever quarter can approach them at least cost. Rajpootana, which lies in the midst of them, is full of salt springs in all directions, and has its full share of the supply, although it is a source of great trouble to the Revenue officers, since the British Government can exercise but small control over the course of trade from this quarter, Rajpootana being an independent State.

The Punjaub contains probably the largest Rock Salt deposits in the world, it is therefore not only independent of all external sources of supply, but exports largely to all the adjoining countries, both British and foreign. In case of emergency, if over-sea supplies should ever fail, it could supply the whole of India without any great exertion.

Bengal is almost entirely supplied by English salt, which finds its way from Calcutta by river and rail, as far as the carriage will sustain its competition with the salt which comes from inter-

Salt Monopoly.—Informing the Government of India by telegram that the Resolution appointing a Commission for considering the question of substituting a system of Salt Excise for the present, and nominating Mr. Willcox of the Civil Service as Secretary.

7/1569

nal sources of supply. At present English salt can get no farther north than Patna, where it meets the Punjaub salt, which is rather unjustly favoured in the matter of duty, as English salt has to bear a revenue tax of 3 rupees 4 annas per maund, whereas the internal salt is let off with 3 rupees, therefore a difference against English salt of 4 annas, or about 13s. 6d. per ton. It is to be hoped that Government, at the next alteration of duties, will remove this injustice to the great commercial interests which centre in Calcutta.

The salt trade in Eastern Bengal, by way of Dacca and Chittagong is gradually expanding in favour of English salt, as its purity and better qualification for carriage into the rainy regions of Assam and Burmah is becoming more fully appreciated. I hope we shall have a considerable access to our export from these sources.

The great question of the equalisation of duties all over India, was fully discussed by me with the Viceroy and the high officers of Government, and I may say that but one opinion prevails as to its desirability.

I here extract, in order to throw more light on the subject, from one of the Travelling books:—"A winding Salt Customs "frontier-line is drawn across India, 2,504 miles long from Searla, "on the Indus, to Boad, on the Mahanudda, taking in the Punjaub, "the whole valley of the Ganges, and the Central Provinces, "guarded by police and enclosing 130 millions of population. "This line is marked by an impenetrable hedge of thorny trees "and shrubs 10 to 14 feet high, 6 to 12 feet thick." I leave this description without comment, simply asking the question, "Is this worthy of the 19th century?" I am happy to find Lord Northbrook has laid the axe at the root of a considerable

Further Cor. 4520/

portion of this hedge already, and hope the general equalization of duties will remove the rest.

Lord Northbrook is of opinion that a reduction of 1 rupee or 1 rupee 4 annas in Bengal, thus bringing the duty down to 2 rupees, would be practicable from a financial point of view, inasmuch as the increase in consumption would be material and compensate the reduction, whereas the trifling rise in Madras and Bombay Presidencies would not be felt at all by the population. Mr. Pritchard, of Bombay, is confident that a slight rise, even to the extent of 1 rupee per maund in Bombay, would be quite practical and fiscally speaking productive of good results. I have guaged the opinion of all Salt traders throughout, and I have much satisfaction in recording here, that I believe the measure would meet with the greatest approbation everywhere, especially if coupled with an abandonment of the odious monopoly in Madras. Government at home can alone solve the question, as it is one of high imperial policy, which local interests would never allow to be brought to a fair unanimous conclusion. It was the same when Sir Charles Wood held the seals of the Indian Government, and but for his determined action, Calcutta would yet to-day carry on an odious, antiquated monopoly manufacture and miss the quarter million tons of shipping in her port and the million additional revenue.

Lord Northbrook was so strongly impressed with the desirability for immediate action, that he requested me to draw up a short memorial on the subject in Calcutta. I did so, and append it to these notes in conclusion.

Bearing upon the fiscal question as affected by an equalisation of duties in Bengal I may extract from Mr. Bernard's report on the administration of the Salt Department in 1872-3 an epitome of the table of quantities, which proves that during the 10 years

8/1569

1850-60, when the duty was reduced in Bengal to 2 rupees 8 annas, the quantity consumed rose from:

5,985,333 maunds in 1845 to
6,598,305 in 1850, and up to
8,660,996 in 1860, and then declined again

under the 3 rupees 4 annas duty till it is nearly even again at the present moment with the year 1860.

CALCUTTA, 12TH DECEMBER, 1874.

HIS EXCELLENCY THE VICEROY OF INDIA.

