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GOVERNMENT OF MADRAS

Revenue DEPARTMENT

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Not to be folded or roughly handled

Proceedings of the Madras Government, Revenue Department,
24th August 1876.

Read the following papers :—

No. 256. From C. PRITCHARD, Esq., President of the Madras Salt Commission, to the Honorable W. HUDLESTON, Chief Secretary to the Government of Madras, dated Ootacamund, 26th June 1876.

I HAVE the honor, on behalf of the Salt Commission, to forward herewith a copy of our report on salt arrangements on the West Coast, and to request that you will be good enough to lay the same before the Government of Madras. Spare copies will be forwarded hereafter.

—

No. 257. Telegram from Government of India, to Secretary to Government, Revenue Department, Ootacamund, dated 1st July 1876.

SALT COMMISSION'S report, dated 10th June, on West Coast Salt questions. Please favor Government of India with any remarks you desire to offer with least possible delay.

—

ENCLOSURE No. 1.

From the President and Members of the Madras Salt Commission, to the Secretary to the Government of India, Department of Revenue, Agriculture, and Commerce, dated Ootacamund, 10th June 1876, No. 216.

We have the honor to acknowledge receipt of your letter, No. 3-7, dated the 6th January 1876, remitting to us for consideration, in connection with the general question of the substitution of an excise for a monopoly in Madras, the question of the abandonment of Government importation and the introduction of excise in the districts of Malabar and South Canara.

2. It may, at first sight, appear that in now reporting independently on the question so referred, instead of waiting to include it in our general report, we are deviating from the instructions of Government. But the circumstances of the West Coast salt-supply are peculiar, the conclusions we have reached do not in any way prejudice the decision on the issue between monopoly and excise elsewhere, and, above all, to delay the submission of our views might involve the loss of another year in the settlement of a question the discussion of which has already been too long protracted. For these reasons we have thought it right to submit a separate report on this subject. We may add that, to save time, a copy of this report has been forwarded to the Government of Madras.

3. Again, though we are not sure whether it is intended to treat as still an open question the advisability of withdrawing from the importation of salt into Malabar and South Canara or to remit for our consideration more than the mode in which the change is to be carried out, together with the specific question of excluding South Canara, or any part of it, from the operation of the Excise Act, we have thought that it would tend to bring a long controversy to an end if we entered upon the whole subject, especially as we are of opinion that the facts we shall set forth will enable Government to put the case even more strongly than in your letter to the Government of Madras, No. 274, dated 19th August 1875. To do this obliges us to go back to the very commencement of the discussion, but the matter cannot otherwise be put in a clear light.

4. It is asserted in the course of the correspondence of late years, and the assertion is adopted in your letter just cited, that both in Malabar and Canara there was formerly a local manufacture sufficient to supply local consumption, and that it was the Government monopoly which in Malabar destroyed, and in Canara diminished, the indigenous salt industry. But we have positive evidence that in Canara at least the importation of salt by sea preceded the introduction of the monopoly. The Collector of Canara, on 30th November 1803,* writes: "A duty of "seven pagodas a-garce might be levied on salt "imported by sea. It is of far superior quality "to what is manufactured in the province, is consumed by the most opulent of the inhabitants "(who can best afford to buy it at an enhanced price), and is exported above the ghauts." Again, Mr. Falconar, in paragraph 46 of his minute of the 28th June 1804,† says: "Canara is "supposed to produce annually about 1,247 "garce and to import from Bombay, Goa, and "Malabar about 622, making an aggregate of 1,869 garce, whence are supplied the inhabitants "of Canara, Sunda, the Mysore, and the contiguous districts of the Mahrattah State." As the northern taluks of Canara undivided have always been those which made salt, we may presume that the bulk of the importations were made into what is now the *South* Canara District. We have not been able to obtain positive evidence of the existence of importation in Malabar before the introduction of the monopoly in 1807, but with Travancore‡ on one side and Canara on the other, both importing salt from the northwards, it seems unlikely that Malabar did not draw on the same sources for some of its supply, although it is mentioned in the extract just given as exporting salt to Canara. At any rate it is certain that as early as 1813 the district of Malabar was largely supplied by imported salt, for Mr. Vaughan, the 'Principal Collector,' in a letter to the Board of Revenue, dated 15th June 1820, No. 1,118, writing of the comparative selling prices of home-made and foreign salt, observes, "after an experience of *seven years* in the revenue line in "this province, I am convinced that it (i.e., the price of indigenous salt) is not only much too high "compared to its relative value with other "salt," &c.§ He also speaks in 1820 of certain prices for foreign salts having "prevailed for many years past," and in a letter, No. 2,159, dated 31st October 1820, to the Board of Revenue, he gives a sale statement, from which it appears that, so early as the year 1815-16, the sales *for home consumption* consisted of 1,327 garce of foreign to 269 garce of home-made salt. It may here be noted that a *garce*, originally a measure of capacity, has now come to be equivalent to 120 maunds *weight* of salt, and this weight may throughout be taken as its *approximate* equivalent.

* See Plowden's Report, Appendix E, No. 8.

† See Plowden's Report, Appendix E, No. 12.

‡ See the Diwan's Administration Report for 1873-74.

§ The quotation will be given in full further on.

5. We have endeavored, at the outset, to remove what we consider a misapprehension of the true facts, since it underlies the whole of one class of arguments urged in behalf of the maintenance of the present system. We shall, however, return to the subject further on.

6. The question of introducing a change of system in Canara and Malabar was, as far as we have been able to find, first definitely raised in 1851. Then, as till quite recently, the whole supply of the two districts rested in the hands of Government, private trade, (except perhaps in Goa salt, which for a time enjoyed a favorable duty of 12 Annas a maund), being utterly excluded by the prohibitive customs duty of Rupees 3 per maund imposed by Act VI of 1844. In a despatch, dated 30th July 1851, the Court of Directors noticed this anomalous rate of duty, though without special reference to the West Coast, and urged that "to prevent cavils" it should be reduced to an amount equal to the actual profit derived by Government from the sale of monopoly salt at a fixed price. About the same time Mr. F. N. Maltby,‖ then Collector of Canara, suggested that Bombay and Arabian salt should be admitted at the same rate as Goa salt. Mr. Maltby saw that his scheme involved the question whether a Government monopoly could at the same time be maintained. He thought that as the monopoly salt in the north was undersold by Goa salt, so in the south it would be unable to

‖ See his letter, dated 3rd September 1851, in Appendix E of Plowden's Report.

compete with Bombay salt, and he concluded thus: "An equality may be established either *by* "*exchanging the monopoly for an excise and throwing the trade open*, or by reducing the "monopoly price." Here we find proposed, as one of Mr. Maltby's alternatives, the very double measure which the Government of India now desire to enforce. In his further letter, dated 3rd December 1851,* he speaks more decidedly of the advantages of an excise in Canara, writing thus: "The change will not be agreeable to our present manufacturers, who, under the system "now prevailing, enjoy a monopoly and are paid a liberal price; to the servants of Government the "reduction of a large establishment will be a serious evil; but to the trade of the country the "advantage will be very great, if any such measure should be found practicable."

* Also to be found in Appendix E of Plowden's Report.

7. The Government of Madras, however, was not prepared for any such radical change, and proposed a measure even more moderate in scope than Mr. Maltby's original proposal. They recommended simply that European and Arabian salt should be admitted by sea at a duty of 12 Annas a maund, declining to extend the boon to Bombay salt. This measure was not thought liberal enough by the Government of India, and the matter was referred back to the Local Government. In again consulting the Board, that Government expressly raised the question of excise, still on the assumption that, at a duty of 12 Annas the maund, Bombay salt would undersell the Government monopoly salt, and that an excise would be necessary to put the two salts on an equality.

8. The Board's call on this reference drew forth Mr. Maltby's well-known letter, No. 98, dated 10th November 1852† Into the details of that letter it is not necessary here to enter. The writer's practical conclusion was that it would be best to begin with the measure of throwing open the trade in Bombay salt and to leave the question of excise for further consideration. The Government of Madras adopted the same view, and the upshot of the matter was that the ports of Canara and Malabar entered in the margin‡ were thrown open to all salt, *except Goa salt*, on payment of a customs duty of 12 Annas per maund.

† See Plowden's Report, Appendix E, No. 17.

‡

Canara.		*Malabar.*
Sedasheghur.	Now belong to North Canara.	Cannanore.
Ankola.		Tellicherry.
Tuddry.		Calicut.
Coompta.		Ponnany.
Honawar.		Cochin.
Bu kul.		
Byndoor.		
Kundapore.		

9. The reason for excluding Goa salt was that, on the representations of the Collector of Canara and the Board that, at 12 Annas a maund duty, Goa salt was underselling the local produce of the district, the Government of Madras had urged the imposition on Goa salt of a protective duty of 14 Annas, and meanwhile had excluded that salt altogether. But the Government of India refused to accede to the proposal, remarking that, not being one for such a reduction of the *cost* of the Canara salt as would enable it to compete with the produce of Goa, but one for the imposition of an exceptional duty on Goa salt, in fact a protectionist measure, it was directly opposed to the policy laid down by the Court of Directors in 1851.

10. In communicating these orders to the Board, the Madras Government directed that the Collector of Canara should be warned to watch the effect of the measure, and, if he found the Goa salt displacing the home manufacture, at once to reduce the "monopoly price of the home-made "salt to its actual cost to Government *plus* the "amount of duty." Accordingly Mr. Maltby,§ finding that Goa sea-borne salt did displace his home manufacture by largely underselling it, lowered the monopoly price of Canara salt to Rupees 105 in the three northern taluks,‖ (where alone salt was *made*), and to Rupees 112½ in the south of the district. These prices he thought roughly equal to the cost of the salt *plus*, (in the case of the southern depôts), the cost of carriage. Mr. Maltby expressed doubts whether

§ See his letter to Board, dated 4th January 1855, No. 1.

‖ It should be remembered that Canara then included both North and South Canara of the present day.

even a further reduction would not be necessary. He did not, however, interfere with the price of Bombay salt sold at the Buntwal depôt.

11. The Government of Madras, on hearing, through the Board, of these proceedings, pointed out that they were not in harmony with the orders of the Government of India,‖ and that a reduction in the *monopoly price* was a very different thing from a reduction in the cost of salt to the State. But Government then proceeded to question whether 12 Annas did truly represent the profit to the revenue on monopoly salt, and concluded that 14 Annas would be a fairer estimate. Thus, though by another road, they arrived at the conclusion that the customs duty on Goa salt should be raised to 14 Annas. But then *all* imported salt would have to pay that duty. The Government of India† approved of the raising of the duty to 14 Annas "on the assumption that the average cost of home-made salt to the Government, including all charges that can be fairly debited to the manufacture, is about 2 Annas a maund."

‖ The Government of Madras was, however, itself responsible for the error.

† See Home Department's letter to Government of Madras, No. 1055, dated 24th August 1855.

12. In communicating their orders to the Board, the Government of Madras suggested for consideration whether it would not be practicable for Government to retire altogether from the import of salt into Malabar and Canara and leave the supply of foreign salt to private enterprise. It had been the idea of Mr. Maltby that the mere admission of Bombay and all other salts at a duty of 12 Annas would effect this, but Mr. Clarke,‡ Collector of Malabar, showed clearly that, for his district, this was not the case, and could not be the case so long as Government itself imported Bombay salt and sold it at 1 Rupee the maund, with a discount of five per cent. to any one taking a whole compartment. In point of fact, during the two years since the duty had been reduced, only 839 maunds of Arabian and 13,113 maunds of Bombay salt had been introduced by private trade.

‡ See Board's letter to Government, No. 3416, dated 21st December 1855.

13. It may be well here to explain somewhat more fully the reference to the five per cent. discount in the last paragraph, for the point has been more than once overlooked in treating of the relative prices of monopoly salt and salt imported by private trade. In 1819 the practice was sanctioned of permitting the purchasers of a whole ten-garce heap, "as it stood," a discount of five per cent., *i.e.* (taking the selling price at 1 Rupee), selling it to them for Rupees 1,140 instead of Rupees 1,200. The deduction seems to have been rather a trade discount than an allowance for wastage; as Mr. W. H. Bayley remarks, "it saves Government the expense and "delay of measuring." On the East Coast probably a considerable portion was, except in cases where wastage was specially allowed in addition, covered by wastage. But that is not so on the West Coast, where the salt is stored in warehouses and not in heaps, and where any one taking a compartment of ten or twenty garce gets a five per cent. discount, though wastage amounts to not more than to ·19 per cent. in Malabar and ·92 in Canara, according to Mr. Master's letter to Government of India, No. 256, dated 17th February 1875. Thus the discount allowance is practically a reduction in the selling price of salt, and this will have to be borne in mind afterwards.

14. To resume, Mr. Clarke said that, as long as Government continued to import, no private trade could take root, but he urged that, if Government retired from the trade, the rate of duty should be lowered; otherwise the price would rise. The Board, in forwarding Mr. Clarke's letter to Government, expressed an opinion that the only legal way of retiring from the trade was to lower the duty till private merchants should be able to import salt and sell it at 1 Rupee per maund.

15. The Government of Madras in their Proceedings, No. 179, dated 15th February 1856, reviewed the whole question of importation by the State, and arrived at the following conclusions:—

(1.)—that Government should retire from the supply of imported salt from the 30th June 1857, or earlier, if the local officers should think it feasible, without endangering the supply;—

(2.)—that from an early date the price of salt sold from the Government stores should be raised to its actual cost to Government *plus* the 14 Annas duty;—

(3.)—that, in Malabar, the Board should consider whether, in order to give the people the option of buying a cheaper salt, an attempt should not be made to revive the manufacture, under a monopoly system.

16. The Board remonstrated against these orders, chiefly relying on the argument that the people of the West Coast were entitled to have salt supplied them at the same *selling price* as the inhabitants of Coromandel. The Government, however, overruled the Board's objections, and it was notified that Government would retire from the supply of sea-borne salt on the West Coast from the 30th June 1857 at latest. The prices for the sale of the Government stock of Bombay salt were fixed at Rupees 1-2-0 in Canara, at Rupees 1-2-6 at the coast depôts of Malabar, and at Rupees 1-4-0 at the interior depôts of the latter district.

17. About this time Mr. (now Sir) W. Robinson succeeded Mr. Clarke as Collector of Malabar, and to him was entrusted the carrying out of the measures decided upon by Government. Attention seems also to have been mainly directed to Malabar, while Canara fell into the background. The issue was, in fact, tried in Malabar. On the 31st January 1857* Mr. Robinson requested permission to keep the Government stores open till 31st January 1858. The re-establishment of the home manufacture was a slow and difficult process, the traders had shown no readiness to import, (only seventy-three garce of salt having passed through the custom-houses), trade had been deranged by the Persian war, and a date early in the monsoon season was in itself a bad date for the change. Government acceded to the postponement. Again, in October 1857, Mr. Robinson expressed his doubts, and asked for a further period of grace. He was still hopeful of the experiment in home manufacture, but no appreciable quantity of salt had actually been produced. The requirements of the monsoon season were 180,000 maunds, yet no sign of the merchants coming forward was manifest. Government, therefore, sanctioned a further postponement of the measure till the 31st January 1859. In may 1858 the Collector again reported. The experiment of reviving home manufacture had now evidently failed, (though Government urged further efforts, with what result we shall see elsewhere), and the district would have to look abroad for its salt supply. But the Collector hesitated to throw open the trade. He pointed out that in 1856-57 only 34,347 maunds, and in 1857-58 only 10,435 maunds, had been imported on private account, and even this quantity had been brought solely as ballast to the smaller ports. Mr. Robinson saw "not the faintest prospect of commerce under present circumstances gradually supplying the place from which Government desired to withdraw." The Board† appear to admit that, at the prices fixed for the sale of salt imported by Government, private trade could not compete, (and we shall be able to show hereafter that this certainly was the case); nevertheless they expressed doubts whether, even if Government really withdrew, the supply might not fall short, and deprecated the measure as certain to raise the price of salt to the consumer. Combinations among the merchants were also apprehended, and such a combination was alleged to have actually occurred in Canara, where the salt merchants ran up the market price to Rupees 1-10-8 per maund. The Collector proposed to postpone the withdrawal till the opening of the railway to Beypore, which he admitted would materially alter the conditions of the problem; but the Board went even further, and urged the indefinite continuance of the Government sales and the reduction of the import duty to 12 Annas. Government, however, simply postponed the date for retiring from importation till 31st January 1860, declining to discuss the proposed lowering of the import duty; and, attention now being directed to the question of excise, the subject of importation dropped out of sight for the time, and, (see Board's Order, No. 3,455, dated 1st September 1859), the Collector of Malabar was told to arrange as before for a supply of salt from abroad.

* See Madras Government's letter to Board, No. 263-A, dated 16th March 1857.

† Board's Proceedings, No. 2,154, dated 21st June 1858.

18. The most important of the changes in the salt system of Madras recommended by Mr. Plowden was, doubtless, the substitution of excise for monopoly. That recommendation was

adopted by the Government of India, and in Home Department Resolution, No. 937, dated 31st May 1858, the Madras Government was directed to "take early steps for gradually substituting "the Bombay system of excise for the present system of manufacture throughout the Presidency, "commencing at once with *Malabar, Canara*, and the Madras Collectorate." The Board was instructed accordingly, and a scheme was prepared. An Act was also drafted and sent to Mr. Forbes, the Madras Member of the Legislative Council at Calcutta.

19. But suddenly, under date 16th July 1859, Mr. Forbes, in reply to a question as to what rate of duty he should insert in the Act, was informed that, on reconsideration, the Government of Madras had determined at least to postpone the change of system until the existing establishments should be strengthened and reformed, a measure then in contemplation, and that on the general question as between excise and monopoly it appeared doubtful whether, with a tax seven times the intrinsic value of the article taxed, it was wise to disturb an old-established system in favor of excise. On these considerations Mr. Forbes was instructed not to proceed with the Bill.

20. Thus the matter rested till 1864, when Mr. T. Clarke, then Member of the Board of Revenue, in the course of his tour through all salt districts, came to submit his report* on South Canara† and Malabar. The Malabar District was then entirely supplied with Bombay salt, at least as far as licit consumption went, for there was manufacture of illicit salt, smuggling on the coast, and smuggling from Cochin. South Canara still possessed a local manufacture, but insufficient to supply all the wants of the district.‡ The deficit was made good by importations from Bombay, Goa and sometimes from Tinnevelly and North Canara. In both districts the importation was made by, or on behalf of, Government, and the salt, whether imported or locally made, was sold at Rupees 1-8-0 a maund, (for the monopoly price had now been raised to that standard), at all depôts. In South Canara also Mr. Clarke reported the existence of "much smuggling from the pans, from illicit manufacture, and from the introduc- "tion by fishing boats of untaxed salt." The Bombay salt is described as "a good article, though "much mixed with dirt and very impure. It is heavy," says Mr. Clarke, "of fine hard crystals, "made from highly-concentrated brine, and carries well." It was "much preferred by the inland "trader to the home-made salt," and Mr. Clarke was of opinion that the "home trader" would also have preferred it to the indigenous salt had not restrictions been placed on the sale of the Bombay salt, and "hence," Mr. Clarke remarks, "perhaps has arisen the notion that the "natives of Canara prefer their own inferior salt to the better Bombay salt." The South Canara salt resembled that of Goa, was dirty in colour, small in grain, light, and wanting in "pungency." For culinary purposes one and-a-half or even two measures were held only equivalent to one measure of Bombay salt.

21. In South Canara Mr. Clarke thought the manufacture might be extended, but he did not actually advocate any effort in that direction. In Malabar he thought the conditions of climate and the state of the labour market were greatly adverse to a salt industry that would produce salt saleable at a remunerative price. It was needful, therefore, still to look abroad for the supply of salt on the West Coast. In discussing the policy to be followed in this regard, Mr. Clarke forwarded a letter§ from Mr. Ballard, Collector of Malabar, advocating, for his district, that Government should entirely give up the task of importing the salt-supply. But Mr. Ballard conceived that Government was bound by the fact that it had long undertaken the supply of the district, to take measures both to prevent the possibility of stocks

* Dated 26th February 1864.