Your Excellency,—In obedience to your command I lay before your Excellency a short epitome of conclusions and reasons in result of my recent investigation of the Salt manufacture and traffic of the other Presidencies.

2. The continuation of the manufacture of Madras is in my opinion a mistake to which a great Government ought not to lend a name. The climate is humid and only adapted four months of the year for Salt making; the topographical condition of the sea shore is such that the sea water employed must be conducted through canals into reservoirs, which accumulate from natural drainage of the adjacent country an amount of organic matter, which enters the product of Salt, that adds most materially to the other deleterious ingredients of the water, the men employed are ground down through the system of contracts to such a bare pittance for their labour, that they must of necessity "scamp" the manufacture. (In Madras the coolie is said to earn Rs. 3 to Rs. 4 per mensem, whereas at Kharangora in Bombay the average earnings are Rs. 13 per mensem.)

3. The result is a product unfit for human consumption. The organic particles aforenamed must spread in times of disease contagion widely through the land. The bittern Salts present in the Madras Salt to an unparalleled degree must cause skin diseases and irritations of the mucous membrane and in addition to these positively injurious qualities, the deliquescent nature of these Epsom and Glauber Salts causes an attraction of moisture from the atmosphere, which reduces the chlorine value of the Salt to the purchaser most seriously. My own observation would lead me to cast the average per centage of foreign matter in the Madras Salt including water, at 30 per cent., the able scientific reports of Dr. Ratton, employed by Government even give instances of 42 per cent.

4. The wastage under these conditions must be of course enormous, and when we come to add to this the great waste of land which might be usefully employed in agriculture—the manufacture can only be said to be possible under

Further Cor. 4520/1

the strong arm of a Government monopoly. A section of the Ennore Works was measured by the Deputy Collector, Mr. Norsinga Row, to occupy seven square miles of ground with a produce of four lacs of maunds. In Cheshire we would require less than an acre to manufacture this quantity.

5. Let Government cease to be the huckster and trafficker in salt in the Presidency, and levy the Imperial Tax for revenue by Excise, and it will soon be tested as it has been tested in Bengal, whether the poisonous stuff will find a market against other pure salt which is sure to find its way under free and unrestricted trade. I must be allowed to register here a commercial dogma, which no reasoning will upset, viz., as long as Government is in a traffic of this sort the competitor of the merchant, the latter cannot exist and would simply be ruined in an abortive attempt at trade.

6. The system of storing salt in open stacks thatched like hay, is another source of enormous wastage and deterioration, and should not continue. Storage sheds in the various parts under bond and lock up of the customs, should, I imagine, with great eventual advantage to the revenue, take the place of the present slothful way of storage.

7. If we take into consideration the aforenamed percentage of foreign matter in the Madras salt pure chloride of sodium, like Cheshire salt, would, even apart from all hygienic reasons, still be cheaper to the consumer although he might have to pay eight annas per maund more. Government might with impunity add to the revenue and arrive at that great desideratum, an equalisation of salt duties all through India.

8. If the revenue will admit of a reduction of the duty in Bengal and the northern provinces say to 2 rupees, or 2 rupees 4 annas per maund, the Madras and Bombay duties being raised this trifle, in connection with a substitution of excise, I am clearly of opinion the consumption would eventually be so much enhanced, as to compensate for any present shortcoming. The experience of former years proves, that the consumption rose rapidly in Bengal when the duty was lowered.

9. I may record my conviction that no practical improvement in the Madras manufacture will be achieved, although many expensive theories may be tried. The chemical processes involved for the elimination of the bittern salts may be quite correct in theory, but they will never stand the test of practice, considering the rough material you have to deal with in salt-making. Dr. Ratton's reports are most exhaustive and do him great credit, but they will never be understood by the coolie, who is the mighty arm after all in the manufacture.

10. The circumstances of the manufacture of Bombay salt are widely different from those in Madras. Everything is more favourable, climate, topography of the coast, the existence of brine springs in the north-west, and the system of excise which gives a stimulus to the various makers of salt to excel in quality. I must reluctantly confess my conclusion that Cheshire salt will not be able to

compete there with native manufacture, although circumstances may yet occur when the exigencies of commerce, and the great desideratum of cheap tonnage for Indian produce, a fact which cannot be too highly valued, may yet make a salt trade with some Bombay ports possible.

11. Finally, I again take leave to point at the success which has attended the change in the system in Bengal. The case of Madras runs closely on all fours with Bengal: if anything, Madras would derive greater benefits through the substitution of commerce for an abominable manufacture. The real test will be the introduction of the excise system and free trade in salt without the cold superintending shade of Government.