† Canara was divided into two districts in Dec. 1859, and North Canara was transferred to Bombay in April 1862.

‡ Mr. Clarke says in his text that for the fasli years 1267 to 1272 about half of the Canara sales were of indigenous salt, and this estimate is adopted in your letter of 19th August 1875 as expressing approximately the present state of things. But the *figures* given in Mr. Clarke's report hardly bear out his statement. They show that on an average of five years, 1858-59 to 1862-63, the average was 281,784 maunds of foreign salt purchased against 89,616 maunds of indigenous salt manufactured. The figures for 1857-58 are not given, but they could not so largely alter the average as to justify, or nearly justify, the remark in the text of the report.

§ No. 2,631, dated 10th August 1863.

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24th August 1876.

running short and also to protect the consumer against any great enhancement of price. On this principle he maintained that Government, in throwing open the trade, should lower the import duty to Rupees 1-2-0 a maund. Mr. Ballard's letter proposed that the change should be introduced on 1st January 1864, Government ceasing to sell at a lower price than Rupees 1-12-0. Mr. Clarke strongly advocated the measure of withdrawal both for Malabar and South Canara, the Collector of the latter district, Mr. G. L. Morris, fully assenting. "There appears," writes Mr. Clarke, "to be no better season than the present in which to try the experiment on the West Coast. "Private speculation and trade have been greatly stimulated by the great quantity of money which "has been thrown into the market by the purchasers of cotton, and fresh openings for the employ- "ment of capital are greedily sought for. The laws of trade are fully understood by the native "dealers, who are able and astute merchants. The grain trade is almost wholly in their hands, and "the manner in which they take advantage of every opening and avail themselves of every facility to "carry their goods to the best market proves that they are not wanting in enterprise and discernment. "They also supply the whole of the interior with salt, and I am not aware that they have failed in "meeting the wants of the people." Mr. Clarke also advocated a lowering of the duty, though he perceived that the practical result of the measure would be to give the inhabitants of the West Coast an advantage over the people of Coromandel. He proposed to consider the question of excise in South Canara afterwards, but, as a first measure, advised that Government should withdraw from importation and lower the import duty to Rupees 1-2-0 per maund on the West Coast.

22. The Board was consulted on the subject of Mr. Clarke's proposals, and their reply is contained in Mr. Hudleston's letter, No. 2829, dated 11th May 1864. It unhesitatingly accepts the conclusion that Government should retire from the importation trade as a direct departure from the principles of the monopoly system as originally constituted and as still existing throughout the Presidency except on the Western Coast. Those principles the Board declare to be that, while Government undertakes manufacture and sale *at the place of manufacture*, it abstains altogether from meddling with the distribution of salt. As a corollary of these principles, the introduction of a system of inland depôts had always been condemned, and it was to strain at a gnat and swallow a camel to admit the justice of the objections against the Canara river depôts, and yet seek to maintain the practice of Government importation on a grand scale into two whole districts. The anomaly was brought into strong relief by the then state of the market, the high price of Bombay salt having compelled the Board to carry salt from the east by rail to the West Coast through districts which would then be supplied by this very salt returning eastward from Malabar. The substitution of excise for monopoly in Canara the Board regarded as a necessary adjunct of the other measure, for only in combination with an excise on private manufacture could the market for privately imported salt be placed on a sound footing, and they pointed to the successful change from monopoly to excise in North Canara as in itself "almost a "sufficient reply" to objectors.

23. With regard to the rate of import duty, the Board strongly opposed any such reduction as Messrs. Clarke and Ballard advocated. To impose a lower rate on the West Coast would only be to handicap the Madras salt-traders, whose competition with Bombay on equal terms would be a wholesome check on prices. Nor was there anything in the circumstances of the people of Malabar and South Canara to warrant their being exempted from a part of the duty paid by all other districts of the Presidency; on the contrary the ryots were "decidedly better off than in "almost any other part." An unfailing monsoon secured them ample harvests, their assessment was light, the local markets were in general easily accessible, and there was close at hand a constant demand for produce for foreign markets. "Why then," the Board asked, "should "they be treated in an exceptional manner? Why should the Collector hope never to see prices "for salt ruling in Malabar which are far below the prices ruling in Coimbatore, Salem, Mysore, "Coorg, Bellary, Cuddapah, and Kurnool, where the cost of carriage is necessarily added, in these "non-producing districts, to the price at which the salt is sold at the place of manufacture, "and where the ryots are far worse off than in Malabar in other essential respects?" If Malabar

could not produce salt, there was no reason for treating it differently from other non-saliferous districts; if it could, there was less reason for encouraging* importation.

* It was, however, not proposed to make the import duty *lower* than the excise in Malabar.

24. The Board recommended then—

(1.) that Government should withdraw from the supply of salt to the West Coast Districts, (*i.e.*, whether by import or local manufacture);—

(2.) that the import duty should remain unchanged; — and

(3.) that an excise duty of the same amount should be imposed.

They thought the change could be carried out from 1st January 1865, and recommended that a notification should be issued to the effect that on such date the salt in the Government stores would be sold by auction at the monopoly price as an upset price, and that the store-houses would be available as bonded warehouses for private manufacturers or importers.

25. Mr. Ballard recorded some remarks† on the Board's letter. He urged that it was Government action which had discouraged, and ultimately extinguished, the Malabar local manufacture, and that Government was, therefore, bound not to leave the regulation of price to the hard law of supply and demand. We have endeavoured in paragraph 4 to show that in Canara importation existed before the monopoly was established, and that there is some probability that the same was the case in Malabar, or at least that importation formed the *chief* source of supply within eight years of the introduction of the monopoly. We think it desirable here to inquire into the basis of the assertion that Government action "in the interest of the monopoly" destroyed the indigenous manufacture of the West Coast. The correspondence which we have traced out is abstracted in the following paragraphs.

† See his letter, No. 219, dated 31st August 1864, among the papers recited as read in Madras Government Order, No. 889-A, dated 1st May 1865.

26. When, in 1820,‡ it was decided to reduce the monopoly price of salt from Rupees 105 to Rupees 70 per garce, the Collector of Malabar, in acknowledging the orders of Government, reported a peculiar state of things to prevail in his district, of which the Board appear to have been hardly aware. Malabar was, he said, supplied partly by indigenous salt and partly by imports from (1) Canara, (2) Bombay, and (3) the "Jaghire" (*i.e.* East Coast salt). Goa and Mocha had at one time competed, but had been driven out of the field by Regulation II of 1818.§ The home-made and imported salts had not all been sold at a uniform price, but the price of Bombay salt being taken at Rupees 112‖ the garce, and that of Malabar salt at Rupees 87½, on that basis an arrangement had been made with the dealers, and the following scale of prices fixed:—

‡ Letter from Collector of Malabar, No. 1118, dated 15th June 1820.

§ It is not easy to understand this as, previous to Regulation II of 1818, their import had been *absolutely prohibited* by Regulation I of 1805.

‖ It is not clear why this price was assumed; the monopoly price elsewhere had been Rupees 105.

		Rs.
(1.)	Jaghire salt, 1st sort	117½ per garce.
(2.)	,, ,, 2nd ,, ...	115 ,,
(3.)	,, ,, 3rd ,, ...	112 ,,
(4.)	Bombay ,, ...	112 ,,
(5.)	Canara ,, ...	100 ,,
(6.)	Malabar ,, ...	87½ ,,

These prices the Collector reported, (in 1820), had "obtained in this province for several years past."

27. The Banjaras from the Mysore country bought salt of all the first four sorts, "but Canara and Malabar salt *they* refused taking at any price. I then," continues the Collector, "called upon the salt merchants in Malabar for their opinion on the qualities of the salt and more particularly with reference to the produce of Malabar and Canara. * * *. Upon the basis, therefore, of Rupees 87½ being the price of Malabar salt and Rupees 112 of Bombay, they willingly agreed to pay Rupees 100 for Canara salt, and in fact made no objections either to the

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"quality or price of the salt, but I have not seen one individual merchant, wholesale or retail "dealer, who will voluntarily take Malabar salt if the option is given him of taking any of the "other salt at the above prices."

28. The cost to Government of the several kinds of salt are put as follows, (exclusive of charges for establishment, seemingly, which the Collector estimates at Rupees 7-12-0 the garce):—

	Rs.
Jaghire salt	46 per garce.
Bombay ,, ...	40 ,,
Canara ,, ...	39 ,,
Malabar ,, ...	30 ,,

These are the extreme prices. The Collector then, after declaring that "it would be obviously "unjust and impolitic to establish one price for each sort of salt when they differ so much in quality," goes on to say that he had contemplated proposing a reduction in the price of Malabar salt "for, "after an experience of nearly seven years in the revenue line in this province, I am convinced "that it is not only much too high compared to its relative value with other salt, but that neither "individuals requiring salt for their own private consumption nor vendors for the purpose of trade "will ever take one grain of it at the present price unless compelled to do it by the Collector "withholding Bombay salt from the market; its monopoly price is evidently, therefore, too high "compared with Bombay salt." The traders thought that, if they could buy it at Rupees 52 the garce, it would compete with Bombay salt at Rupees 112, but it would not enter the above-ghaut trade *at any price*. And, in conclusion, the Collector declares himself a determined advocate of the plan of fixing a price on each salt "proportioned to its quality" so as to admit of a true experiment being made what salt was really preferred by the people. No such fair trial had yet been made, according to Mr. Vaughan, "at least for many years past, as it is found necessary every "year to shut up the depôts of foreign salt in order to compel the purchase of the country, which "would otherwise have accumulated to a great extent and very much to the inconvenience, detri"ment, and loss of Government."

29. Mr. H. S. Græme, who appears to have been in 1820 sent down to Malabar on special duty, did not concur in Mr. Vaughan's views about country salt. We gather from his letter, No. 1,694, dated 31st August 1820, that, owing to the reduction in the demand for country salt on account of the monopoly, certain pans had been suppressed. To the owners of these, compensation seems to have been paid. Mr. Græme admits that the salt revenue had been improved, and the administration of that branch of revenue rendered altogether more efficient, by the preference of foreign to country salt, and that, though the selling price of the former was Rupees 24-8-0 per garce above that of the latter, yet it was "ultimately cheaper to the purchaser." To bring the native salt into consumption beyond the limits of the province he thought a reduction to half the price of imported salt would be necessary*; but that, "because the partiality of "the inhabitants to the home salt sets a value on "it independent of its comparative intrinsic impurity," a reduction of the price to Rs. 65-10-0 would enable it to compete with foreign salt for the *home* consumption. Mr. Græme further remarked that, in deciding on the preference to be given to the purchase of home or foreign salt, it was not sufficient to look on it as a mere matter of salt-revenue, but that it was also needful to consider the effect upon the comfort of a great number of inhabitants. And he shews that the proprietors of pans would lose a source of income which was the more profitable, as the industry was one on which they could employ their "labourers or slaves" at a season when there was not much rice cultivation going on. Further on he writes: "I also thought that the quality of the country "salt was, in general, preferred by the natives of Malabar to that of foreign. Every inquiry I have "since made in passing through the districts has confirmed this idea. The natives speak of the "foreign salt as producing cutaneous disease." He does not, however, deny that, under existing circumstances, the natives chose rather to buy foreign salt; but he contends that no supposed *prejudice* against indigenous salt should be allowed to interfere with any attempt to restore the manufacture, if the measure should be deemed expedient on other grounds.

* Mr. Vaughan asserts that the above-ghaut traders would not take even Canara salt at any price.

30. In his letter, No. 2,159, dated 31st October 1820, the Collector furnishes a statement showing the sales of country and foreign salt for home and inland consumption. It is, (after correcting an error in addition of about 30 garce), as follows :—

Fasli Year.	Home Consumption.		Foreign Salt for Export.	Total Sales.
	Country Salt.	Foreign Salt.		
	GARCE.	GARCE.	GARCE.	GARCE.
1225 ...*	269	1,327	565	2,161
1226	131	1,043	493	1,667
1227	80	1,407	493	1,980
1228	736	428	528	1,692
1229	801	526	472	1,799
Total ...	2,017	4,731	2,551	9,299
Average ...	403	946	510	1 859

This shews there was a *bonâ fide* effort to promote, at any rate, the *consumption* of home-made salt in the years 1818 to 1820; but the Collector warns us that the sale was forced by closing the stores of foreign salt. For the same years he now gives estimates of cost somewhat different from those extracted above, viz.;—

Country salt	19	10	7	per garce.
Bombay salt	38	15	5	,,
Goa salt	24	2	0	,,
Canara	35	5	11	,,

but a correction had to be made for measurement, which brought the cost of Bombay salt to Rupees 41-9-0.

31. Mr. Vaughan disclaims any wish to discontinue the local manufacture, and quotes the conditions under which he would allow those who had manufactured within a certain number of years, to continue the industry. The conditions are (1) certain restrictions on mode of "cultivation;" (2) salt to be paid for only on sale by Government; (3) due warning to be given of reduction of manufacture in event of decrease of demand; (4) both salts to be allowed to compete, and the price of country salt to be reduced. Mr. Vaughan proposes Rupees 112 as the selling price of foreign salt, and Rupees 70 as that of home-made salt. In a subsequent letter,* however, he suggested the right principle of differentiation, viz., that the *net duty* yielded by each kind should be the same.

* No. 29, dated 18th December 1820.

32. On 15th March 1821,† the Board issued a Circular forwarding extracts on the mode of manufacture in the districts where salt-making was most successful, as an example which all Collectors of saliferous districts should strive to emulate, and offered, if necessary, to send an experienced Superintendent to aid in efforts for the improvement of monopoly salt. The Collector of Malabar‡ (Mr. Vaughan) answered that extensive experiments had been made in Fasli 1228 in Malabar to improve the quality of the salt. The salt made had been cleaner, but no larger in crystals than before. The cleanness was due to its having been made by and at the expense of, Government, "and as nobody had any interest in it, it was not mixed, as all the ryots' salt was, "with a large proportion of earthy particles." Mr. Vaughan declared himself of opinion that the climate was too moist to admit of the formation of good pans, and that therefore salt of good quality could never be made in Malabar; but he proposed to try a crucial experiment

† Circular, No. 443, dated 15th March 1821.

‡ No. 866, dated 5th April 1821.

in the next season (1821-22) at some pans a mile and a half distant from his cutcherry, and asked for the services of an East Coast man as instructor.

33. It was on the papers above summarised that the Board recorded their Proceedings of the 3rd May 1821, which will be found in Appendix G to Mr. W. H. Bayley's Memorandum.§ After reviewing the facts, they decided to recommend that, with a view to produce in Malabar enough salt for home consumption, the Collector should set all the available pans to work, and do everything in his power to increase and improve the manufacture, and specially they directed that the Collector's rule postponing payment of the cost of manufacture till the sale of the salt should be abrogated.

§ Also in Plowden's Report, Appendix B.

34. But it was clear that the revival of the manufacture would take time, and that meanwhile salt would have to be imported, and the Board thought Bombay should be chiefly relied on. Omitting to notice the Collector's last and most reasonable proposal, the Board venture on a remarkable suggestion, viz., that the duty should be *proportional* to cost of the salt in loco, and thus arrived at a rate of Rupees 56 per garce for the Malabar salt, by the following sum in Rule of Three :—

Cost Price of Bombay Salt = say, Rupees 40. : Selling Price of Bombay Salt = Rupees 112. :: Cost Price of local Salt = say, Rupees 20. : *x*

35. Government* agreed that it would in itself be a good thing if Malabar could produce enough salt for its home consumption, "if by "an improved manufacture, the people should "come to prefer it to foreign salt, and if the risk of smuggling could be adequately guarded against," and directed that an experiment should be tried at those pans which best promised success. But they naturally disallowed the Board's proposal for the regulation of selling prices, as being "in "reality" a proposal "to grant a large premium for the consumption of home-made salt in pre-"ference to foreign." The *same* duty in each case was to be added to the cost, and so the selling price arrived at.

* In G.O., No. 618, dated 24th Aug. 1821,—See Appendix G. to Mr. Bayley's Memorandum.

36. In July 1821, the Collector again reminded the Board about the required instructor. But the Board advised him to get a man from *Canara*. As to selling price, the Board proposed to levy a clear duty of Rupees 70, thus putting the price of country salt at Rupees 90 and of Bombay salt at Rupees 109 the garce. Mr. Vaughan, however, went back to a proposal as vicious in principle as the Board's, *viz.*, that home-made salt should be sold for Rupees 65 a garce, while foreign salt taken out for consumption in Malabar should be sold for Rupees 115, and that for consumption in Mysore at Rupees 112. The Board† disallowed this, but, without even consulting Government, permitted the old prices of Rupees 70 and Rupees 112, respectively, to stand good, though they were flagrantly obnoxious to the Government criticism as offering "a premium for the consumption of home-made salt."

From Collector, No. 1,818, dated 25th July 1821.
From Board, No. 1,574, dated 20th September 1821.

From Collector, Malabar, No. 2,557, dated 17th Oct. 1821.

† Board's Order, No. 1,783, dated 29th Oct. 1821.

37. In 1823, the Collector‡ obtained leave to put up to auction some country salt he had been unable to sell at 70 Rupees the garce. This was permitted, and the salt was sold for Rupees 50 the garce. On 23rd August 1824, the Collector asked whether the manufacture was, in face of these facts, to be continued; at the same time recording his "firm opinion that as long "as foreign salt is sold *ad libitum* to those who prefer it, not one grain of country salt will be "disposed of, whilst the former is§ sold at "Rupees 70, and the latter at a lower rate pro-"portioned (*sic*) only by the difference of the "purchase price of each respectively, more "especially as when foreign salt was§ sold at "Rupees 112 and country at Rupees 70, little or none of the latter was voluntarily purchased."

‡ No. 197, dated 13th January 1824.

§ From the tenses ("is" and "was") we may gather that in the meanwhile the prices of Rupees 70 and Rs. 112 had been modified, and Rupees 70 fixed as the selling price of the foreign salt, the home-made product being sold at a price lower by the difference in their respective cost.

38. Before finally settling whether manufacture should be persevered in, the Board asked what success the efforts to improve the quality of the salt had met. Mr. Vaughan replied‖ that, in his opinion, the conditions of climate and soil were such as would not admit of a salt being made which, even at half the price, could rival imported salt, and that from the difficulty of disposing of what had been manufactured, the industry had declined from year to year, till at last it "died a kind of natural death."

‖ Under date 29th September 1824.

39. The experiment in reviving the manufacture in 1857-58 has already been noticed. Mr. P. Grant, who succeeded Mr. (Sir W.) Robinson as Collector of Malabar, also in 1860 urged the resuscitation of the industry. But as 1¼ maunds of the home-made salt only went as far as one maund of Bombay salt, he proposed to reduce the duty on the former in the same proportion. This the Board refused to countenance, and though Rupees 500 was sanctioned for a small experiment, nothing seems to have been done, and in July 1863 Mr. Ballard, who had succeeded Mr. Grant, wrote saying that natural obstacles were too strong to contend with, and advised the abandonment of the pans. The question was referred to Mr. Clarke, then about to visit Malabar, and his verdict was, as we have seen, adverse to the possibility of carrying on licit salt manufacture profitably in that district.

40. We now return to the Board's scheme of 11th May 1864. This was reviewed in the Madras Government Order, No. 889A, dated 1st May 1865. It was conceded that both manufacture under monopoly and importation by Government ought to be done away with on the West Coast. While, however, admitting the cogency of the Board's argument that the people of Malabar were as well able to bear taxation as their neighbours, the Government of Madras contended that the profit or duty on monopoly salt was really nearer Rupees 1-4-0, 4 Annas being a fair average of cost all round. But Government seemed to forget that what ran up the cost of salt on the West Coast and so raised the general average was the very system of state importation which they proposed to abandon. Government appear also to have been influenced by the fact that the excise in Bombay was then Rupees 1-4-0 per maund, and by the absence of all imports at a duty of Rupees 1-6-0 per maund. But while Government sold at Rupees 1-8-0, it would, indeed, have been remarkable had there been any private imports at a duty only 2 Annas below the monopoly price. However, on these grounds Government put the import duty and, by consequence, the excise duty, at Rupees 1-4-0 the maund.