It is not for me to dwell on the advantages of an equalisation of the duties, they are too self-evident, and it is scarcely defensible on any grounds, that in the 19th century a Chinese wall of a salt line should run through a country, which on both sides boasts with justice of the most enlightened and mild form of administration known.

The shipping interest of Great Britain calls loudly for employment, when you come in India to take from it both the cotton and the manufactured goods. I therefore take leave to press on your Excellency early action which will entail such numerous and varied benefits in result.

I have the honour to remain,
Your Excellency's most humble and obedient Servant,
H. E. FALK.

PRINTED AT THE "GUARDIAN" STEAM PRINTING WORKS, NORTHWICH.

9/1569

Madras Salt Monopoly.—Informing the Gov- ... of India by telegraph that the Resolution ... appoint a Committee for considering the ques- ... substituting a system of Salt Excise for the ... improved, and nominating Mr. Willock of ... Civil Service as Secretary.

Further Cr. 4540/1

Madras Salt Monopoly.—Informing the Board of India by telegram that the Secretary of State is constituting a Commission for considering the question of substituting a system of Salt Excise for the existing monopoly, and requesting Mr. Willoughby, Civil Service as Secretary.

10/1569

[CONFIDENTIAL.]

No.

Extract from the Proceedings of the Government of India in the Department of Revenue, Agriculture, and Commerce, dated Simla, the October 1875.

CUSTOMS AND SALT.

READ—

Despatch from Her Majesty's Secretary of State for India No. 8 (Separate Revenue), dated the 29th July 1875, desiring an enquiry into the merits of the existing system by which the salt revenue is raised in the Madras Presidency under a Government monopoly and the expediency or otherwise of replacing it by altered arrangements, together with other correspondence on the subject.

OBSERVATIONS.

HIS EXCELLENCY the Governor General in Council observes that the question of substituting an excise for the existing monopoly system has already been disposed of as regards the two Western districts of Madras. As regards the expediency of effecting a similar change of system in the rest of that Presidency, the information available is too imperfect to permit as yet of any definite conclusion being arrived at.

2. Looking to the serious importance of the whole subject, economically, fiscally and socially, His Excellency has decided, after communication with the Government of Madras and with their cordial concurrence, to appoint a Commission to investigate and report thereon. Accordingly His Excellency the Governor General in Council is pleased to nominate the gentlemen noted on the margin to be a Commission for this purpose.

President:

C. PRITCHARD, Esq., Commissioner of Customs, Bombay.

Members:

J. GEOGHEGAN, Esq., Secretary to the Board of Revenue, Bengal.

H. E. STOKES, Esq., Secretary to the Board of Revenue, Madras.

R. M. ADAM, Esq., Deputy Commissioner, Inland Customs' Service.

VENKASAWMY ROW, Deputy Collector, Madras.

Secretary—(To be nominated by the Government of Madras).

3. The following questions, among others, will more specially engage the attention of the Commission:—

I.—What is the quality and composition of the salt produced at the various works and sold by Government wholesale and by the dealers retail in different parts of the Presidency?

II.—Are there any grounds for supposing that the people would prefer, or appreciate, a better quality of salt than that now supplied to them? Is it anywhere the practice to re-dissolve and evaporate the Government salt in view to obtaining a purer article for consumption? Is it anywhere the practice for the wholesale purchasers of and dealers in Government salt to adulterate it before allowing it to pass into the consumer's hands? Upon this subject it will be interesting to ascertain if any Bombay salt has been introduced into the Presidency of Madras by land since the opening of the railway.

III.—What is the actual cost to Government of the monopoly salt, including under cost all expenditure or loss, actual or constructive, on account of or connected with the salt, that would be avoidable were the entire salt supply furnished under a self-supporting* system of excise, or imported by sea, made to pay duty before leaving bond and left thereafter free from interference?

* *i. e.*, a system under which the licensed manufacturer defrays all expenditure which Government incurs to secure itself against any violation or evasion by the manufacturer or his servants of the excise law and rules.

IV.—What is the actual retail selling price of monopoly salt (adulterated or not as the case may be) in town and village bazaars in different portions of the Presidency; and if in any locality this very materially exceeds the Government monopoly price, what are the items that compose the excess? The Commission should collect information regarding the distribution of the salt, the cost of carriage to different parts of the Presidency, and the amount of such salt which is exported to other parts of British India and to Native States; and give their opinion as to the average annual consumption of salt per head in the Madras Presidency.