41. Nor did Government agree with the Board that it was safe to sell off Government stocks at once and to cease importing. They agreed with Mr. Ballard that Government had by its action incurred a certain responsibility, and that the risk of a salt famine was no trivial risk. They, therefore, proposed to fix a price for the Government stocks made up of the duty (Rs. 1-4-0) and cost of salt landed, which was put roughly at 6 Annas for both districts, *i.e.*, Rupees 1-10-0 per maund.

42. Legislation being necessary, the sanction of the Government of India was asked to the bringing in of a Bill, and the Board was requested to revise the draft of 1859. For various reasons, however, the measure did not become law till 8th June 1871, when (Madras) Act VI of 1871 received the assent of the Governor-General.

43. We must here go back to notice briefly a correspondence which took place while the Act was being brought to maturity. The Collector of Malabar in his letter, No. 41, dated 11th February 1868, brought to the notice of the Board that the High Court had ruled that in Malabar the manufacture of salt was not illegal, but only its sale to others than Government. In South Canara a somewhat conflicting ruling had been passed, for there unlicensed transport had been declared illegal. Thus in Malabar, as the law stood interpreted, a man might make salt, and do anything he liked with it, except sell it, (otherwise than to Government); in Canara he might make it, but could not move it from the pans. Mr. Ballard declared that the people knew perfectly well that the manufacture was illegal, but as the ruling of the High Court had made honest men out of smugglers, he proposed that the law should be altered. Government, however, took a different view, and on historical grounds argued for the right of domestic salt manufacture

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as belonging to the Malabar ryot. But, as the practical inference drawn by Government was that the Excise Act, which would extinguish this right, should be pushed on with all speed, and as at a later date their views on the history of the introduction of the monopoly system into Malabar were much modified, the arguments of 1868 need not now be analysed. Mr. Ballard attempted some remonstrance, but the Board said the Excise Act would solve all his difficulties.

44. To return to the passing of the Act and subsequent correspondence. The Board* when consulted proposed to extend the Excise Act to South Canara and Malabar from 1st January or 1st April 1872, urging the spread of illicit manufacture reported by Mr. Ballard as an additional reason. They so far modified their views of 1864 as to propose to sell the Government stocks by monthly auctions spread over a year; but they were still of opinion that the retirement of Government from the business of import must be distinct and definitive, if private merchants were ever to come forward.

* No. 4,068, dated 22nd September 1871.

45. From these Proceedings, however, the First Member (Mr. G. S. Forbes) dissented. His minute deals chiefly with the general question, excise *versus* monopoly. But he expresses an opinion that Malabar and South Canara are the last districts to which the Act should be applied, because they must always depend on a supply *ab extra*, and that it has been proved by *experience* that their wants cannot be supplied by private trade. And Mr. Forbes especially cites the experience of 1856 as conclusive.

46. While selecting the West Coast districts as the best field for the experiment, the Board had addressed the Collectors of those districts on the subject. Mr. Webster, Collector of South Canara, urged that, while excise might be introduced, everything possible should be done to foster local manufacture under the excise system, till the district should become self-supporting, and that, in the meanwhile, Government should continue to import and maintain depôts. If the Government retired from import, Mr. Webster feared that a combination among traders would run prices up to an excessive height. The Board, however, did not share Mr. Webster's fears, and thought that private trade might be trusted to supply Malabar and Canara as it had supplied Hyderabad, Mysore, and the Central Provinces.

47. Mr. Macgregor, Collector of Malabar, afterwards replied. Neither he nor Mr. Webster was very definite as to the actual quantity of illicit salt made, and this was, indeed, to be expected. But Mr. Macgregor describes the number of persons employed as "considerable." He afterwards estimated 600 acres as devoted to the manufacture. He thought that the best time to introduce the Act was after the rains had broken up the pans, and he urged a gradual fostering of the private import trade. His figures are worth quoting, as showing how impossible it was till the monopoly price of the West Coast salt was raised for any private merchant to import licit salt. A contractor got 7 Annas a maund from Government for salt, and that salt was sold for 2 Rupees a maund less 5 per cent. discount, say at Rupees 1-14-6. How then could an honest trader import Bombay salt and pay an import-duty of Rupees 1-13-0 per maund? The Board supported Mr. Macgregor's proposals (1) to introduce the Act after the break of the monsoon, and (2) to keep up the salt stores till the supply from private trade was assured.

48. In 1873 the Board of Revenue obtained copies of the reports of Messrs. Pedder and Pritchard on the Bombay salt administration, and, in forwarding* certain reports to Government, (which need not be analysed here), distinctly withdrew their proposal to introduce the Excise Act in South Canara and Malabar. They assumed that the undoubted loss of revenue incurred in Bombay was due to the excise system, and expressed their apprehensions that "among the "Moplah population of Malabar and with the facilities afforded by the intricate backwaters of that "district and South Canara," the results might be not less disastrous. The Board were, "there-"fore, of opinion that the intention to introduce an excise system into this Presidency should be "abandoned." In this event, they urged that steps should be taken by other legislation to stop the illicit manufacture of salt on the West Coast, and, with regard to the possibility of extending manufacture in Canara, and reviving it in Malabar, they proposed to depute Dr. Ratton to those

* Board's Proceedings, No. 1,134, dated 30th June 1873.

districts. Some further correspondence followed, consequent on the enforcement of pre-payment of duty in Bombay, the Board† protesting against the measure as tending to enhance the price of salt in Malabar and South Canara. But the Government of India did not yield the point. The Board also supported Mr. Thomas's proposal to raise the kudivaram (price paid to manufacturers) in South Canara from one Anna and nine Pies to three Annas a maund, in order to encourage the home manufacture.

† Board's Proceedings, No. 1,381, dated 24th July 1873.

49. In October‡ 1874, the Government of Madras recorded their views on the various references which the Board had been making since September 1871. The question of the introduction of the Excise Act is disposed of very briefly, thus: "The Right Honorable the "Governor in Council has come to the conclusion that the introduction of the Excise Act is undesir- "able. The correspondence which has passed shows clearly that at Bombay the system has failed, "and the experience acquired in Malabar under Regulation II of 1807 is not such as to encourage new "and uncertain experiments." In regard to the raising of the selling price on the West Coast, as the measure has since been carried out, only so much of the argument need be cited as involves the assumption of that special responsibility on the part of Government towards the people of the Malabar Coast which has already been referred to. This argument is thus stated in the Proceed- ings of the Government of Madras: "To raise the price in Malabar and Canara would be a "breach of a long-established arrangement of the nature of a prescriptive right, which has been "tacitly acquiesced in for many years* and "originated in peculiar circumstances con- "nected with the tenure of landed property in "these districts."

‡ Government Proceedings, No. 1,338, dated 17th October 1874.

* We may perhaps venture to point out that the history of selling prices on the West Coast in 1820—24 and even in 1858—60, (see paragraphs 16 and 26—38 above) hardly bears out this assertion.

50. Government also agreed that illicit manufacture must, in any case, be stopped, and, as a first step, consulted the Advocate-General as to what the law actually was. We have not seen his reply.

51. The Board's proposals to depute Dr. Ratton and to raise the kudivaram to three Annas a maund were likewise approved, it being, under existing circumstances, so Government remarked, "obviously necessary to develop salt manufacture in Malabar and Canara to the largest extent "compatible with security against smuggling."

52. The Government of India refused to recede in the matter of the price of salt, and the prices of Canara home-made and of imported salt in Malabar and South Canara were provi- sionally fixed at Rs. 2-2-0 and Rs. 2-5-0 per maund, respectively. The Board were to reconsider, both for those districts and others, what items should be taken into account in the estimate of cost. The matter has since been specially referred to us, as one of the points for our consider- ation, and is dealt with, as regards these districts, further on.

53. The present status on the West Coast is, therefore, as follows:—

(1.) Canara home-made salt is sold at a monopoly price of Rs. 2-2-0 per maund, subject to the 5 per cent. wholesale discount, (of which, however, it seems that traders do not avail themselves in Canara with respect to either indigenous or imported salt;—

(2.) Imported salt is sold at Rs. 2-5-0 a maund, also subject to wholesale discount, at all the depôts in Malabar and South Canara;—

(3.) The import duty is Rs. 1-13-0;—

(4.) Importers of salt from Bombay must prepay duty, and must bag their salt; these regulations being also binding on importers of Bombay salt on behalf of Govern- ment.

54. A further most important regulation in the shape of the "Square-rigged Vessels Bill," whereby the conveyance of all salt which has not paid full duty will be restricted to square- rigged vessels of three hundred tons burthen or upwards, is under consideration. We have already† expressed our opinion in favour of the measure.

† In our No. 77, dated 19th March 1876.

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55. The monopoly price having been raised, the Government of Madras called on the Board to report on the possibility of withdrawal from state importation. The Board, on the assumption that the excise scheme had been abandoned, and that efforts were to be made to encourage the local manufacture, expressed themselves opposed to discontinuing importation, and the local Gov- ernment agreed. The Government of India, however, refused to accept this settlement of the question, and in letter, No. 274, dated 19th August 1875, conveyed the following orders:—(1) that the excise system was to be introduced in South Canara and Malabar; and (2) that Govern- ment were to retire altogether from their position as salt traders. The subsidiary orders were, (*a*) that notice should at once be given that, after 1st April 1876, the system of Government supplying salt would cease, and the supply be left to private trade; (*b*) that a system of bonded warehouses should be introduced, and the present Government storehouses be made available for the purpose; (*c*) that, till the salt supplies should be assured, a supply equal to six months' consumption should be stored by Government, to be sold afterwards to the traders when the new system had taken firm root.

56. The Government of India, by telegram, dated 20th October 1875, sanctioned the imme- diate introduction of the Salt Excise Act into Canara and Malabar. The Board had been previously consulted as to the possibility of stopping Government importation from 1st January or 1st April 1876, and, in reply, urged that 1st April was a bad date for withdrawal, as merchants would require longer notice to make their arrangements, and the Government stocks would then be at their lowest ebb. They proposed instead 1st January 1877. They thought that at least nine months' ordinary consumption should be kept in hand, and that Government should declare that under no circumstances would their salt be sold for less than Rupees 2-12-0 a maund. They also expressed an opinion that legislation would be necessary to permit of this measure, as Act XI of 1875 only allowed the addition to the duty of the sum required to cover certain specific charges. It seems to us, however, that clause (*c*) of Section 4 of Act XI of 1875, which permits the local Government to vary the sum added to duty with reference to any circumstance affecting the sale of the salt, is wide enough to embrace this particular case. But, while urging these objections to the details of the arrangements proposed by the Government of India, the Board do not disguise their aversion to the principle of the measure itself, and they enclose a memorandum by Mr. Webster, Collector of South Canara, dated 20th October 1875, which is, in fact, mainly a defence of the existing system against the arguments for its abolition brought to bear by the Government of India.

57. Mr. Webster first urges that, for the purpose of crushing out illicit manufacture, the introduction of excise was not necessary, as the object might equally be gained by the amendment of the existing law. He then contends that Dr. Ratton's report shews that the manufacture could under monopoly be extended to meet the supply of the district, but he doubts whether this will take place under excise. He states the practice to have been in Canara to distribute the Kunda- pur* salt to the different stores, the demand at Kundapur itself being not equal to the supply. This, we may remark, shews that the local salt of Canara had been made an exception to the general rule which prohibits Government under- taking the carriage of salt, and that, *so far*, the consumption of that kind had been artificially fostered. Mr. Webster then recurs to the often-used argument that the case of Canara and Mala- bar is exceptional, and that the inhabitants are specially entitled to "tender treatment," while the "effect of the introduction of the excise will be to put them on the same footing as those inland "districts whose case is admitted to be different." Again, Canara was practically isolated for five months of the year; but here Mr. Webster seems to forget that the Government of India expressly directed the maintenance of half a year's supply to meet the contingency of privately imported salt running short. The result of the measure would be, Mr. Webster thought, to drive the people to *Goa* salt, at any rate for home consumption, though the ghaut traders might still prefer Bombay salt at a higher price, for under the new system he expected the price to be "greatly

* Kundapur is the only taluk where salt is made in South Canara.

"enhanced." Mr. Webster, therefore, recommends that what he designates as the "modified mono-poly" system should be allowed to continue in South Canara for five years longer, and that meantime every effort should be made to extend the home monopoly manufacture, till it should suffice at least for the whole wants of the district, Bombay salt being still imported, till that consummation should be reached.

58. When the Board† received the orders of Government directing the *immediate* application of the Salt Excise Act to South Canara and Malabar, they pointed out that, if the change was made just as the season commenced, the manufacture would be unable to settle itself on its new basis, and recommended that the measure should be postponed till the date (*i.e.*, 1st January 1877) which they had recommended for the cessation of state imports. On receipt of these Proceedings, the Government of Madras‡ suggested to the Government of India that "in view of the various complications which attend the "introduction of the Salt Excise Act into the districts of South Canara and Malabar, *under the "conditions imposed*, the subject might advantageously form one of the topics to be considered by "the Salt Commission." The suggestion was adopted by the Government of India and resulted in your letter under reply, which refers the question to us for consideration and requires a specific report on the following points:—

† Board's Proceedings, No. 3,083, dated 10th November 1875.

‡ G.O., No. 1,779, dated 9th December 1875.

(1.) the conditions on which the importation of salt by private traders into Malabar and South Canara should be permitted;— and

(2.) what stock of salt the Government should retain and at what price it should be sold in the event of the trade failing to supply the market;—

(3.) on what date the change of system should be introduced;— and

(4.) whether it is expedient to exclude any part or the whole of Canara from the operation of the Madras Salt Excise Act.

59. We have also since been furnished with copies of certain correspondence between the Board and the Collectors of Malabar and South Canara—(1) proposing a scheme for the revival of monopoly manufacture in Malabar, and (2) containing the proposals on points of detail submitted by the Collectors, in case the change is to be absolutely enforced. These will be noticed further on in their places.

60. We have thus set forth, at what may seem tedious length, the history of the discussion, because we think some narrative of the sort necessary to bring out clearly the real points at issue and the arguments urged on both sides. We now proceed to state our views on the questions involved.

61. And first comes the main question whether the present system is to continue or not. Now the present system consists of two parts—(1) importation of salt by sea by or on behalf of the state into South Canara and Malabar, (2) the maintenance of a local *monopoly* manufacture in the former district.

62. We think that it will be conceded that *theoretically* the arrangement by which Government undertakes the importation of salt into the West Coast Districts is indefensible. The abandonment of the system has been from time to time advocated, first by Mr. Maltby in 1852, who was supported by the Board and Government. It was thought that to permit import at a duty of 12 Annas a maund, while Government sold its imported salt at 1 Rupee, less 5 per cent. discount, would of itself suffice gradually to foster private trade, but a margin of Annas 3-3, (for, taking the discount into consideration, it was no more), was clearly insufficient to cover the cost and carriage of Bombay salt and to allow a fair trade profit. Hence Mr. Maltby's complaints that, though the trade had been thrown open, no one embarked in it. Of course, when Government raised the import duty to 14 Annas, the case against the private trade became stronger still.

63. In February 1856 the Government of Madras, after a deliberate consideration of the whole case, determined that Government should retire from the trade on the 30th June 1857: but, on the representations of the Collector, the date was postponed from year to year, till for a time

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the project dropped through, or was forgotten. Yet Mr. Robinson, the Collector in question, admitted that the change would be right in principle. But in 1864 Mr. Clarke again urged the measure of withdrawal, and it was most strenuously advocated by the Board. The local Government, too, admitted the measure to be desirable, but appeared to think that a system of importation by the state might subsist side by side with private trade. From this stage the introduction of an excise becomes the central point of the discussion, until your letter of the 19th August last again gave prominence to the import question. The Collectors and the Board now seem to advocate a continuance of the present state of things.

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65. Let us consider in turn the validity of each of these objections. And first we wish to examine the argument which appeals to *experience* as having proved that private trade cannot supply the districts of the West Coast. Perhaps this argument is most boldly stated by Mr. G. S. Forbes in 1871, when he dissented from his colleagues of the Board of Revenue, (see paragraph 45 above). But it is also implicitly appealed to by Mr. Robinson and the Board, when, in recommending the postponement from time to time of the measure of withdrawal, they refer to the absence of any symptoms of private trade springing up, as a cause for apprehension, should the measure be carried out. It may be at once conceded that till the passing of Act XI of 1875 private trade did not, as a matter of fact, contribute in any appreciable degree to the supply of licit salt in Canara and Malabar. But why did it not so contribute? Simply because the monopoly price at which Government sold imported salt was so fixed that it was impossible for an honest private trade to develop itself.

66. That this was the case may be very easily shewn. In 1807 the clause of Regulation I of 1805 which expressly forbids private imports was extended to Malabar. Regulation II of 1818 repealed so much of this clause as related to imports by sea, but imposed a prohibitive duty of Rupees 350 a garce, modified by Act VI of 1844 into 3 Rupees per maund. When the duty was by executive order lowered to 12 Annas a maund, we have seen, (paragraph 62), that it was still impossible for the importer of Bombay salt to get a footing in the market. The duty was then raised to 14 Annas, and that rate seems even to have excluded the Goa salt, which for a time to some extent established itself in Canara under a 12-Anna duty. The selling price of imported salt was then raised to Rupees 1-2-6 in Malabar.* This, after deducting discount, gives a true selling price of Rupees 1-1-7, a margin of Rupee 0-3-7 being thus left for cost, carriage and profit, a margin obviously too narrow when we remember that not long afterwards, as stated by Mr. Grant, Government was paying Rupee 0-7-11½ for Bombay salt. When, in 1859, two Annas was added to the monopoly price on the East Coast, the price in Malabar was raised to Rupees 1-4-6, the customs duty being raised to Rupee 1. This gave an actual margin of Rupee 0-3-6 only, after allowing for discount. When the monopoly price was further enhanced the distinction between East Coast and West Coast became obliterated, and, even discarding discount, the utmost margin was 3 Annas, till the passing of Act XI of 1875.

* It was only Rupees 1-2 0 in Canara, to which therefore this argument applies *a fortiori*.

67. But whenever private trade did for the moment get a chance, that chance was seized. Thus it has already been seen that when in 1854 the duty was lowered to 12 Annas, Goa salt, doubtless aided by smuggling, did come into Canara; and, similarly, of late, since the monopoly price was raised to Rupees 2-5-0, reducible, let it be remembered, by trade discount to Rupees 2-3-2, the import duty standing at Rupees 1-13-0, there have been considerable imports† of salt from Dwarka, Damán, and even Bombay, to Calicut, Tellicherry and Cannanore.

† 89,464 maunds in all during 1875-76, of which 72,036 maunds were foreign, and 17,428 maunds Bombay Salt.

the matter of salt taxation. That the people are by reason of the comparative lightness of their land assessment and their general prosperity well able to pay the tax on salt brought to them by the ordinary course of trade is on all hands conceded.