V.—Is the system under which Government now obtains its salt in any respect needlessly costly? What is the average percentage of wastage—*first*, between the time of manufacture and the taking over the salt by Government, and *second*, between this latter and the final sale by Government?

VI.—What is the extent and value for purposes other than salt manufacture of the whole of the land in the Presidency now occupied by open salt works?

VII.—Are there any, and if so what, practical difficulties attendant on substituting a system of excise for the present monopoly?

VIII.—What would be the probable result—*first*, as regards the cost to the consumer, *second*, as regards the net revenue to Government of substituting an excise for the present monopoly?

IX.—The Commission will also examine and report on the cost of manufacturing salt in Pooree and other salt works in Orissa which border upon the Madras Presidency.

ORDER.—Ordered, that a copy of this Resolution be forwarded to the Governments of Madras, Bombay and Bengal, and to each of the gentlemen nominated for the Commission, for information and guidance, and that this Resolution be published for general information.

(True Extract)

Secretary to the Government of India.

R. No 4260. 75

1875

DEPARTMENT OF REVENUE,
AGRICULTURE, AND COMMERCE.

CUSTOMS AND SALT.

OBSERVATIONS.

No.

Dated Simla, the *October* 1875.

A-D-

3 Nov 1875 - No 1569

SUBJECT.

FORMATION of a Committee for the consideration of the question of the substitution of a system of salt excise for the Government monopoly in Madras.

12/1569

India Office,
London, 29th July 1875.

Separate Revenue,
No. 8

To His Excellency The Right Honourable The Governor General of India in Council.

MY LORD,

Para. 1. I forward herewith, for the careful consideration of your Excellency in Council, copy of a Report by Mr. Falk, President of the Salt Chamber of Commerce at Northwich, on the system under which the Government Revenue on Salt is levied in the Madras Presidency.

2. The substance of Mr. Falk's statements was conveyed to your Excellency in a letter dated 12th December 1874, and the most material portions of these statements were communicated by you to the Madras Government a few days afterwards. On 17th February 1875, the Governor in Council of Madras transmitted to you the observations of that Government on Mr. Falk's criticisms, and several of the questions raised by him had in fact been discussed by the Madras Council in the preceding month on the receipt of the letter from your Secretary in the Department of Revenue, Agriculture, and Commerce, dated 15th January 1875. On comparing Mr. Falk's letter, and the report which I now send with the replies of the Madras Government, I find that there is a distinct contradiction on several important points involving matters of fact. Mr. Falk asserts that the salt at present supplied to the Natives of the Madras Presidency is "poisonous," as being mixed with Epsom and Glauber salts, and "unfit for human consumption;" he also affirms that the salt, though issued to the wholesale dealer by the Government at Rs. 2 a maund, costs the consumer in the vicinity of Madras not less than Rs. 4. The Madras Government, on the other hand, declares (para. 15 of Mr. Master's letter) that, under the existing system, the people are "supplied with good and wholesome salt at very reasonable cost." The Government is of opinion that English salt is "wholly unappreciated" by the Native consumer, but Mr. Falk appears to have been informed that it is the practice in Madras to evaporate the Government salt for the purpose of obtaining a purer article. Mr. Falk insists that the process by which the salt comes into the hands of Government is thriftless and costly, and in particular that the wastage is enormous, and that much valuable land is taken up for the purposes of the Government system, but the Madras Government alleges that the wastage is small (4·67 per cent.), and that salt plains are "useless for agriculture." You will doubtless observe several minor conflicts of statement, but, considering the importance of those which I have specified, I feel it my duty to request a further examination of this subject. I am very sensible of the authority which belongs to the Madras Government, and

I am well assured of the respectability and integrity of Mr. Falk. But neither of the conflicting opinions appears to me to dispose conclusively of the disputed points. Mr. Falk's position was not one in which perfect impartiality was possible; and, on the other hand, the Madras Government were necessarily guided by the advice of officers whose ability doubtless was great and veracity unimpeachable, but whose judgment was exposed to the bias of an old departmental tradition.