75. In Canara we have shewn that the assertion that the district was self-supplying till the monopoly came in, is not borne out by facts. Still, it may be admitted that since the introduction of monopoly the indigenous production has declined. Owing to the separation of Canara into two districts in 1860, it is difficult to make a comparison running far back ; but according to Mr. Clarke's figures given in 1864, the average home manufacture was 89,616 maunds. The average manufacture for the five years ending 1874-75 was only 26,659 maunds. The manufacture has, however, during the last year risen to upwards of 50,000 maunds, under the stimulus probably of the enhanced payment to the ryots of 3 Annas a maund ; but the sales have fallen, and were little more than half the quantity made. Mr. Clarke expressly combats the notion that the natives of Canara prefer the locally made salt, and Mr. Webster, as we have seen, admits that Government has to undertake the task of distribution to get the salt sold. The decline of the salt manufacture in Canara is probably due to the same causes as the extinction of the industry in Malabar. But Government never artificially forced the manufacture in Canara, (except perhaps lately by the grant of a high kudivaram), and the fact that it survives may shew that the conditions are more favorable there than in Malabar. The people of Canara are, in our opinion, in no way more entitled to any specially tender treatment than those of Malabar.

The following table shews the land-revenue and population of each district :—

Years.	South Canara.	Malabar.
	Population 918,362 Souls.	Population 2,261,250 Souls.
	Rs.	Rs.
1872-73	12,50,461	19,20,193
1873-74	12,60,571	18,00,794
1874-75	12,30,571	18,13,193
Total ...	37,41,603	55,34,180
Average ...	12,37,201	18,44,726

Thus the incidence of land-revenue is Rupees 1¼ per head in South Canara and 13 Annas per head in Malabar.

The following table shews the value of imports and of exports and the Sea Customs revenue, (exclusive of salt and treasure), of each of the districts :—

Years.	South Canara.			Malabar.		
	Value of Imports.	Value of Exports.	Sea Customs (exclusive of Salt.)	Value of Imports.	Value of Exports.	Sea Customs (exclusive of Salt.)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1872-73	17,95,218	40,67,354	72,134	93,73,470	219,76,159	1,50,282
1873-74	16,65,450	47,15,435	89,332	90,41,190	216,90,719	1,35,925
1874-75	17,04,707	45,12,996	56,628	91,78,394	225,26,901	1,04,395

76. As this last argument of the opponents of change is urged on the assumption that the change will result in increased prices, we may perhaps be expected to say a few words on that subject. We are unwilling to hazard any prediction as to the maximum price which will be

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reached, but we wish to record the following facts. When at Calicut, we, (as already noticed), had an interview with the chief merchants engaged in the salt trade there. They were all ready to embark in the enterprise, and some had already brought in foreign salt on their own account. They had, however, met with some difficulty in disposing of it, having up to 9th May 1876, although the importations commenced as early as September 1875, only taken out of bond 228 garce of 600 garce imported and having out of the 228 garce about 100 garce unsold in their own stores, though they had been willing to sell Daman salt at Rupees 2-4-0 and Rupees 2-4-3 ; and Dwarka salt at Rupees 2-3-0, per maund. They had not imported Bombay salt, (though some had reached Tellicherry and other Malabar ports on private account), because they could get it at little over Rupees 2-3-0 from the Government stores, (deducting discount), and could not import it for less. They thought they could import it and sell it at Rupees 2-4-0 in the open season and Rupees 2-5-0 in the rains, prepaying duty at Bombay. Bombay salt had been imported and sold at Rupees 2-4-0 and Rupees 2-4-3 at Cannanore and Badagara. For South Canara we have no definite facts of our own collecting as to price, but it cannot well be that it would cost more to lay down Bombay salt there than in Malabar. The railway will, at least in the latter district, always act as a check on any great rise of prices, for Madras salt can be laid down at Beypore for Rupees 2-8-1, salt from Tuticorin for Rs. 2-11-0, and salt from Negapatam for Rupees 2-8-2 the maund.

77. We have now fully considered the arguments against the withdrawal from state imports, and we see no reason to believe that the measure will involve any injustice or hardship to the inhabitants of South Canara and Malabar, any serious danger of a failure in the supply of salt, or an inordinate enhancement of the price.

78. We pass to the question of excise. It will have been seen that Mr. Maltby in 1852 was in favor of the measure, but afterwards proposed to maintain the monopoly manufacture in Canara till the effect of the opening of the trade should be practically tested. The effect of that opening of the trade was, for reasons already explained, absolutely nothing, and in the Government orders of 1856 the question of excise is not noticed ; indeed those orders directed an experiment for revived manufacture under monopoly. We have seen how the excise plan originating out of Mr. Plowden's report dropped through, and Mr. Clarke, like Mr. Maltby, wished to begin by withdrawing from importation. The Board in 1864, however, distinctly advocated an excise for South Canara, and when the Salt Excise Act was passed proposed to introduce it in the West Coast Districts. A perusal of the Bombay reports worked a revolution in their opinions. But it seems to us that the "Bombay experiences" relied on shew nothing more than that abuses may exist under a system of excise, and that the defects discovered in Bombay might also exist under a monopoly. As between excise and monopoly the experience of the Bombay Salt Department was not conclusive either one way or the other. It will, we think, be difficult to maintain a monopoly of the home manufacture, and at the same time throw open the import trade entirely, and we would most strongly deprecate another attempt to vivify monopoly manufacture in Malabar, as advocated by the Collector, even with the advantage of Dr. Ratton's experience to guide us. If, under an excise, a local manufacture can establish itself in Malabar, by all means let it do so, but it would, in our opinion, be very undesirable for Government to repeat the experiments which so completely failed in 1820-24 and in 1857-59. In South Canara the interests involved are very small. Taking the kudivaram at 3 Annas a maund, the average manufacture of the last five years would represent a sum of just Rupees 5,000. Even if that sum be doubled, it would hardly imply a vested interest sufficiently strong to stand in the way of an important step towards establishing a free trade in salt. It does not appear that compensation has been claimed by those affected by the gradual closing of pans which the gradual decrease of manufacture must have involved. The pans have probably been re-absorbed in the rice land from which they were originally taken. Such of the pans as can be properly concentrated and brought under preventive supervision may, if licenses are applied for, be licensed ; the rest will probably, as in Malabar, be reclaimed for cultivation. We therefore think that the Salt Excise Act should be introduced in South Canara and Malabar, and that no part of the former district should be exempted from its operation. This answers the 4th of the specific questions put in your letter under reply.

"enhanced." Mr. Webster, therefore, recommends that what he designates as the "modified mono-"poly" system should be allowed to continue in South Canara for five years longer, and that mean-time every effort should be made to extend the home monopoly manufacture, till it should suffice at least for the whole wants of the district, Bombay salt being still imported, till that consummation should be reached.

58. When the Board† received the orders of Government directing the *immediate* application of the Salt Excise Act to South Canara and Malabar, they pointed out that, if the change was made just as the season commenced, the manufacture would be unable to settle itself on its new basis, and recommended that the measure should be postponed till the date (*i.e.*, 1st January 1877) which they had recommended for the cessation of state imports. On receipt of these Proceedings, the Government of Madras‡ suggested to the Government of India that "in view of the various complications which attend the "introduction of the Salt Excise Act into the districts of South Canara and Malabar, *under the "conditions imposed*, the subject might advantageously form one of the topics to be considered by "the Salt Commission." The suggestion was adopted by the Government of India and resulted in your letter under reply, which refers the question to us for consideration and requires a specific report on the following points:—

† Board's Proceedings, No. 3,082, dated 16th November 1875.

‡ G.O., No. 1,779, dated 9th December 1875.

(1.) the conditions on which the importation of salt by private traders into Malabar and South Canara should be permitted;— and

(2.) what stock of salt the Government should retain and at what price it should be sold in the event of the trade failing to supply the market;—

(3.) on what date the change of system should be introduced;— and

(4.) whether it is expedient to exclude any part or the whole of Canara from the operation of the Madras Salt Excise Act.

59. We have also since been furnished with copies of certain correspondence between the Board and the Collectors of Malabar and South Canara—(1) proposing a scheme for the revival of monopoly manufacture in Malabar, and (2) containing the proposals on points of detail submitted by the Collectors, in case the change is to be absolutely enforced. These will be noticed further on in their places.

60. We have thus set forth, at what may seem tedious length, the history of the discussion, because we think some narrative of the sort necessary to bring out clearly the real points at issue and the arguments urged on both sides. We now proceed to state our views on the questions involved.

61. And first comes the main question whether the present system is to continue or not. Now the present system consists of two parts—(1) importation of salt by sea by or on behalf of the state into South Canara and Malabar, (2) the maintenance of a local *monopoly* manufacture in the former district.

62. We think that it will be conceded that *theoretically* the arrangement by which Government undertakes the importation of salt into the West Coast Districts is indefensible. The abandonment of the system has been from time to time advocated, first by Mr. Maltby in 1852, who was supported by the Board and Government. It was thought that to permit import at a duty of 12 Annas a maund, while Government sold its imported salt at 1 Rupee, less 5 per cent. discount, would of itself suffice gradually to foster private trade, but a margin of Annas 3-3, (for, taking the discount into consideration, it was no more), was clearly insufficient to cover the cost and carriage of Bombay salt and to allow a fair trade profit. Hence Mr. Maltby's complaints that, though the trade had been thrown open, no one embarked in it. Of course, when Government raised the import duty to 14 Annas, the case against the private trade became stronger still.

63. In February 1856 the Government of Madras, after a deliberate consideration of the whole case, determined that Government should retire from the trade on the 30th June 1857: but, on the representations of the Collector, the date was postponed from year to year, till for a time

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the project dropped through, or was forgotten. Yet Mr. Robinson, the Collector in question, admitted that the change would be right in principle. But in 1864 Mr. Clarke again urged the measure of withdrawal, and it was most strenuously advocated by the Board. The local Government, too, admitted the measure to be desirable, but appeared to think that a system of importation by the state might subsist side by side with private trade. From this stage the introduction of an excise becomes the central point of the discussion, until your letter of the 19th August last again gave prominence to the import question. The Collectors and the Board now seem to advocate a continuance of the present state of things.

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65. Let us consider in turn the validity of each of these objections. And first we wish to examine the argument which appeals to *experience* as having proved that private trade cannot supply the districts of the West Coast. Perhaps this argument is most boldly stated by Mr. G. S. Forbes in 1871, when he dissented from his colleagues of the Board of Revenue, (see paragraph 45 above). But it is also implicitly appealed to by Mr. Robinson and the Board, when, in recommending the postponement from time to time of the measure of withdrawal, they refer to the absence of any symptoms of private trade springing up, as a cause for apprehension, should the measure be carried out. It may be at once conceded that till the passing of Act XI of 1875 private trade did not, as a matter of fact, contribute in any appreciable degree to the supply of licit salt in Canara and Malabar. But why did it not so contribute? Simply because the monopoly price at which Government sold imported salt was so fixed that it was impossible for an honest private trade to develop itself.

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† 89,464 maunds in all during 1875-76, of which 72,036 maunds were foreign, and 17,428 maunds Bombay Salt.

be temporarily *continued* at existing rates, without discount, but that if, after discontinuance, sales have to be resumed, the principle should be strictly enforced ;—and

(13.) that, when private trade is once thoroughly established, the Government stocks should be gradually sold by auction.

We have the honor to be,
Sir,
Your most obedient servants,

(Signed) G. B. PRITCHARD,
(,,) J. GEOGHEGAN,
(,,) H. E. STOKES,
(,,) R. M. ADAM,
(,,) T. VENKASAMI.

P.S.—We have omitted to notice in the body of our report the quality of the salt supplied under the contract system to the Government Warehouses on the Malabar Coast, and we desire here to add a few words on the subject. The great bulk of the salt comes from Bombay, and only cheap inferior kinds of Bombay salt are taken by the contractors. A considerable portion of the salt imported this season on Government account into both Canara and Malabar consisted of refuse and siftings from the Sanksi salt works, purchased by the contractors at rates* varying from 14 Annas to Rupees 1-4-0 per '*ana*' of 70 Indian Maunds, *i.e.*, for less than 3 Pies per maund. The results of the analyses of three specimens of this season's importations from Government Stores in Malabar, and of one specimen of good average Bombay salt sent us by the Acting Collector of Salt Revenue at Bombay, are shown in the following table :—

* As reported by the Collector of Salt Revenue, Bombay.

	Moisture.	Insoluble matter.	Organic matter.	Sodium Chloride.	Magnesium Chloride.	Calcium Chloride.	Magnesium Sulphate.	Calcium Sulphate.	Unaccounted for.
Chowghat (Malabar) ...	8·342	1·453	·223	84·159	2·965	·185	...	2·942	+ ·269
Ponani (do.) ...	7·217	1·061	·322	85·270	3·200	...	·146	2·817	+ ·033
Calicut (do.) ...	6·450	1·161	·220	88·365	2·151	·233	...	1·873	+ ·457
Average Bombay Salt ...	3·856	2·702	·059	91·086	·615	...	·092	·680	+ ·90

The analyses were made by Dr. Hazlitt, the Analyst attached to the Commission. Our President informs us that the ordinary price of Bombay salt of quality similar to that standing last in the above statement is about Rupees 8 per '*ana*,' *i.e.*, about 1 Anna 10 Pies a maund ; and, further, that, except a comparatively small portion sent to Calcutta, the whole of the salt of inferior quality above referred to has hitherto been taken for export to the Malabar Coast. We think it likely that, under a system of open trade, this salt will no longer find a market in the West Coast Districts, but that it will be displaced by salt of fair quality, which can undoubtedly be imported and sold at a profit at prices within those heretofore paid to to the Government Contractors.

Proceedings of the Madras Government, Revenue Department,
24th August 1876.

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ENCLOSURE No. 1.

Memorandum, referred to in paragraph 89 *on cost of Salt in South Canara and Malabar.*

Items of charge.	Malabar.		South Canara.			
			1865-66 to 1874-75.		1874-75 and 1875-76.	
	1865-66 to 1874-75.	1874-75 and 1875-76.	Home Manufactured.	Imported.	Home Manufactured.	Imported.
	IND. MDS.	IND. MDS.	IND. MDS.	IND. MDS.	IND. MDS.	IND. MDS.
Quantity made or imported	5,639,000	1,175,382	437,841	2,633,965	84,605	343,796
Received from other districts ...	59,274	.....	.....	.....	.....	.....
Gain by weighment and miscellaneous	6,580	1,285	3,469	22,392	245	1,710
	5,704,854	1,176,667	441,310	2,656,357	84,850	345,506
Deduct wastage	38,491	736	14,290	49,353	4,868	2,496
Do. discount	150,002	32,191	.....	.....	.....	.....
	188,493	32,927	14,290	49,353	4,868	2,496
Net ...	5,516,361	1,143,740	427,020	2,607,004	79,982	343,010
			3,034,024		422,992	
Cost of Salt. Charge for land	RS.	RS.	RS. 14,823	RS. ...	RS. 3,098	RS. .....
Purchase of salt	25,93,099	5,04,632	47,615	12,08,824	13,503	2,09,259
Works... Repairs and temporary works.....	.....	.....	.....	.....	.....	.....
Works... Interest for permanent works ...	.....	.....	.....	.....	.....	.....
Charges on salt received from other districts	14,127	.....	.....	.....	.....	.....
	26,07,226	5,04,632	62,438	12,08,824	16,601	2,09,259
Rate per Maund ...	0 7 6·8	0 7 0·7	0 1 10·3 / 0 7 5		0 3 3·9	0 9 9·1
			0 6 5		0 8 6·5	
Revenue Charges. Establishment	60,041	16,265	1,30,125		35,874	
Contingencies	5,323	1,541	10,517		2,343	
Police	7,413	6,518	1,13,571		15,674	
Miscellaneous	64,244	5,567	60,986		13,861	
Works... Repairs and temporary works.....	24,846	5,706	25,469		6,680	
Works... Interest for permanent works ...	10,080	2,333	14,103		5,368	
	1,71,951	37,930	4,04,771		79,803	
Deduct recoveries, &c.	1,477	450	52,174		3,996	
	1,70,470	37,480	3,52,597		75,807	
Rate per Maund ...	0 0 6	0 0 6·3	0 1 10·3		0 2 10·3	
Average annual receipts.....	T. M. 570,485	5,88,334	3,09,853		2,15,178	
Value	RS. 2,78,334	2,69,222	1,43,003		1,34,036	
Interest at 4 per cent.....	1,11,390	21,536	57,201		16,622	
Rate per Maund ...	0 0 3·8	0 0 3·2	0 0 3·8		0 0 4·9	
Works for public convenience— Repairs	.....	.....	953		910	
Interest on permanent works.	.....	.....	831		554	
	.....	.....	1,784		1,464	
Rate per Maund ...	.....	.....	0 0 0·1		0 0 0·7	
Grand Total, rate per Maund ...	0 8 4·6	0 7 10·2	0 4 0·5 / 0 9 7·2		0 6 7·8 / 0 13 7	
			0 8 7·2		0 11 10·4	

REMARKS.

THE above statement shows the calculation of the cost of salt in Malabar and South Canara. The cost per maund is of course the cost per maund brought to sale, as it is the salt brought to sale which has to repay the outlay incurred on the whole quantity. The wastage is, therefore, deducted from the total quantity brought to store, and the charges divided by the

68. We must therefore distinctly traverse the assertion that experience proves that private trade will not suffice to supply the market. What little experience there is to the point goes to prove the opposite. As to apprehensions for the future, perhaps Mr. Robinson, for Malabar, and Mr. Webster, for South Canara, may be taken as expressing them most forcibly. Mr. Robinson, however, admitted that the extension of the railway to Malabar would materially alter the case.

69. Let us then look at Malabar first, and consider the distribution of the salt sold in that district, both in space and in time. We may perhaps fairly assume that at first the diffusion of salt from the coast will, under private trade, follow much the same routes as at present, and that approximately the same quantities will follow each route; also that the active season of inland traffic will continue the same. The following table shews on an average of the last five years how much salt was sold at each salt station in Malabar during the five monsoon months, June to October, both inclusive, and how much during the rest of the year :—

Average Sales calculated on the five years 1870-71 to 1874-75.	Cannanore.	Tellicherry.	Calicut.	Beypore.	Ponnani.	Chowghaut.	Mathilagun.	Cochin.	Total.
	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.
From June to October, both inclusive ...	8,419	12,662	41,917	43,135	59,259	1,304	1,277	2,733	170,706
During the other seven months of the year ...	50,362	60,433	77,624	89,043	95,582	1,639	1,273	3,605	379,561
Total ...	58,781	73,095	119,541	132,178	154,841	2,943	2,550	6,338	550,267

It will be seen that over the whole district more than two-thirds of the sales occurred in the open months, and that out of the 170,706 maunds sold during the monsoon period, no less than 144,311 maunds belongs to the three stores of Beypore, Ponnani, and Calicut, where any deficiency could at once be made good by rail-borne salt from the east. Indeed, out of the total average sales of 550,267 maunds, 406,560 maunds came from those three depôts. Moreover, in the years on which these averages are taken, salt went eastward from Ponnani and Beypore into tracts which, since the raising of the duty on the West Coast, get their salt from Madras by rail. The district is traversed by the railway, there is communication parallel to the coast by backwater open all the year from Beypore and Calicut nearly as far north as Tellicherry, and inland by numerous streams running into the long stretch of backwater. The road system of the district is moreover exceptionally good.

70. We had an interview with the principal salt merchants of Calicut, when we visited that place at the beginning of May, and they expressed themselves as ready to enter on the traffic under the free system as they had been to act as contractors for the Government supply. We learned from them that Bombay merchants were also prepared to embark in the enterprise, and that indeed most of the salt imported on private account had been sent down by Bombay traders for sale on commission. There is every reason to believe that the passage quoted from Mr. Clarke in paragraph 21 as to the shrewdness and speculative activity of the native merchants is at least as true now as it was in 1864.

71. In South Canara the communications are not so good as in Malabar, and the district is more isolated in the monsoon. But, on the other hand, the following statement prepared for

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South Canara shows that the stagnation of inland traffic there during the rains approaches complete cessation far more nearly than in Malabar :—

Average Sales calculated on the figures of 5 years 1870-71 to 1874-75.	Udipi.	Cassergode.	Mangalore.	Buntwal.	Kundapur.	Total.
Sales during five monsoon months	7,122	7,490	23,526	4,277	7,596	50,011
Sales during remainder of year	12,414	14,209	150,240	21,566	26,753	225,182

Moreover, at the beginning of the monsoon there are always two lakhs of maunds of salt or more at the North Canara salt works not far from the border of the two districts. Ratnagiri, which mainly depends on Bombay for salt, and Belgaum and Dharwar, which obtain much of their supply through Ratnagiri, are in the rains as completely cut off from their base of communication as South Canara, but no failure of the salt supply has been experienced in those districts, though undoubtedly the price rises in the monsoon months. Nor does the Board of Revenue share Mr. Webster's fears in this respect.