3. The abstract objections to a system under which an article of paramount importance to the comfort of the whole community is compulsorily sold to the Government and by it dispensed to the consumer are certainly formidable, as is indeed conceded by the advocates of the Madras system who frequently speak of its "theoretical" inferiority to an excise. But without reasonable evidence of its actual extravagance or injuriousness, strong objections might be raised against interference with a method of securing a productive branch of revenue which is of such old standing, in which such serious fiscal interests are involved, and which, as Mr. Falk admits, may be very favourably contrasted with the modes of obtaining a revenue from salt which are followed in most Continental European countries. It is to be observed, however, that some of the charges brought against the Madras system are really of a kind to which similar systems are found by actual experience to be open. Thus it is not inconceivable that a monopoly of ancient date may accustom the consumer to an inferior product, and create a taste for an article in itself injurious. I do not regard this as established in the case of Madras salt, but the point deserves attention. Again, the concentration of the wholesale trade into two or three hands, which is apt to result from a Government monopoly, may place the consumer at the retailer's mercy, compelling him to submit either to an excessive price or to an adulterated article. Again, it has frequently been noticed that Governments are apt to under-estimate the true cost to themselves of the administrative machinery by which their monopolies are maintained. and thus become blind to the fact that these are subsidised from the remaining revenues of the State. For this reason, several points connected with the Madras system, on some of which there are contradictory statements of fact in the papers before me, ought to receive the most attentive examination. Thus it should be thoroughly ascertained whether the land occupied for the purposes of Government is really valueless; whether, if any land has been purchased, the interest of the purchase money has been debited to the Salt revenue; whether the cost of police has been so debited, together with that of the central administrative supervision which the system doubtless requires; whether the expense occasioned to Government by keeping long in store the salt for which it has already paid the ryot has been taken into account, and whether proper allowance has been made for the construction and repair of such buildings and works as are incidental to storage and to the supply of sea-water. On the other hand, assuming it not to be established that the salt produced under present arrangements is bad or noxious, it is conceivable that the substitution of an excise for the present system among a population unprepared for competition, and with dealers unprovided with capital, might have the effect of raising the price of salt, to the profit of the English importer, but not to the advantage, at all events not to the immediate advantage, of the people.

4. The whole subject is of such serious importance, economically, fiscally, and socially, that I cannot hesitate to request further inquiry into the keenly disputed questions raised by the papers before me. I have, therefore, to desire that your Excellency in Council, taking care to secure the utmost possible impartiality, will delegate some competent person or, if you think it preferable, a Commission to inquire into the merits of the system challenged by Mr. Falk, and into the expediency or otherwise of replacing it by altered arrangements.

13/1869

I have the honour to be,

My Lord,

Your Lordship's most obedient humble Servant,

(Signed) SALISBURY.

2.
Rev: 4260/75

14/1560

[CONFIDENTIAL.]

No.

Extract from the Proceedings of the Government of India in the Department of Revenue, Agriculture, and Commerce, dated Simla, the October 1875.

CUSTOMS AND SALT.

READ—

Despatch from Her Majesty's Secretary of State for India No. 8 (Separate Revenue), dated the 29th July 1875, desiring an enquiry into the merits of the existing system by which the salt revenue is raised in the Madras Presidency under a Government monopoly and the expediency or otherwise of replacing it by altered arrangements, together with other correspondence on the subject.

OBSERVATIONS.

HIS EXCELLENCY the Governor General in Council observes that the question of substituting an excise for the existing monopoly system has already been disposed of as regards the two Western districts of Madras. As regards the expediency of effecting a similar change of system in the rest of that Presidency, the information available is too imperfect to permit as yet of any definite conclusion being arrived at.

2. Looking to the serious importance of the whole subject, economically, fiscally and socially, His Excellency has decided, after communication with the Government of Madras and with their cordial concurrence, to appoint a Commission to investigate and report thereon. Accordingly His Excellency the Governor General in Council is pleased to nominate the gentlemen noted on the margin to be a Commission for this purpose.

President:

C. PRITCHARD, Esq., Commissioner of Customs, Bombay.

Members:

J. GEOGHEGAN, Esq., Secretary to the Board of Revenue, Bengal.

H. E. STOKES, Esq., Secretary to the Board of Revenue, Madras.

R. M. ADAM, Esq., Deputy Commissioner, Inland Customs' Service.

VENKASAWMY ROW, Deputy Collector, Madras.

Secretary—(To be nominated by the Government of Madras).

3. The following questions, among others, will more specially engage the attention of the Commission:—

I.—What is the quality and composition of the salt produced at the various works and sold by Government wholesale and by the dealers retail in different parts of the Presidency?

II.—Are there any grounds for supposing that the people would prefer, or appreciate, a better quality of salt than that now supplied to them? Is it anywhere the practice to re-dissolve and evaporate the Government salt in view to obtaining a purer article for consumption? Is it anywhere the practice for the wholesale purchasers of and dealers in Government salt to adulterate it before allowing it to pass into the consumer's hands? Upon this subject it will be interesting to ascertain if any Bombay salt has been introduced into the Presidency of Madras by land since the opening of the railway.

III.—What is the actual cost to Government of the monopoly salt, including under cost all expenditure or loss, actual or constructive, on account of or connected with the salt, that would be avoidable were the entire salt supply furnished under a self-supporting* system of excise, or imported by sea, made to pay duty before leaving bond and left thereafter free from interference?

* i. e., a system under which the licensed manufacturer defrays all expenditure which Government incurs to secure itself against any violation or evasion by the manufacturer or his servants of the excise law and rules.

IV.—What is the actual retail selling price of monopoly salt (adulterated or not as the case may be) in town and village bazaars in different portions of the Presidency; and if in any locality this very materially exceeds the Government monopoly price, what are the items that compose the excess? The Commission should collect information regarding the distribution of the salt, the cost of carriage to different parts of the Presidency, and the amount of such salt which is exported to other parts of British India and to Native States; and give their opinion as to the average annual consumption of salt per head in the Madras Presidency.

V.—Is the system under which Government now obtains its salt in any respect needlessly costly? What is the average percentage of wastage—*first*, between the time of manufacture and the taking over the salt by Government, and *second*, between this latter and the final sale by Government?

VI.—What is the extent and value for purposes other than salt manufacture of the whole of the land in the Presidency now occupied by open salt works?

VII.—Are there any, and if so what, practical difficulties attendant on substituting a system of excise for the present monopoly?

VIII.—What would be the probable result *first*, as regards the cost to the consumer, *second*, as regards the net revenue to Government of substituting an excise for the present monopoly?

IX.—The Commission will also examine and report on the cost of manufacturing salt in Pooree and other salt works in Orissa which border upon the Madras Presidency.

ORDER.—Ordered, that a copy of this Resolution be forwarded to the Governments of Madras, Bombay and Bengal, and to each of the gentlemen nominated for the Commission, for information and guidance, and that this Resolution be published for general information.

(True Extract)

Secretary to the Government of India.

1875

DEPARTMENT OF REVENUE, AGRICULTURE, AND COMMERCE.

CUSTOMS AND SALT.

OBSERVATIONS.

No.

Dated Simla, the *October* 1875.

3.
Rev: 4260/75-
Pros-3rd Nov 1875-Nos 1 & 2.

SUBJECT.

FORMATION of a Committee for the consideration of the question of the substitution of a system of salt excise for the Government monopoly in Madras.

M

A. O. HUME, ESQ., C.B

Secretary to the *India,*

To

THE SECRETARY TO TH F MADRAS.

Department of Revenue, Agriculture, and Commerce.

Customs and Salt.

20th October 1875.

SIR,

I AM directed to forward a Resolution, together with a copy of the despatch from the Secre and its enclosure referred to in the preamble thereof, which it is issue on the subject of the formation of a Committee for the con of the question of the substitution of a system of salt excise for nent monopoly in Madras, and to request that, with the permi His Excellency the Acting Governor in Council, the Governmen may be favoured with any suggestions which the Government may have to make in the matter.

2. The favour of a very early repl ted, as it is proposed that the Committee should assemble by the 1st next.

ve the honour to be,

SIR,

ost obedient Servant,

the Government of India.

110/1569

Vide C. No 4336 of 1875

9/11/501

9-3-91

REVENUE 1875 28/X

DEPARTMENT OF REVENUE,
AGRICULTURE, AND COMMERCE.

No. 4260

CUSTOMS AND SALT.

To

THE GOVERNMENT OF MADRAS.

No. 332.

Dated Simla, the 20*th October* 1875.

Rec'd 1/Nov.

Encl: 3.
Sent Mr. Ogg
for Rec'd
to be recd

SUBJECT.

FORWARDS for any suggestions the Government of Madras may have to make the draft of a Resolution which it is proposed to issue relative to the formation of a Committee to consider the question of the substitution of a system of salt excise for the Government monopoly in Madras.

No 1569. 3 November 1875

Acknd Rec'd 19th Oct. by Telegraph
Sent to the Secy. to G. G. for Legislative Dept. by Comm. Rec'd.
Salt Commissioner's Report.
Returned. This will be required for Parliament
Secretary of State's Despatch