72. On the whole, therefore, we are of opinion that neither in Malabar nor in South Canara has a sufficient case been made out against Government withdrawing from the salt import trade on the ground that such a measure would endanger the supply.

73. We now come to the argument based on the supposed obligation incurred by Government towards the people of the West Coast on account of the action of the monopoly in killing the local salt manufacture in Malabar and crippling it in Canara. This argument has been brought forward from time to time against every measure tending to place the people of the West Coast on the same footing as the inhabitants of the rest of the Presidency in respect of the salt-tax. Thus, in 1863-64, Mr. Ballard and Mr. Clarke used it to prove that the duty should be lowered on the West Coast; the Government of Madras advanced the supposed claim as a reason against raising the monopoly price; and now Mr. Webster urges it in his appeal for the "tender" treatment of the South Canara folk. Even in your letter of the 19th August 1875 to the Government of Madras, the Government of India seems to countenance the idea of a special claim based on the action of the monopoly, though, as the plea was over-ruled in regard to the increase of the monopoly price, it can hardly be intended to allow it much weight now.

74. It seems to us that the correspondence which has been fully abstracted in paragraphs 4 and 26—38 above completely disproves any such claim in respect of Malabar. Those letters show that probably the supply came partly from the north by sea before the monopoly was introduced, or at least that this mode of supply was the chief one so early as 1815. Mr. Vaughan and Mr. Græme took very different views of the subject, but they both admit that the natives of Malabar chose rather to pay Rupees 112 per garce for Bombay salt than to pay Rupees 87-8-0 per garce for indigenous salt. The Commissioner (Mr. Græme) urged, it is true, an experiment in reviving manufacture, not however on the ground of hardship to the consumers generally, but because the suppression of the trade would lead to distress among the salt-workers. The experiment was tried and failed utterly, notwithstanding that, at least for a part of the time, the indigenous salt was sold outright at Rs. 70 the garce, while foreign salt had to pay a clear duty of the same amount. The simple fact seems to be that the indigenous salt could not bear to pay the same tax as the imported article, and that though the local authorities by imposing on the latter a protectionist duty and actually closing at times the stores in which it was contained, tried artificially to stimulate the consumption of the former, the manufacture "died a natural death," being unable to compete with importation even on terms of such unfair advantage. That the salt-makers may have suffered some distress is not impossible, though from the correspondence it seems that Government took steps even to compensate them, but we are decidedly of opinion that it is not proved that Government by its action in Malabar incurred any obligation to treat the inhabitants generally with special consideration in

79. Though the application of the Excise Act may not be the only way of suppressing the illicit manufacture which prevails in Malabar and South Canara, (and in the latter district, as pointed out by Mr. Webster in his Memorandum of 20th October 1875, to a greater extent than the Government of India seem to suppose), yet it is probably the simplest and fairest way of doing so. We think the law should be thoroughly enforced in this respect; the supposed lawfulness of the process is a mere creation of ingenious legal technicality, not believed in by the people themselves. Indeed when we visited Beypore and endeavoured to get a view of the process and pans we were unable to do so, and were informed that the workers had destroyed the pans and fled. The Collector of Malabar told us that he did not think any extra force would be needed to crush out the practice. If so, well and good, but we think that both there and in South Canara it will be wise to maintain an effective repression at the outset and that such extra force as is wanted for this purpose should not be grudged. It is one of the evils of this protracted discussion that a sort of prescription should have been allowed to gather round this illegal process of manufacture.

80. The next point for consideration among those referred to us is "the conditions on which "the importation of salt by private traders into Malabar and South Canara should be permitted." This may be looked at under three heads—

I—the routes by which import should be allowed;—

(*a*) land routes;—

(*b*) seaports of entry;—

II.—the rules with which salt on entry must comply;—

III.—the preventive measures necessary against smuggling.

81. Under the head I.(*a*), land routes, the only restriction proposed is that suggested by Mr. Webster, *viz.*, that the road from Batkal to Bainder should be closed to salt coming from North Canara, where he believes smuggling exists. But if smuggling does exist there, the proper remedy is closer supervision, not the establishment of a preventive cordon between two British Indian districts paying the same duty. We see no reason why land routes should not be left absolutely free. We wish, however, while on this point, to draw attention to the wording of Section 13 of the Madras Salt Excise Act, which places all salt manufactured outside the Madras Presidency on the same footing as regards the regulation of its import by land.

82. Under the head of ports of entry, I. (*b*), Mr. Webster proposes to open all ports, but he would only have bonded warehouses at Cassergode, Manjeshwar, Mangalore, Moolky, Malpe, Hangarkottah and Kundapur. The Collector of Malabar would allow foreign salt to land only at Calicut and Tellichery till a preventive establishment was thoroughly organised. Section 14 of the Salt Excise Act gives Government full power to limit the number of ports of entry, and we venture to think that the ports named in the margin* will be found sufficient at first. As all salt must be tested, even though it have paid duty, each port of entry must have a trustworthy Superintendent. The Board of Revenue has, we believe, now under consideration a revised scheme of customs establishments, and the fact that such establishments will have to supervise salt imports should, we think, be borne in mind in that connexion. Savings from the salt establishments will be available, but we are not in a position to make any detailed proposals on this head.

* *South Canara.*	*Malabar.*
Kundapur.	Tellicherry.
Hangarkottah.	Badagara.
Moolky.	Calicut.
Mangalore.	Beypore.
Kassergode.	Ponnani.
	Chowghat.
	Cochin.

83. With regard to regulations at the ports of entry, we observe that both in your letter under reply and in the letters of the Collectors forwarded to us by the Board, the establishment of a system of bonding appears to be contemplated. Under the plan of prepaying duty now in force at Bombay it will obviously be unnecessary to provide for the bonding of salt from *that* source. But, the West Coast local authorities and the Board of Revenue having objected to the enforcement of prepayment as enhancing the cost of imported Bombay salt to the consumer in Malabar and South Canara, we have endeavoured to estimate what the actual difference between a system of prepayment and a bonding system would be. At present two months' credit is given at Bombay,

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but the Bombay Government will probably be willing to extend this to three months. It may be assumed that no larger stocks will be maintained by private merchants in Malabar and South Canara than will suffice to meet demands during the period when the coast is closed and salt is not obtainable from Bombay. Assuming that the traffic ceases on the 15th May, and allowing a fortnight for loading and the voyage, the three months' credit would cover May, June and July. The traffic begins again in October or even in September, but, to err on the safe side, we may say that the salt to be bonded would be that necessary to meet the demand of August, September, and October. The demand is probably fairly represented by the average Government sales. These give the following figures:—

	mds.
Average sales during August, September, and October in South Canara.	33,434
Do. do. do. do. in Malabar ...	102,684

By bonding the merchant would save interest at the ordinary commercial rate (12 per cent.) on the duty on these quantities for the three months after expiry of credit, and the difference between that rate and 4 per cent. for the period of credit. This saving would amount to Rupees 3,030 in South Canara and Rupees 9,305 in Malabar. Godown rent may perhaps be left out of consideration. The merchants would have to pay for storage in some form under either system. Wastage also may be left out of account. It would remain to set against the saving of interest the cost of establishments and guarding at the bonded warehouses. Taking these on a minimum scale for six months, we put their cost at Rupees 3,216 in South Canara and Rupees 4,973 in Malabar. Thus in the former district there would be a slight loss, (Rupees 3,216—3,030 = 186), and in Malabar a saving of Rupees 4,073, which, spread over 102,684 maunds, gives a saving of about 8 Pie a maund. We may mention that the Calicut merchants made a rough calculation of the additional expense caused by the prepayment rule and their maximum estimate was 9 Pie per maund. We consider our calculation an extreme one, the case being put strongly in favor of the advantage of bonding; for instance it might be necessary to maintain establishments all the year round, and we understand that the securities deposited in Bombay do not represent so much capital the property of the trader, but are hired at a percentage. This might further reduce the estimate, but in the absence of detailed information as to the rates of hire we cannot distinctly say. We may add that, to judge from statements shewing the actual prices of salt in the Calcutta market sent us by the Collector of Customs, the compulsory prepayment of duty has made no appreciable difference in the selling price of Bombay salt there. On the whole, the difference in the price of salt caused by the prepayment system is so small that we would not suggest any change in existing arrangements for the prepayment of duty at Bombay. The risk of the irregularities which might attend the bonding system, if introduced at a number of scattered ports, will also be thus avoided. If, as we have recommended, the Square rigged Vessels Bill becomes law at an early date, the quantity of salt, other than Bombay salt, arriving without the duty prepaid will probably be small. It will be advisable, in our opinion, to postpone any definite arrangements for bonding such salt till the effect of that law is tested by experience. There will for the present probably be room in the Government golahs at Calicut and Mangalore, at both of which places there is a well-paid and efficient Customs establishment, for such salt as is imported from other sources than Bombay.

84. We would here emphatically repeat our recommendation in favor of the early enactment of the "Square-rigged Vessels Bill." Under a system of open private trade, a restriction of the kind will be absolutely required to prevent smuggling, and in testimony of this necessity, as regards Malabar and Canara, we refer to the apprehensions expressed by the Collector of Malabar in paragraph 8 of his letter, No. 318, dated 20th October 1875, recorded in the Proceedings of the Madras Government, No. 120, dated 9th December 1875, which runs as follows:—"There is no "doubt that at present it will pay best to import salt from foreign ports, because duty has not "to be paid on what is lost by wastage or accident, *or on what can be smuggled.* The facilities "for smuggling salt from vessels carrying no reliable clearance documents are very great; it is so

be temporarily *continued* at existing rates, without discount, but that if, after discontinuance, sales have to be resumed, the principle should be strictly enforced ;—and

(13.) that, when private trade is once thoroughly established, the Government stocks should be gradually sold by auction.

We have the honor to be,
Sir,
Your most obedient servants,

(Signed) G. B. PRITCHARD,
(,,) J. GEOGHEGAN,
(,,) H. E. STOKES,
(,,) R. M. ADAM,
(,,) T. VENKASAMI.

P.S.—We have omitted to notice in the body of our report the quality of the salt supplied under the contract system to the Government Warehouses on the Malabar Coast, and we desire here to add a few words on the subject. The great bulk of the salt comes from Bombay, and only cheap inferior kinds of Bombay salt are taken by the contractors. A considerable portion of the salt imported this season on Government account into both Canara and Malabar consisted of refuse and siftings from the Sanksi salt works, purchased by the contractors at rates* varying from 14 Annas to Rupees 1-4-0 per '*ana*' of 70 Indian Maunds, *i.e.*, for less than 3 Pies per maund. The results of the analyses of three specimens of this season's importations from Government Stores in Malabar, and of one specimen of good average Bombay salt sent us by the Acting Collector of Salt Revenue at Bombay, are shown in the following table :—

* As reported by the Collector of Salt Revenue, Bombay.

	Moisture.	Insoluble matter.	Organic matter.	Sodium Chloride.	Magnesium Chloride.	Calcium Chloride.	Magnesium Sulphate.	Calcium Sulphate.	Unaccounted for.
Chowghat (Malabar) ...	8·342	1·453	·223	84·159	2·965	·185	...	2·942	+ ·269
Ponani (do.) ...	7·217	1·061	·322	85·270	3·200	...	·146	2·817	+ ·033
Calicut (do.) ...	6·450	1·161	·220	88·365	2·151	·233	...	1·873	+ ·457
Average Bombay Salt ...	3·856	2·702	·059	91·086	·615	...	·092	·680	+ ·90

The analyses were made by Dr. Hazlitt, the Analyst attached to the Commission. Our President informs us that the ordinary price of Bombay salt of quality similar to that standing last in the above statement is about Rupees 8 per '*ana*,' *i.e.*, about 1 Anna 10 Pies a maund ; and, further, that, except a comparatively small portion sent to Calcutta, the whole of the salt of inferior quality above referred to has hitherto been taken for export to the Malabar Coast. We think it likely that, under a system of open trade, this salt will no longer find a market in the West Coast Districts, but that it will be displaced by salt of fair quality, which can undoubtedly be imported and sold at a profit at prices within those heretofore paid to to the Government Contractors.

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ENCLOSURE No. 1.

Memorandum, referred to in paragraph 89 *on cost of Salt in South Canara and Malabar.*

Items of charge.	Malabar.		South Canara.			
			1865-66 to 1874-75.		1874-75 and 1875-76.	
	1865-66 to 1874-75.	1874-75 and 1875-76.	Home Manufactured.	Imported.	Home Manufactured.	Imported.
Quantity made or imported	IND. MDS. 5,639,000	IND. MDS. 1,175,382	IND. MDS. 437,841	IND. MDS. 2,633,955	IND. MDS. 84,005	IND. MDS. 343,796
Received from other districts	59,274	.....	.....	.....	.....	.....
Gain by weighment and miscellaneous	6,580	1,285	3,469	22,392	245	1,710
	5,704,854	1,176,667	441,310	2,656,357	84,250	345,506
Deduct wastage	38,491	736	14,290	49,353	4,868	2,496
Do. discount	150,002	32,191	.....	.....	.....	.....
	188,493	32,927	14,290	49,353	4,868	2,496
Net ...	5,516,361	1,143,740	427,020	2,607,004	79,982	343,010
			3,034,024		422,992	
Cost of Salt. Charge for land	RS.	RS.	RS. 14,823	RS. ...	RS. 3,098	RS. .....
Purchase of salt	25,93,099	5,04,632	47,615	12,08,824	13,503	2,09,259
Works... Repairs and temporary works	.....	.....	.....	.....	.....	.....
Works... Interest for permanent works	.....	.....	.....	.....	.....	.....
Charges on salt received from other districts	14,127	.....	.....	.....	.....	.....
	26,07,226	5,04,632	62,438	12,08,824	16,601	2,09,259
Rate per Maund ...	0 7 6·8	0 7 0·7	0 1 10·3	0 7 5	0 3 8·9	0 9 9·1
			0 6 5		0 8 6·5	
Revenue Charges. Establishment	60,041	16,265	1,30,125		35,874	
Contingencies	5,323	1,541	10,517		2,343	
Police	7,413	6,518	1,13,571		15,674	
Miscellaneous	64,244	5,567	60,986		13,864	
Works... Repairs and temporary works	24,846	5,706	25,469		6,680	
Works... Interest for permanent works	10,080	2,333	14,103		5,368	
	1,71,951	37,930	4,04,771		79,803	
Deduct recoveries, &c.	1,477	450	52,474		3,996	
	1,70,470	37,480	3,52,597		75,807	
Rate per Maund ...	0 0 6	0 0 6·3	0 1 10·3		0 2 10·3	
Average annual receipts	I. M. 570,485	5,88,334	3,09,853		2,15,178	
Value	Rs. 2,78,334	2,69,222	1,43,003		1,34,036	
Interest at 4 per cent.	1,11,390	21,536	57,201		10,622	
Rate per Maund ...	0 0 3·8	0 0 3·2	0 0 3·8		0 0 4·9	
Works for public convenience— Repairs	.....	.....	953		910	
Interest on permanent works.	.....	.....	831		554	
	.....	.....	1,784		1,464	
Rate per Maund ...	.....	.....	0 0 0·1		0 0 0·7	
Grand Total, rate per Maund ...	0 8 4·6	0 7 10·2	0 4 0·5	0 9 7·2	0 6 7·8	0 13 2
			0 8 7·2		0 11 10·4	

REMARKS.

THE above statement shows the calculation of the cost of salt in Malabar and South Canara. The cost per maund is of course the cost per maund brought to sale, as it is the salt brought to sale which has to repay the outlay incurred on the whole quantity. The wastage is, therefore, deducted from the total quantity brought to store, and the charges divided by the

remainder. Discount of 5 per cent. allowed on wholesale sales is deducted as representing a real charge; for, if the discount is to cover wastage, and does so, it is of course a charge; if it is not, the salt is given away, and its cost must be recouped on the quantity which pays. As regards the distribution of the items "gain by weighment" (or excess found in store) and wastage between the home manufactured and imported salt in South Canara, there is a slight uncertainty; but it is not such as to appreciably affect the results. We are in correspondence with the Collector on the subject, and the doubt will be fully cleared up in the general report.

2. The salt entered as received in Malabar from other districts was sent by rail from Chingleput in 1865-66 on Government account. The railway freight is included under "Miscellaneous;" but the other charges of all descriptions incurred on this salt in Chingleput, calculated on the average of the ten years in that district, are entered under cost of salt in Malabar.

3. There being no manufacture in Malabar, there is no charge for land, or for works for the manufacture of salt. No outlay on works of this class appears to have been incurred in South Canara; but the assessment on the lands employed in salt culture, which are there the private property of the manufacturers, is remitted under land revenue each year. This remission seems be a proper charge against the salt, and the amount is entered against the home manufactured salt.

4. The other items of charge, except works and police, are the actual payments made as shown by the Accountant-General's accounts. Under Police are included, as computed by the Inspector-General, all charges for clothing and accoutrements, pensionary charges, and district and central supervision in proportion to strength. Under works interest at 4 per cent. on the cost of all permanent works is charged, and the whole cost of repairs and temporary works. There are certain works, other than those for manufacture or storage and sale, *e.g.*, roads to give access to the stores, sheds, and such like, which are undertaken no noubt, in the interest of the revenue, but which are not strictly speakink charges against the cost of the salt. These are classed separately. The amount is verp small, and only occurs in South Canara.

5. The average annual receipts and expenditure of salt were respectively in Malabar 570,484 and 551,426 Indian Maunds, and in South Canara 309,853 and 307,687 Indian Maunds. These figures show that it will be sufficiently correct to assume that the salt is on the average about a year in stock; and therefore that interest for a year on the money sunk yearly in the average quantity received should be included as a charge. We may further assume that the money sunk is the prime cost *plus* half the establishment and other charges incident to bringing the salt to sale. The amount included on account of interest is calculated on these principles.

6. The ten years ending 1874-75 have been taken, because that is the period for which full information for the calculation of cost for the whole Presidency has been collected. But Government may wish to know the cost of the present stocks, and as sufficiently reliable figures for Malabar and South Canara for the last two years are available, and as important changes affecting the cost, such as the introduction of bagging and pre-payment of duty at Bombay and the increase in the payment to the manufacturers in South Canara, have taken effect within that period, the cost for these years is similarly estimated. The estimate for so short a period is somewhat uncertain, as the sums paid for the purchase of salt may include arrears, and thus not refer to the particular salt against which they are charged. The estimate for Malabar is probably right, but that for Canara as regards the cost of imported salt seems to be enhanced by this cause. The (Canara) contract rates on the quantities delivered were per maund, excluding duty—

	Bombay Salt.	Goa Salt.	Both.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
Season 1874-75... ...	0 9 8	0 4 0	0 8 3
,, 1875-76... ...	0 7 8	0 3 9	0 7 7

The average given by the estimate is Rupees 0-9-9·1. The cost of the imported salt may be safely stated at Rupees 0-11-6 per maund. As regards the home manufactured salt, it is to be observed that the enhanced Kudivaram (or payment to manufacturers) was in force for only one of the two years, and for the future would add about 6 Pies to the cost now estimated; and further

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that the Revenue charges have been laid equally on both kinds of salt, though undoubtedly a great portion of them would not be incurred but for the home manufactured salt, and should be charged exclusively against it.

7. Some petty items of receipt, which are properly to be set against the revenue charges, are deducted in the statement. In Canara the deduction consists chiefly of charges for carriage of salt to inland depôts, which are recovered from the purchaser by addition to the monopoly price.

8. The result is that the cost per maund of salt is estimated as follows:—

	Malabar.	South Canara.	
		Home manufactured.	Imported.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
For the ten years ending 1874-75	0 8 4·6	0 4 0·5	0 9 7·2
For the last two years	0 7 10·2	0 6 7·8	0 13 1

The great difference between the cost of imported salt in Malabar and in Canara is accounted for in part by excess in the latter district in the contract rate, but chiefly by the higher charges for establishment, &c.

9. There is a further item which perhaps ought to be added to the cost in Malabar, viz., the excise upon the quantity of salt forming the difference between the real wastage and the discount allowed at 5 per cent. on wholesale sales; for to this extent, salt on which the full duty would be paid is displaced. The actual wastage in Malabar for the ten years as ascertained in other sales was 0·81 per cent. The quantity represented by the discount allowed was 150,002 maunds; and the loss of duty was therefore Rupees 1,65,736 in the ten years, which would add 5·7 Pies per maund to the cost on the whole quantity disposed of.

No. 258. MINUTE BY THE HON. SIR W. ROBINSON, K.C.S.I.

IT is scarcely necessary now to recur to the past of the salt question on the West Coast. I believe that we are pretty nearly agreed (1) to place Malabar and Canara on the same footing as the rest of the Presidency as respects the rate of State duty on all salt; (2), to adopt free trade—if the word can be applied—in salt on the Coast at high and equal duties, whether it be imported or is of indigenous manufacture; and (3), to withdraw from all supply operations by Government. I am prepared to carry out the proposals of the Commissioners in these respects at once—in fact, the system has been partially introduced. The population can bear the enhanced prices which these measures may entail.

2. Recent circumstances have, I think, shown that cause for anxiety in respect to the safety of supply of salt by importation no longer exists to the extent it did.

3. It is scarcely worthwhile, I believe, to consider the question of the revival of indigenous manufacture under excise, for under the circumstances I can scarcely doubt that the practical suppression of that industry will continue where it now exists in Malabar; and that it will spread to those parts of Canara where salt is still manufactured for Government. The indigenous salt manufactured on the Coast cannot possibly, I believe, compete, at equal duties, with imported salt of good quality. It failed to do so when Bombay salt was sold by Government at higher rates than Malabar salt many years ago; and must fail still, I think. The industry will probably be killed.

4. I may observe in passing—as has long been pointed out by this Government—that this indigenous industry on the West Coast was killed by the monopoly when extended to those districts; and that the immemorial right to manufacture salt, which belongs to the proprietary

condition of the country—for both districts are zemindari (*jenm* and *wurgdar*)—was practically infringed; and the right to manufacture for private consumption, reserved by law (Regulation VIII of 1807; on that account, when the system was introduced—has long been illegally suppressed. There may have been foreign imports of salt before the cession of the Provinces (1792 and 1799); for physical conditions have always given a superior value to imported salt for inland traffic; but there certainly was extensive indigenous manufacture, and the home consumption was met by home salt at the price which its quality justified. When the monopoly was introduced, salt could only be sold to Government—the right of private manufacture only being continued, as above noticed, by law. But the Government gave a price which scarcely rewarded the industry; and sold the indigenous salt so bought at a relative price which could not command a buyer, when it had to compete with the better salt which imported, and on which far higher profits were realized. The indigenous manufacture of course succumbed in the interest of the State (we called it "died a natural death"); and even the legal right of private manufacture was firmly suppressed by the Police in the prevention of illicit trades. The private property and labor which had been devoted to this industry from time immemorial thus came to complete ruin; and have for half a century been nowhere—and under the conditions before us will not even now, I conceive, have a chance anywhere. These are, however, things of the past, and we have determined not to look at equities in the exigency of the State. But the Commissioners are wrong in endeavoring to ignore facts, and deny the justice of this Government's argument. The fact of the suppression of an ancient manufacture remains; and the cause lies with the fiscal arrangements of Government with a view to salt revenue. And the people know well that their salt properties and rights have been traversed directly or indirectly in the interest of the salt revenue.

5. As regards excise (paragraphs 78 and 79), I think that the proprietors of salt-pan lands are entitled to have licenses offered to them. It will look fair, though not on the square with their rights; since with the excise system is suppressed the *general* right—inherent in their property and maintained by law (Regulation VII of 1808) up to this time—to manufacture for private consumption. There is, however, a State convenience in the restriction; and practically it has subsisted for long by the action of Government, though in contravention of the law. But, as before remarked, I do not expect indigenous manufacture to revive, at equal duties with imported salt. I need scarcely add for the information of this Government that where the Commissioners remark (paragraph 79) that the "supposed lawfulness of the process is a mere creation of ingenious legal technicality not believed in by the people" they do so in ignorance of the laws of property on the Coast—which a flying visit has failed to remove—and they assume to contradict the usual reading of the Law (Regulation VII of 1808) which was intended to enable Government to respect those rights, by the highest tribunal. If the people had become ignorant of their rights—which, by the way, is not now the case—they had become so and have continued, under the belief that the Government would not do wrong. The protracted discussion which has occurred in the matter—now legally decided—has been worthy of a State which has moved in the direction of foreclosing the immemorial and legal rights and privileges of its people, with great hesitation.

6. I see no objection to the recommendation of the Commissioners (paragraphs 80 to 82) in respect to ports of entry, &c., in either district, and would accept them; with power to add to the number as experience may direct.

7. I consider the bonding system the only right and just one—the argument of the Commissioners notwithstanding. It prevails wherever high duties—needed for fiscal objects—add seriously to burdens on trade; and is more especially imperative where that trade is in a necessary of life, whose cost may be even slightly enhanced by absence of this convenience. The Import duties belong to that Administration into whose ports their subject is introduced; and the Madras fisc is the proper place to bring to credit a heavy tax paid by their Provinces. I therefore consider the bonding system indispensable. Some of the Commissioners' recommendation in this respect—including the Square-rigged Vessels Bill—betray rather the natural anxiety

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of the Customs officer, than reflect the equitable liberality to trade and tax-payers, which will doubtless influence the decision of the Imperial Government of India in this matter. Prepayment in Bombay should be abrogated; the seller is entitled to the cost price of the article only.

8. I entertain the strongest objection to the proposal to interfere with the class of craft which shall be allowed to carry salt, which is the main article of ballast on the Coast. Square-rigged vessels of 300 cannot enter the backwaters within which many of our port towns are situated; so that all smaller craft of that rig would be precluded from carrying foreign salt; and I do not see why special protection should be extended to Bombay salt over Arabian and other foreign salt. Our object is not monopoly.

9. I also deprecate most earnestly any revival of the *rawanah* system and license of out-side dealers in salt as exists in Bombay. The former system existed in this Presidency till 1860 and led to great abuses. It was then done away with without affecting the revenue and its protection, to the great relief of trade and of the people. The system of licensing dealers has never existed in this Presidency; and, judging from notices of its effect in Bombay, as stated by the Native Press, the system leads to needless oppression and vexation.

10. The Commissioners propose (paragraph 85) to organise a sea-going preventive establishment at a cost of Rs. 15,000 to 20,000 a year, with an equipment of vessels which will cost at least Rs. 20,000 to 25,000. I deprecate this institution until its necessity is more fully established, and the Government have time to consider the matter. Very costly strengthening of the land Police will be necessary, but I think we should recommend to the Government of India to leave these matters to the calm and experienced deliberation of this Government for the present. The interference of such establishment with weighment of salt at the Custom-house should be negatived. I anticipate new and serious difficulty with stalwart smugglers on the coast.

11. On the subject of paragraph 87 I would recommend that no further importation of Bombay salt on account of Government should take place. The stocks will suffice; and should be raised as recommended by the Commissioners (paragraph 88).

12. I accept the recommendations of the Commissioners in paragraph 89, and the conclusion summarized in paragraph 90;—with the reservation above noticed as to the "past dealings of Government with" the people of the Coast (Clause 2 and Clause 9). They have failed to comprehend the motives of this Government. I reject entirely Clause 8.

13. I fear that the hopes of the Commissioners expressed in the postscript of their report, may not be realized. With high duties before them and a constituency—of whom the bulk are poor—seeking a cheap necessary of life, I think that importers may be tempted to deal in salt of a mean quality.

6th July 1876. (Signed) W. ROBINSON.

No. 258A. MINUTE BY THE HON. R. S. ELLIS, C.S.

THE recommendations of the Salt Commission are summed up in paragraph 90 of their report. I confess that I fail to perceive any good reasons for the first proposal—the introduction of an excise into Canara and Malabar.

This proposal was abandoned because it was understood that the excise system in Bombay was unsuccessful whereas the monopoly system in Madras works satisfactorily.

There is a plausible appearance about the excise system, as meaning free trade in salt as opposed to a Government monopoly; but practically it is a private instead of a State monopoly; it is hardly possible to excise salt which any person chooses to make, consequently under an excise system only certain salt-pans are licensed and the holders become salt monopolists.

The taxation of salt thus requires that its manufacture shall be a monopoly, and it seems probable that it is best for both the public and the State that this monopoly should be in the hands of the Government. A comparison of the salt revenue of Bombay and Madras will, I

believe, show that, if it be judged by taxed consumption of the article, that of Madras is in the most healthy condition. Why then should we alter the actual condition of things?

In paragraph 78 of the report the Commissioners recommend the introduction of the excise but it may be noticed that they give no single reason of their own for doing so, except that they think it would be difficult to throw open the import trade entirely if the monopoly is retained. I confess that this difficulty is not apparent to me. The import trade in salt is now entirely open both in the Eastern and Western Coasts, and I fail to perceive how the Government monopoly can influence it.

On the other hand, there can be no doubt that the introduction of excise will practically destroy the small local manufacture now existing, and it may be doubted whether we are justified in taking any step likely to have this effect unless the necessity for it is shown more conclusively than has been done in paragraph 78 of the Salt Commission Report. With Nos. 2 to 7 of the Commissioners' suggestions (paragraph 90) Revenue Officers in this Presidency will agree, nor is there any objection to suggestions 10, 11, and 12; but I do not think sufficient ground has been shown for the heavy expenditure involved in No. 9, and I cannot agree with the Commissioners as to the prepayment of duty at Bombay and the Square-rigged Vessels Bill as noted in No. 8.

Any action which is likely to increase the price of salt to the consumer is certainly to be avoided so long as salt is taxed by the State, and the prepayment of duty has in some degree this effect. The carriage of salt in country vessels other than square-rigged is calculated to cheapen the article. Why should these then be prohibited unless we have overwhelming proof that it leads to smuggling, and no proof whatever is adduced in the report.

11*th July* 1876.

(Signed) R. S. ELLIS.

No. 258B. ORDER THEREON, 24th August 1876, No. 1,160.

Separate Revenue, No. 25.
Salt.

ORDERED that the following letter be despatched to Government of India.

(Signed) D. F. CARMICHAEL,
Secretary to Government.

No. 259. To the Secretary to the Government of India, Department of Revenue, Agriculture, and Commerce, dated Ootacamund, 24th August 1876, No. 1,161.

Separate Revenue, No. 25A.
Salt.

SIR,—With reference to your telegram, 1st July, respecting the report of the Salt Commission on the supply of salt in Malabar and South Canara, I am directed to state that the Governor in Council is prepared to concur in the proposal to substitute, in those two districts, importation by private traders, under an excise system for the present Government monopoly. The Governor in Council consequently adopts the recommendation set forth in paragraph 90 of the report, clauses 1, 2, 3, 4, 7, 10, 12, and 13—subject always to the remark on the 1st clause, that as Government recognize the right of the people to manufacture salt, if they like, under an excise license system, the Government will hold themselves in no way restricted from taking any measures in connection therewith, which they deem expedient, from time to time, for the general interest of the provinces.

1160/17

Proceedings of the Madras Government, Revenue Department,
24th August 1876.

2. The Governor in Council differs, however, from the opinion of the Commissioners set forth in the other recommendations. The question raised in clause No. 5, whether a closer supervision, or a preventive cordon, should be adopted to prevent smuggling on the Canara frontier, must be decided by the local authorities, according to the circumstances which may arise; the distinction between the two systems not being very clear.

Vide paragraph 81.

3. On the questions involved in clauses Nos. 6 and 8; viz., (I) the restriction to certain selected ports of the importation of salt, (II) the prepayment of duty in Bombay, and (III) the passing of the suggested square-rigged vessels bill, the Governor in Council is entirely at issue with the recommendations of the Commission.

(I.) There is no reason given in the report for the selection of certain particular ports, and exclusion of others. If amongst the Canarese ports—

	Foreign Vessels.		Country Vessels.
Mulki (population 3,612) is included, having a trade of ...	15	&	590
there seems no ground for excluding Udipi (population 3,857) with	34	&	670
Again, if in Malabar—			
Ponani (population 11,472) with		&	575
and Chowghaut (population 5,457)		&	35

are to be open, it would seem that the port of—

	British Vessels.	Foreign Vessels.	Country Vessels.
Cannanore (population 31,076) the third port in the district with a trade of	83	2	1,398
should certainly not be excluded, and that—			
Quilandy (population 10,367) with	11	1	295
Kallai (population 4,586)		2	306
and Tanur (population 11,625)		...	225

may fairly claim to be included. The objection, however, rests not on the ground of comparative merits of the several particular ports, but upon the general ground that such a restriction will be impolitic.

Salt is not a luxury, but a necessity of life, and the free use of it is material to health.

It has been found necessary for State and Revenue purposes, to impose a duty thereon; and, subject only to that duty being obtained, it is the wish and object of Government that no impediments should be created to its free supply, at as low a price as possible.

A prohibition against import of such a necessary of life at any one port, and the necessity of thus obtaining it, by transhipment to land carriage, at some other distant place, will not only tend to raise the price to consumer, but will instantly create a special inducement to its illegitimate introduction. To enforce such a prohibition will, in all probability, cost more than the arrangements for its admission and for collecting the duty.

Prohibition of the import of salt to any ports will be an injury to the trade of such ports, as it will lessen the shipping trade to such ports—because only articles,

other than salt, can then be loaded for such ports and cargoes cannot be made up with salt either as ballast with light loads, or as loading for return vessels.

The Governor in Council considers therefore that generally speaking all ports must be open to the import of salt, with proper Bonded warehouse rooms.

(II.) *Prepayment of duty in Bombay.*—The Governor in Council submits that the duty in question is an import duty due to the Government of Madras, not an export duty due to Government of Bombay.

That such duty is not due until the vessel is within the jurisdiction of Madras.

Prepayment of salt for Madras Presidency is not necessary to prevent fraud on Bombay Revenue. The course of procedure proposed in your letter of the 23rd June last, No. 151, is sufficient to this end, and obviates the necessity of any transfer or remittance.

(III.) *The proposed Square-rigged Vessels Bill.*—On this proposal, the objections of the Government of Madras have already been urged—*vide* correspondence ending with my letter, 9th May last, No. 588; but I am to point out that the nature of some of the ports indicated in the list suggested for the importation of salt by the Commissioners themselves are unsuited to square-rigged vessels; it will be seen* that the whole trade of several ports is carried on by native craft of small burthen.

* *Vide* Statement appended.

4. Finally, the Governor in Council differs with the Commissioners as to the nature of the preventive establishment necessary. It should not, in the opinion of the Governor in Council, be a boat service, but a coast guard one. Considering the extensive sea-board to be watched—300 miles—with facilities of inland navigation—three men to a mile for patrol duty, including night-work, is the smallest establishment likely to be efficient. The cost of 900 men may be taken at a lakh of Rupees a-year to be lessened only by some of the men being temporarily dispensed with during the monsoon; the whole of this sum with the exception of some 8,000 Rupees, the present annual charge of salt guards in the two† districts, would be a new item in the accounts.

	Rs.
† Canara	5,589
Malabar	2,428

5. The proposals of the Commission ar[illegible] four guard boats, each boat watching 75 miles of coast; an arrangement the insufficiency of which appears self-evident. The article to be watched is of daily use by every person—a necessary of life—on which a very considerable saving would be made, if possible, by every fisherman or other person in his own consumption; and without most stringent measures and a strong force, it will be impossible to prevent smuggled salt being supplied to fishing boats for the use of the crews, if not for sale. An efficient relay of guards at every point of the coast is therefore absolutely called for. I am especially to draw your attention to the increased cost which will thus arise.

6. Minutes by Sir W. Robinson and the Hon. Mr. Ellis accompany this letter.

(Signed) D. F. CARMICHAEL,
Secretary to Government.

1160/18

PARTICULARS of the trade of the ports in the district[illegible] Malabar and South Canara with reference to paragraph 3 of the letter to Gov[illegible]ent of India, dated 24th August 1874, No. 1,161.

Districts.	Name of Ports.	British.		Foreign.		Country or Native.	
		Vessels.	Tonnage.	Vessels.	Tonnage.	Vessels.	Tonnage.
Malabar.	Cannanore	83	92,841	2	1,039	1,398	32,933
	Tellicherry	80	92,35[illegible]	31	4,738	1,249	18,679
	Kallai	...	...	2	365	306	4,463
	Badagara	6	3,834	...	...	516	15,251
	Quilandy	11	6,076	1	574	295	10,794
	Calicut	72	77,778	2	1,551	2,541	1,12,330
	Beypore	55	65,140	...	...	789	27,543
	Tanur...	...	...	...	...	225	7,524
	Ponani	...	...	...	...	575	31,830
	Chowghaut	...	...	...	...	35	2,780
	Cochin	171	1,08,519	27	7,010	1,644	49,215
	Total ...	478	4,46,547	65	15,277	9,573	3,13,342
South Canara.	Mangalore...	148	1,66,435	461	36,232	2,991	61,445
	Mulki...	...	...	15	286	590	7,560
	Manjeshwar	...	...	41	1,730	182	3,418
	Kumbla	...	...	10	412	338	4,709
	Hassergode	...	...	40	590	566	6,661
	Udipi...	...	...	34	1,073	670	9,046
	Barkur	...	...	193	5,064	925	14,570
	Kundapur...	...	...	164	8,320	1,035	20,817
	Baindur	...	...	24	326	497	4,892
	Nackincottah	...	...	...	...	67	758
	Total ...	148	1,6[illegible]	982	54,033	7,861	1,33,876

(Signed) D. F. CARMICHAEL,
Secretary to Government.

Proof

REVENUE DEPARTMENT. 1160/19

MINUTE BY THE HON. SIR W. ROBINSON, K.C.S.I.

IT is scarcely necessary now to recur to the past of the salt question on the West Coast. I believe that we are pretty nearly agreed (1) to place Malabar and Canara on the same footing as the rest of the Presidency as respects the rate of State duty on all salt; (2), to adopt free trade—if the word can be applied—in salt on the Coast at high and equal duties, whether it be imported or is of indigenous manufacture; and (3), to withdraw from all supply operations by Government. I am prepared to carry out the proposals of the Commissioners in these respects at once—in fact, the system has been partially introduced. The population can bear the enhanced prices which these measures may entail.

2. Recent circumstances have, I think, shown that cause for anxiety in respect to the safety of supply of salt by importation no longer exists to the extent it did.

3. It is scarcely worthwhile, I believe, to consider the question of the revival of indigenous manufacture under excise, for under the circumstances I can scarcely doubt that the practical suppression of that industry will continue where it now exists in Malabar; and that it will spread to those parts of Canara where salt is still manufactured for Government. The indigenous salt manufactured on the Coast cannot possibly, I believe, compete, at equal duties, with imported salt of good quality. It failed to do so when Bombay salt was sold by Government at higher rates than Malabar salt and must fail still more. I think. The industry will probably be killed many years ago;

4. I may observe in passing—as has long been pointed out by this Government—that this indigenous industry on the West Coast was killed by the monopoly when extended to those districts; and that the immemorial right to manufacture salt, which belongs to the proprietary condition of the country—for both districts are zemindari (*jenm* and *kurgdar*)—was practically infringed, and the right to manufacture for private consumption, reserved by law (Regulation VIII of 1807) on that account, when the system was introduced—has long been illegally suppressed. There may have been foreign imports of salt before the cession of the Provinces (1792 and 1799); for physical conditions have always given a superior value to imported salt for inland traffic, but there certainly was extensive indigenous manufacture, and the home consumption was met by home salt at the price which its quality justified. When the monopoly was introduced, salt could only be sold to Government—the right of private manufacture only being continued, as above noticed, by law—but the Government gave a price which scarcely rewarded the industry, and sold the indigenous salt so bought at a relative price which could not command a buyer, when it had to compete with the better salt which they imported and on which far higher profits were realized. The indigenous manufacture of course succumbed in the interest of the State (we called it "died a natural death"!), and even the legal right of private manufacture was firmly suppressed by the Police in the prevention of smuggling. The private property and labor which had been devoted to this industry from time immemorial thus came to complete ruin, and have for half a century been nowhere—and under the conditions before us will not even now, I conceive, have a chance anywhere. These are, however, things of the past, and we have determined not to look at equities in the exigency of the State; but the Commissioners are wrong in endeavoring to ignore facts, and deny the justice of this Government's argument. The fact of the suppression of an ancient manufacture remains, and the cause lies with the fiscal arrangement of Government with a view to salt revenue; and the people know well that their salt properties and rights have been traversed directly or indirectly in the interest of the salt revenue.

illicit trade

5. As regards excise (paragraphs 78 and 79), I think that the proprietors of salt-pan lands are entitled to have licenses offered to them. It will look fair, though not on the square with their rights; since with the excise system is suppressed the *general* right—inherent in their property and maintained by law (Regulation VII of 1808) up to this time—to manufacture for private consumption. There is, however, a State convenience in the restriction, and practically it has subsisted for long by the action of Government, though in contravention of the law. But, as before remarked, I do not expect indigenous manufacture to revive, at equal duties with

imported salt. I need scarcely add for the information of this Government that where the Commissioners remark (paragraph 79) the "supposed lawfulness of the process is a mere creation of ingenious legal technicality not believed in by the people" they do so in ignorance of the laws of property on the Coast—which a flying visit has failed to remove—and they assume to contradict the sound reading of the legislation (Regulation VII of 1808) which was intended to enable Government to respect those rights by the highest tribunal. If the people have become ignorant of their rights—which, by the way, is not now the case—they have become so and have acquiesced under the belief that the Government would not do wrong. The protracted discussion which has occurred in the matter—now legally decided—has been worthy of a State which moves in the direction of foreclosing immemorial rights and privileges with great hesitation.

6. I see no objection to the recommendation of the Commissioners (paragraphs 80 to 82) in respect to ports of entry, &c., in either district, and would accept them; with power to add to the number as experience may direct.

7. I consider the bonding system the only right and just one—the argument of the Commissioners notwithstanding. It prevails wherever high duties—needed for fiscal objects—add seriously to burdens on trade and is more especially imperative where that trade is in a necessary of life, whose cost may be even slightly enhanced by absence of this convenience. Import duties belong to the Administration into whose ports their subject is introduced; and the Madras fisc is the proper place to bring to credit a heavy tax paid by the Provinces. I therefore consider the bonding system indispensable. Some of the Commissioners' recommendation in this respect—including the Square-rigged Vessels Bill—betray rather the natural anxiety of the tide-waiter, than reflect the equitable liberality to trade and tax-payers, which will doubtless influence the decision of the Imperial Government of India in this matter. Prepayment in Bombay should be abrogated; the seller is entitled to the cost price of the article only.

8. I entertain the strongest objection to the proposal to interfere with the class of craft which shall be allowed to carry salt, which is the main article of ballast on the Coast. Square-rigged vessels of 300 cannot enter the backwaters within which many of our port towns are situated; so that all smaller craft of that rig would be precluded from carrying salt, and I do not see why special protection should be extended to Bombay salt over Arabian and other foreign salt.

9. I also deprecate most earnestly any revival of the rawanah system and license of dealers in salt as exists in Bombay. The former system existed in this Presidency till 1860 and led to great abuses. It was then done away with without affecting the revenue and its protection to the great relief of trade and of the people. The system of licensing dealers has never existed in this Presidency; and, judging from notices of its effect in Bombay as stated by the Native Press, the system leads to needless oppression.

10. The Commissioners propose (paragraph 85) to organise a sea-going preventive establishment at a cost of Rs. 15,000 to 20,000 a year, with an equipment of vessels which will cost at least Rs. 20,000 to 25,000. I deprecate this institution until its necessity is more fully established, and the Government have time to consider the matter. Some strengthening of the land Police will be necessary, but I think we should recommend to the Government of India to leave these matters to the calm and experienced deliberation of this Government for the present. The interference of such establishment with weighment of salt at the Custom-house should be negatived.

11. On the subject of paragraph 87 I would recommend that no further importation of Bombay salt on account of Government should take place. The stocks will suffice and should be raised as recommended by the Commissioners (paragraph 88).

12. I accept the recommendations of the Commissioners in paragraph 89 and the conclusion summarized in paragraph 90 with the reservation above noticed as to the "past dealings of Government with" the people of the Coast (Clause 2 and Clause 9). I reject entirely Clause 8.

13 I fear that the hopes of the Commissioners expressed in the postscript of their report may not be realized. With high duties before them and a constituency—of whom the bulk are poor—seeking a cheap necessary of life, I think that importers may be tempted to deal in salt of a mean quality.

(Signed) W. ROBINSON.

6th July 1876.

Ootacamund, 10th June 1876.

No. 216.

From

The PRESIDENT and MEMBERS of the MADRAS SALT COMMISSION,

To

The SECRETARY to the GOVERNMENT of INDIA,

Department of Revenue, Agriculture, and Commerce,

Ootacamund, 10th June 1876.

Sir,

We have the honour to acknowledge receipt of your letter, No. 3-7, dated the 6th January 1876, remitting to us for consideration, in connection with the general question of the substitution of an excise for a monopoly in Madras, the question of the abandonment of Government importation and the introduction of excise in the districts of Malabar and South Canara.

2. It may, at first sight, appear that in now reporting independently on the question so referred, instead of waiting to include it in our general report, we are deviating from the instructions of Government. But the circumstances of the West Coast salt-supply are peculiar, the conclusions we have reached do not in any way prejudice the decision on the issue between monopoly and excise elsewhere, and, above all, to delay the submission of our views might involve the loss of another year in the settlement of a question the discussion of which has already been too long protracted. For these reasons we have thought it right to submit a separate report on this subject. We may add that, to save time, a copy of this report has been forwarded to the Government of Madras.

3. Again, though we are not sure whether it is intended to treat as still an open question the advisability of withdrawing from the importation of salt into Malabar and South Canara or to remit for our consideration more than the mode in which the change is to be carried out, together with the specific question of excluding South Canara, or any part of it, from the operation of the Excise Act, we have thought that it would tend to bring a long controversy to an end if we entered upon the whole subject, especially as we are of opinion that the facts we shall set forth will enable Government to put the case even more strongly than in your letter to the Government of Madras, No. 274, dated 19th August 1875. To do this obliges us to go back to the very commencement of the discussion, but the matter cannot otherwise be put in a clear light.

4. It is asserted in the course of the correspondence of late years, and the assertion is adopted in your letter just cited, that both in Malabar and Canara there was formerly a local manufacture sufficient to supply local consumption, and that it was the Government monopoly which in Malabar destroyed, and in Canara diminished, the indigenous salt industry. But we have positive evidence that in Canara at least the importation of salt by sea preceded the introduction of the monopoly. The Collector of Canara, on 30th November 1803,* writes: "A duty of "seven pagodas a-garce might be levied on salt "imported by sea. It is of far superior quality "to what is manufactured in the province, is consumed by the most opulent of the inhabitants, "(who can best afford to buy it at an enhanced price), and is exported above the ghauts." Again, Mr. Falconar, in paragraph 46 of his minute of the 28th June 1804,† says: "Canara is "supposed to produce annually about 1,247 "garce and to import from Bombay, Goa, and "Malabar about 622, making an aggregate of 1,869 garce, whence are supplied the inhabitants

* See Plowden's Report, Appendix E, No. 8.

† See Plowden's Report, Appendix E, No. 12.

"of Canara, Sunda, the Mysore, and the contiguous districts of the Mahrattah State." As the northern taluks of Canara undivided have always been those which made salt, we may presume that the bulk of the importations were made into what is now the *South* Canara District. We have not been able to obtain positive evidence of the existence of importation in Malabar before the introduction of the monopoly in 1807, but with other, both importing salt from the northwards, it seems unlikely that Malabar did not draw on the same sources for some of its supply, although it is mentioned in the extract just given as exporting salt to Canara. At any rate it is certain that as early as 1813 the district of Malabar was largely supplied by imported salt, for Mr. Vaughan, the 'Principal Collector,' in a letter to the Board of Revenue, dated 15th June 1820, No. 1118, writing of the comparative selling prices of home-made and foreign salt, observes, "after an experience of *seven years* in the revenue line in "this province, I am convinced that it (*i.e.*, the price of indigenous salt) is not only much too high "compared to its relative value with other "salt," &c.† He also speaks in 1820 of certain prices for foreign salts having "prevailed for many years past," and in a letter, No. 2159, dated 31st October 1820, to the Board of Revenue, he gives a sale statement, from which it appears that, so early as the year 1815-16, the sales *for home consumption* consisted of 1,327 garce of foreign to 269 garce of home-made salt. It may here be noted that a *garce*, originally a measure of capacity, has now come to be equivalent to 120 maunds *weight* of salt, and this weight may throughout be taken as its *approximate* equivalent.

* See the Diwan's Administration Report for 1873-74.

† The quotation will be given in full further on.

5. We have endeavoured, at the outset, to remove what we consider a misapprehension of the true facts, since it underlies the whole of one class of arguments urged in behalf of the maintenance of the present system. We shall, however, return to the subject further on.

6. The question of introducing a change of system in Canara and Malabar was, as far as we have been able to find, first definitely raised in 1851. Then, as till quite recently, the whole supply of the two districts rested in the hands of Government, private trade, (except perhaps in Goa salt, which for a time enjoyed a favorable duty of 12 Annas a maund), being utterly excluded by the prohibitive customs duty of Rupees 3 per maund imposed by Act VI of 1844. In a despatch, dated 30th July 1851, the Court of Directors noticed this anomalous rate of duty, though without special reference to the West Coast, and urged that "to prevent cavils" it should be reduced to an amount equal to the actual profit derived by Government from the sale of monopoly salt at a fixed price. About the same time Mr. F. N. Maltby,‡ then Collector of Canara, suggested that Bombay and Arabian salt should be admitted at the same rate as Goa salt. Mr. Maltby saw that his scheme involved the question whether a Government monopoly could at the same time be maintained. He thought that as the monopoly salt in the north was undersold by Goa salt, so in the south it would be unable to compete with Bombay salt, and he concluded thus: "An equality may be established either *by* "*exchanging the monopoly for an excise and throwing the trade open*, or by reducing the "monopoly price." Here we find proposed, as one of Mr. Maltby's alternatives, the very double measure which the Government of India now desire to enforce. In his further letter, dated 3rd December 1851,§ he speaks more decidedly of the advantages of an excise in Canara, writing thus: "The change will not be agreeable to our present manufacturers, who, under the system "now prevailing, enjoy a monopoly and are paid a liberal price; to the servants of Government the "reduction of a large establishment will be a serious evil; but to the trade of the country the "advantage will be very great, if any such measure should be found practicable."

‡ See his letter, dated 3rd September 1851, in Appendix E of Plowden's Report.

§ Also to be found in Appendix E of Plowden's Report.

7. The Government of Madras, however, was not prepared for any such radical change, and proposed a measure even more moderate in scope than Mr. Maltby's original proposal. They recommended simply that European and Arabian salt should be admitted by sea at a duty of 12 Annas a maund, declining to extend the boon to Bombay salt. This measure was not thought liberal enough by the Government of India, and the matter was referred back to the Local Government. In again consulting the Board, that Government expressly raised the question of excise, still on the assumption that, at a duty of 12 Annas the maund, Bombay salt would undersell the Government monopoly salt, and that an excise would be necessary to put the two salts on an equality.

8. The Board's call on this reference drew forth Mr. Maltby's well-known letter, No. 98, dated 10th November 1852.* Into the details of that letter it is not necessary here to enter.

* See Plowden's Report, Appendix E, No. 17.

The writer's practical conclusion was that it would be best to begin with the measure of throwing open the trade in Bombay salt and to leave the question of excise for further consideration. The Government of Madras adopted the same view, and the upshot of the matter was that the ports of Canara and Malabar entered in the margin† were thrown open to all salt, *except Goa salt*, on payment of a customs duty of 12 Annas per maund.

† *Canara.*		*Malabar.*
Sedasheghar. Ankola. Tuddry. Coompta. Honawar. Butkul. Byndoor. Kundapore.	Now belong to North Canara.	Cannanore. Tellicherry. Calicut. Ponany. Cochin.

9. The reason for excluding Goa salt was that, on the representations of the Collector of Canara and the Board that, at 12 Annas a maund duty, Goa salt was underselling the local produce of the district, the Government of Madras had urged the imposition on Goa salt of a protective duty of 14 Annas, and meanwhile had excluded that salt altogether. But the Government of India refused to accede to the proposal, remarking that, not being one for such a reduction of the *cost* of the Canara salt as would enable it to compete with the produce of Goa, but one for the imposition of an exceptional duty on Goa salt, in fact a protectionist measure, it was directly opposed to the policy laid down by the Court of Directors in 1851.

10. In communicating these orders to the Board, the Madras Government directed that the Collector of Canara should be warned to watch the effect of the measure, and, if he found the Goa salt displacing the home manufacture, at once to reduce the "monopoly price of the home-made "salt to its actual cost to Government *plus* the "amount of duty." Accordingly Mr. Maltby,‡ finding that Goa sea-borne salt did displace his home manufacture by largely underselling it, lowered the monopoly price of Canara salt to Rupees 105 in the three northern taluks,§ (where alone salt was *made*), and to Rupees 112½ in the south of the district. These prices he thought roughly equal to the cost of the salt *plus*, (in the case of the southern depôts), the cost of carriage. Mr. Maltby expressed doubts whether even a further reduction would not be necessary. He did not, however, interfere with the price of Bombay salt sold at the Buntwal depôt.

‡ See his letter to Board, dated 4th January 1855, No. 1.

§ It should be remembered that Canara then included both North and South Canara of the present day.

11. The Government of Madras, on hearing, through the Board, of these proceedings, pointed out that they were not in harmony with the orders of the Government of India,‖ and that a reduction in the *monopoly price* was a very different thing from a reduction in the cost of salt to the State. But Government then proceeded to question whether 12 Annas did truly represent the profit to the revenue on monopoly salt, and concluded that 14 Annas would be a fairer estimate. Thus, though by another road, they arrived at the conclusion that the customs duty on Goa salt should be raised to 14 Annas. But then *all* imported salt would have to pay that duty. The Government of India¶ approved of the raising of the duty to 14 Annas "on the "assumption that the average cost of home-made salt to the Government, including all charges "that can be fairly debited to the manufacture, is about 2 Annas a maund."

‖ The Government of Madras was, however, itself responsible for the error.

¶ See Home Department's letter to Government of Madras, No. 1055, dated 24th August 1855.

12. In communicating their orders to the Board, the Government of Madras suggested for consideration whether it would not be practicable for Government to retire altogether from the import of salt into Malabar and Canara and leave the supply of foreign salt to private enterprise. It had been the idea of Mr. Maltby that the mere admission of Bombay and all other salts at a duty of 12 Annas would effect this, but Mr. Clarke,* Collector of Malabar, shewed clearly that, for his district, this was not the case, and could not be the case so long as Government itself imported Bombay salt and sold it at 1 Rupee the maund, with a discount of five per cent. to any one taking a whole compartment. In point of fact, during the two years since the duty had been reduced, only 839 maunds of Arabian and 13,113 maunds of Bombay salt had been introduced by private trade.

* See Board's letter to Government, No. 3416, dated 21st December 1855.

13. It may be well here to explain somewhat more fully the reference to the five per cent. discount in the last paragraph, for the point has been more than once overlooked in treating of the relative prices of monopoly salt and salt imported by private trade. In 1819 the practice was sanctioned of permitting the purchasers of a whole ten-garce heap, "as it stood," a discount of five per cent., *i.e.* (taking the selling price at 1 Rupee), selling it to them for Rupees 1,140 instead of Rupees 1,200. The deduction seems to have been rather a trade discount than an allowance for wastage; as Mr. W. H. Bayley remarks, "it saves Government the expense and "delay of measuring." On the East Coast probably a considerable portion was, except in cases where wastage was specially allowed in addition, covered by wastage. But that is not so on the West Coast, where the salt is stored in warehouses and not in heaps, and where any one taking a compartment of ten or twenty garce gets a five per cent. discount, though wastage amounts to not more than to ·19 per cent. in Malabar and ·92 in Canara, according to Mr. Master's letter to Government of India, No. 256, dated 17th February 1875. Thus the discount allowance is practically a reduction in the selling price of salt, and this will have to be borne in mind afterwards.

14. To resume, Mr. Clarke said that, as long as Government continued to import, no private trade could take root, but he urged that, if Government retired from the trade, the rate of duty should be lowered; otherwise the price would rise. The Board, in forwarding Mr. Clarke's letter to Government, expressed an opinion that the only legal way of retiring from the trade was to lower the duty till private merchants should be able to import salt and sell it at 1 Rupee per maund.

15. The Government of Madras in their Proceedings, No. 179, dated 15th February 1856, reviewed the whole question of importation by the State, and arrived at the following conclusions:—

(1.)—that Government should retire from the supply of imported salt from the 30th June 1857, or earlier, if the local officers should think it feasible, without endangering the supply;—

(2.)—that from an early date the price of salt sold from the Government stores should be raised to its actual cost to Government *plus* the 14 Annas duty;—

(3.)—that, in Malabar, the Board should consider whether, in order to give the people the option of buying a cheaper salt, an attempt should not be made to revive the manufacture, under a monopoly system.

16. The Board remonstrated against these orders, chiefly relying on the argument that the people of the West Coast were entitled to have salt supplied them at the same *selling price* as the inhabitants of Coromandel. The Government, however, overruled the Board's objections, and it was notified that Government would retire from the supply of sea-borne salt on the West Coast from the 30th June 1857 at latest. The prices for the sale of the Government stock of Bombay salt were fixed at Rupees 1-2-0 in Canara, at Rupees 1-2-6 at the coast depôts of Malabar, and at Rupees 1-4-0 at the interior depôts of the latter district.

17. About this time Mr. (now Sir) W. Robinson succeeded Mr. Clarke as Collector of Malabar, and to him was entrusted the carrying out of the measures decided upon by Government. Attention seems also to have been mainly directed to Malabar, while Canara fell into the background. The issue was, in fact, tried in Malabar. On the 31st January 1857* Mr. Robinson requested permission to keep the Government stores open till 31st January 1858. The re-establishment of the home manufacture was a slow and difficult process, the traders had shewn no readiness to import, (only seventy-three garce of salt having passed through the custom-houses), trade had been deranged by the Persian war, and a date early in the monsoon season was in itself a bad date for the change. Government acceded to the postponement. Again, in October 1857, Mr. Robinson expressed his doubts, and asked for a further period of grace. He was still hopeful of the experiment in home manufacture, but no appreciable quantity of salt had actually been produced. The requirements of the monsoon season were 180,000 maunds, yet no sign of the merchants coming forward was manifest. Government, therefore, sanctioned a further postponement of the measure till the 31st January 1859. In May 1858 the Collector again reported. The experiment of reviving home manufacture had now evidently failed, (though Government urged further efforts, with what result we shall see elsewhere), and the district would have to look abroad for its salt supply. But the Collector hesitated to throw open the trade. He pointed out that in 1856-57 only 34,347 maunds, and in 1857-58 only 10,435 maunds, had been imported on private account, and even this quantity had been brought solely as ballast to the smaller ports. Mr. Robinson saw "not the faintest prospect of commerce under present circumstances gradually supplying the "place from which Government desired to with-"draw." The Board† appear to admit that, at the prices fixed for the sale of salt imported by Government, private trade could not compete, (and we shall be able to shew hereafter that this certainly was the case); nevertheless they expressed doubts whether, even if Government really withdrew, the supply might not fall short, and depreciated the measure as certain to raise the price of salt to the consumer. Combinations among the merchants were also apprehended, and such a combination was alleged to have actually occurred in Canara, where the salt merchants ran up the market price to Rupees 1-10-8 per maund. The Collector proposed to postpone the withdrawal till the opening of the railway to Beypore, which he admitted would materially alter the conditions of the problem; but the Board went even further, and urged the indefinite continuance of the Government sales and the reduction of the import duty to 12 Annas. Government, however, simply postponed the date for retiring from importation till 31st January 1860, declining to discuss the proposed lowering of the import duty; and, attention now being directed to the question of excise, the subject of importation dropped out of sight for the time, and, (see Board's Order, No. 3455, dated 1st September 1859), the Collector of Malabar was told to arrange as before for a supply of salt from abroad.

* See Madras Government's letter to Board, No. 263-A, dated 16th March 1857.

† Board's Proceedings, No. 2,154, dated 21st June 1858.

18. The most important of the changes in the salt system of Madras recommended by Mr. Plowden was, doubtless, the substitution of excise for monopoly. That recommendation was adopted by the Government of India, and in Home Department Resolution, No. 937, dated 31st May 1858, the Madras Government was directed to "take early steps for gradually substituting "the Bombay system of excise for the present system of manufacture throughout the Presidency, "commencing at once with *Malabar*, *Canara*, and the Madras Collectorate." The Board was instructed accordingly, and a scheme was prepared. An Act was also drafted and sent to Mr. Forbes, the Madras Member of the Legislative Council at Calcutta.

19. But suddenly, under date 16th July 1859, Mr. Forbes, in reply to a question as to what rate of duty he should insert in the Act, was informed that, on reconsideration, the Government of Madras had determined at least to postpone the change of system until the existing establishments should be strengthened and reformed, a measure then in contemplation, and that on the general question as between excise and monopoly it appeared doubtful whether, with a tax seven times the intrinsic value of the article taxed, it was wise to disturb an old-established system in favour of excise. On these considerations Mr. Forbes was instructed not to proceed with the Bill.

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20. Thus the matter rested till 1864, when Mr. T. Clarke, then Member of the Board of Revenue, in the course of his tour through all salt districts, came to submit his report* on South Canara† and Malabar. The Malabar District was then entirely supplied with Bombay salt, at least as far as licit consumption went, for there was manufacture of illicit salt, smuggling on the coast, and smuggling from Cochin. South Canara still possessed a local manufacture, but insufficient to supply all the wants of the district.‡ The deficit was made good by importations from Bombay, Goa and sometimes from Tinnevelly and North Canara. In both districts the importation was made by, or on behalf of, Government, and the salt, whether imported or locally made, was sold at Rupees 1-8-0 a maund, (for the monopoly price had now been raised to that standard), at all depôts. In South Canara also Mr. Clarke reported the existence of "much smuggling from the pans, from illicit manufacture, and from the introduc- "tion by fishing boats of untaxed salt." The Bombay salt is described as "a good article, though "much mixed with dirt and very impure. It is heavy," says Mr. Clarke, "of fine hard crystals, "made from highly-concentrated brine, and carries well." It was "much preferred by the inland "trader to the home-made salt," and Mr. Clarke was of opinion that the "home trader" would also have preferred it to the indigenous salt had not restrictions been placed on the sale of the Bombay salt, and "hence," Mr. Clarke remarks, "perhaps has arisen the notion that the "natives of Canara prefer their own inferior salt to the better Bombay salt." The South Canara salt resembled that of Goa, was dirty in colour, small in grain, light, and wanting in "pungency." For culinary purposes one and-a-half or even two measures were held only equivalent to one measure of Bombay salt.

21. In South Canara Mr. Clarke thought the manufacture might be extended, but he did not actually advocate any effort in that direction. In Malabar he thought the conditions of climate and the state of the labour market were greatly adverse to a salt industry that would produce salt saleable at a remunerative price. It was needful, therefore, still to look abroad for the supply of salt on the West Coast. In discussing the policy to be followed in this regard, Mr. Clarke forwarded a letter§ from Mr. Ballard, Collector of Malabar, advocating, for his district, that Government should entirely give up the task of importing the salt-supply. But Mr. Ballard conceived that Government was bound by the fact that it had long undertaken the supply of the district, to take measures both to prevent the possibility of stocks running short and also to protect the consumer against any great enhancement of price. On this principle he maintained that Government, in throwing open the trade, should lower the import duty to Rupees 1-2-0 a maund. Mr. Ballard's letter proposed that the change should be introduced on 1st January 1864, Government ceasing to sell at a lower price than Rupees 1-12-0. Mr. Clarke strongly advocated the measure of withdrawal both for Malabar and South Canara, the Collector of the latter district, Mr. G. L. Morris, fully assenting. "There appears," writes Mr. Clarke, "to be no better season than the present in which to try the experiment on the West Coast. "Private speculation and trade have been greatly stimulated by the great quantity of money which "has been thrown into the market by the purchasers of cotton, and fresh openings for the employ- "ment of capital are greedily sought for. The laws of trade are fully understood by the native "dealers, who are able and astute merchants. The grain trade is almost wholly in their hands, and "the manner in which they take advantage of every opening and avail themselves of every facility to "carry their goods to the best market proves that they are not wanting in enterprise and discernment. "They also supply the whole of the interior with salt, and I am not aware that they have failed in

* Dated 20th February 1864.

† Canara was divided into two districts in Dec. 1859, and North Canara was transferred to Bombay in April 1862.

‡ Mr. Clarke says in his text that for the fasli years 1267 to 1272 about half of the Canara sales were of indigenous salt, and this estimate is adopted in your letter of 19th August 1875 as expressing approximately the present state of things. But the *figures* given in Mr. Clarke's report hardly bear out his statement. They show that on an average of five years, 1858-59 to 1862-63, the average was 281,784 maunds of foreign salt purchased against 89,616 maunds of indigenous salt manufactured. The figures for 1857-58 are not given, but they could not so largely alter the average as to justify, or nearly justify, the remark in the text of the report.

§ No. 2,631, dated 10th August 1863.

"meeting the wants of the people." Mr. Clarke also advocated a lowering of the duty, though he perceived that the practical result of the measure would be to give the inhabitants of the West Coast an advantage over the people of Coromandel. He proposed to consider the question of excise in South Canara afterwards, but, as a first measure, advised that Government should withdraw from importation and lower the import duty to Rupees 1-2-0 per maund on the West Coast.

22. The Board was consulted on the subject of Mr. Clarke's proposals, and their reply is contained in Mr. Hudleston's letter, No. 2829, dated 11th May 1864. It unhesitatingly accepts the conclusion that Government should retire from the importation trade as a direct departure from the principles of the monopoly system as originally constituted and as still existing throughout the Presidency except on the Western Coast. Those principles the Board declare to be that, while Government undertakes manufacture and sale *at the place of manufacture*, it abstains altogether from meddling with the distribution of salt. As a corollary of these principles, the introduction of a system of inland depôts had always been condemned, and it was to strain at a gnat and swallow a camel to admit the justice of the objections against the Canara river depôts, and yet seek to maintain the practice of Government importation on a grand scale into two whole districts. The anomaly was brought into strong relief by the then state of the market, the high price of Bombay salt having compelled the Board to carry salt from the east by rail to the West Coast through districts which would then be supplied by this very salt returning eastward from Malabar. The substitution of excise for monopoly in Canara the Board regarded as a necessary adjunct of the other measure, for only in combination with an excise on private manufacture could the market for privately imported salt be placed on a sound footing, and they pointed to the successful change from monopoly to excise in North Canara as in itself "almost a "sufficient reply" to objectors.

23. With regard to the rate of import duty, the Board strongly opposed any such reduction as Messrs. Clarke and Ballard advocated. To impose a lower rate on the West Coast would only be to handicap the Madras salt-traders, whose competition with Bombay on equal terms would be a wholesome check on prices. Nor was there anything in the circumstances of the people of Malabar and South Canara to warrant their being exempted from a part of the duty paid by all other districts of the Presidency; on the contrary the ryots were "decidedly better off than in "almost any other part." An unfailing monsoon secured them ample harvests, their assessment was light, the local markets were in general easily accessible, and there was close at hand a constant demand for produce for foreign markets. "Why then," the Board asked, "should "they be treated in an exceptional manner? Why should the Collector hope never to see prices "for salt ruling in Malabar which are far below the prices ruling in Coimbatore, Salem, Mysore, "Coorg, Bellary, Cuddapah, and Kurnool, where the cost of carriage is necessarily added, in these "non-producing districts, to the price at which the salt is sold at the place of manufacture, "and where the ryots are far worse off than in Malabar in other essential respects?" If Malabar could not produce salt, there was no reason for treating it differently from other non-saliferous districts; if it could, there was less reason for encouraging* importation.

* It was, however, not proposed to make the import duty *lower* than the excise in Malabar.

24. The Board recommended then—

(1.) that Government should withdraw from the supply of salt to the West Coast Districts, (*i.e.*, whether by import or local manufacture);—

(2.) that the import duty should remain unchanged; — and

(3.) that an excise duty of the same amount should be imposed.

They thought the change could be carried out from 1st January 1865, and recommended that a notification should be issued to the effect that on such date the salt in the Government stores would be sold by auction at the monopoly price as an upset price, and that the store-houses would be available as bonded warehouses for private manufacturers or importers.

25. Mr. Ballard recorded some remarks† on the Board's letter. He urged that it was Government action which had discouraged, and ultimately extinguished, the Malabar local manufacture, and that Government was,

† See his letter, No. 219, dated 31st August 1864, among the papers recited as read in Madras Government Order, No. 889-A, dated 1st May 1865.

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therefore, bound not to leave the regulation of price to the hard law of supply and demand. We have endeavoured in paragraph 4 to shew that in Canara importation existed before the monopoly was established, and that there is some probability that the same was the case in Malabar or at least that importation formed the *chief* source of supply within eight years of the introduction of the monopoly. We think it desirable here to inquire into the basis of the assertion that Government action "in the interest of the monopoly" destroyed the indigenous manufacture of the West Coast. The correspondence which we have traced out is abstracted in the following paragraphs.

26. When, in 1820,* it was decided to reduce the monopoly price of salt from Rupees 105 to Rupees 70 per garce, the Collector of Malabar, in acknowledging the orders of Government, reported a peculiar state of things to prevail in his district, of which the Board appear to have been hardly aware. Malabar was, he said, supplied partly by indigenous salt and partly by imports from (1) Canara, (2) Bombay, and (3) the "Jaghire" (*i.e.* East Coast salt). Goa and Mocha had at one time competed, but had been driven out of the field by Regulation II of 1818.† The home-made and imported salts had not all been sold at a uniform price, but the price of Bombay salt being taken at Rupees 112‡ the garce, and that of Malabar salt at Rupees 87½, on that basis an arrangement had been made with the dealers, and the following scale of prices fixed :—

		Rs.
(1.)	Jaghire salt, 1st sort	117½ per garce.
(2.)	,, ,, 2nd ,, ...	115 ,,
(3.)	,, ,, 3rd ,, ...	112 ,,
(4.)	Bombay ,, ...	112 ,,
(5.)	Canara ,, ...	100 ,,
(6.)	Malabar ,, ...	87½ ,,

These prices the Collector reported, (in 1820), had "obtained in this province for several years past."

27. The Banjaras from the Mysore country bought salt of all the first four sorts, "but "Canara and Malabar salt *they* refused taking at any price. I then," continues the Collector, "called upon the salt merchants in Malabar for their opinion on the qualities of the salt and more "particularly with reference to the produce of Malabar and Canara. * * *. Upon the "basis, therefore, of Rupees 87½ being the price of Malabar salt and Rupees 112 of Bombay, they "willingly agreed to pay Rupees 100 for Canara salt, and in fact made no objections either to the "quality or price of the salt, but I have not seen one individual merchant, wholesale or retail "dealer, who will voluntarily take Malabar salt if the option is given him of taking any of the "other salt at the above prices."

28. The cost to Government of the several kinds of salt are put as follows, (exclusive of charges for establishment, seemingly, which the Collector estimates at Rupees 7-12-0 the garce):—

	Rs.
Jaghire salt	46 per garce.
Bombay ,, ...	40 ,,
Canara ,, ...	39 ,,
Malabar ,, ...	30 ,,

These are the extreme prices. The Collector then, after declaring that "it would be obviously "unjust and impolitic to establish one price for each sort of salt when they differ so much in quality," goes on to say that he had contemplated proposing a reduction in the price of Malabar salt "for, "after an experience of nearly seven years in the revenue line in this province, I am convinced "that it is not only much too high compared to its relative value with other salt, but that neither "individuals requiring salt for their own private consumption nor vendors for the purpose of trade "will ever take one grain of it at the present price unless compelled to do it by the Collector "withholding Bombay salt from the market; its monopoly price is evidently, therefore, too high "compared with Bombay salt." The traders thought that, if they could buy it at Rupees 52 the garce, it would compete with Bombay salt at Rupees 112, but it would not enter the above-ghaut trade *at any price*. And, in conclusion, the Collector declares himself a determined advocate of the plan of fixing a price on each salt "proportioned to its quality" so as to admit of a true experiment being made what salt was really preferred by the people. No such fair trial had yet been made, according to Mr. Vaughan, "at least for many years past, as it is found necessary every "year to shut up the depôts of foreign salt in order to compel the purchase of the country, which "would otherwise have accumulated to a great extent and very much to the inconvenience, detri"ment, and loss of Government."

29. Mr. H. S. Græme, who appears to have been in 1820 sent down to Malabar on special duty, did not concur in Mr. Vaughan's views about country salt. We gather from his letter, No. 1,694, dated 31st August 1820, that, owing to the reduction in the demand for country salt on account of the monopoly, certain pans had been suppressed. To the owners of these, compensation seems to have been paid. Mr. Græme admits that the salt revenue had been improved, and the administration of that branch of revenue rendered altogether more efficient, by the preference of foreign to country salt, and that, though the selling price of the former was Rupees 24-8-0 per garce above that of the latter, yet it was "ultimately cheaper to the purchaser." To bring the native salt into consumption beyond the limits of the province he thought a reduction to half the price of imported salt would be necessary*; but that, "because the partiality of "the inhabitants to the home salt sets a value on "it independent of its comparative intrinsic impurity," a reduction of the price to Rs. 65-10-0 would enable it to compete with foreign salt for the *home* consumption. Mr. Græme further remarked that, in deciding on the preference to be given to the purchase of home or foreign salt, it was not sufficient to look on it as a mere matter of salt-revenue, but that it was also needful to consider the effect upon the comfort of a great number of inhabitants. And he shews that the proprietors of pans would lose a source of income which was the more profitable, as the industry was one on which they could employ their "labourers or slaves" at a season when there was not much rice cultivation going on. Further on he writes: "I also thought that the quality of the country "salt was, in general, preferred by the natives of Malabar to that of foreign. Every inquiry I have "since made in passing through the districts has confirmed this idea. The natives speak of the "foreign salt as producing cutaneous disease." He does not, however, deny that, under existing circumstances, the natives chose rather to buy foreign salt; but he contends that no supposed *prejudice* against indigenous salt should be allowed to interfere with any attempt to restore the manufacture, if the measure should be deemed expedient on other grounds.

30. In his letter, No. 2,159, dated 31st October 1820, the Collector furnishes a statement showing the sales of country and foreign salt for home and inland consumption. It is, (after correcting an error in addition of about 30 garce), as follows :—

Fasli Year.	Home Consumption.		Foreign Salt for Export.	Total Sales.
	Country Salt.	Foreign Salt.		
	Garce.	Garce.	Garce.	Garce.
1225	269	1,327	565	2,161
1226	131	1,043	493	1,667
1227	80	1,407	493	1,980
1228	736	428	528	1,692
1229	801	526	472	1,799
Total ...	2,017	4,731	2,551	9,299
Average ...	403	946	510	1,859

* Letter from Collector of Malabar, No. 1118, dated 15th June 1820.

† It is not easy to understand this as, previous to Regulation II of 1818, their import had been absolutely prohibited by Regulation I of 1805.

‡ It is not clear why this price was assumed; the monopoly price elsewhere had been Rupees 105.

* Mr. Vaughan asserts that the above-ghaut traders would not take even Canara salt at any price.

This shews there was a *bond fide* effort to promote, at any rate, the *consumption* of home-made salt in the years 1818 to 1820; but the Collector warns us that the sale was forced by closing the stores of foreign salt. For the same years he now gives estimates of cost somewhat different from those extracted above, *viz.* :—

	RS.	A.	P.	
Country salt	19	10	7	per garce.
Bombay salt	38	15	5	,,
Goa salt	24	2	0	,,
Canara	35	5	11	,,

but a correction had to be made for measurement, which brought the cost of Bombay salt to Rupees 41-9-0.

31. Mr. Vaughan disclaims any wish to discontinue the local manufacture, and quotes the conditions under which he would allow those who had manufactured within a certain number of years, to continue the industry. The conditions are (1) certain restrictions on mode of "cultiva-" tion;" (2) salt to be paid for only on sale by Government; (3) due warning to be given of reduction of manufacture in event of decrease of demand; (4) both salts to be allowed to compete, and the price of country salt to be reduced. Mr. Vaughan proposes Rupees 112 as the selling price of foreign salt, and Rupees 70 as that of home-made salt. In a subsequent letter,* however, he suggested the right principle of differentiation, *viz.*, that the *net duty* yielded by each kind should be the same.

* No. 29, dated 18th December 1820.

32. On 15th March 1821,† the Board issued a Circular forwarding extracts on the mode of manufacture in the districts where salt-making was most successful, as an example which all Collectors of saliferous districts should strive to emulate, and offered, if necessary, to send an experienced Superintendent to aid in efforts for the improvement of monopoly salt. The Collector of Malabar‡ (Mr. Vaughan) answered that extensive experiments had been made in Fasli 1228 in Malabar to improve the quality of the salt. The salt made had been cleaner, but no larger in crystals than before. The cleanness was due to its having been made by, and at the expense of, Government, "and as nobody had any interest in it, it was not mixed, as all the ryots' salt was, "with a large proportion of earthy particles." Mr. Vaughan declared himself of opinion that the climate was too moist to admit of the formation of good pans, and that therefore salt of good quality could never be made in Malabar; but he proposed to try a crucial experiment in the next season (1821-22) at some pans a mile and a half distant from his cutcherry, and asked for the services of an East Coast man as instructor.

† Circular, No. 443, dated 15th March 1821.

‡ No. 866, dated 5th April 1821.

33. It was on the papers above summarised that the Board recorded their Proceedings of the 3rd May 1821, which will be found in Appendix G to Mr. W. H. Bayley's Memorandum.§ After reviewing the facts, they decided to recommend that, with a view to produce in Malabar enough salt for home consumption, the Collector should set all the available pans to work, and do everything in his power to increase and improve the manufacture, and specially they directed that the Collector's rule postponing payment of the cost of manufacture till the sale of the salt should be abrogated.

§ Also in Plowden's Report, Appendix B.

34. But it was clear that the revival of the manufacture would take time, and that meanwhile salt would have to be imported, and the Board thought Bombay should be chiefly relied on. Omitting to notice the Collector's last and most reasonable proposal, the Board ventured on a remarkable suggestion, *viz.*, that the duty should be *proportional* to cost of the salt in loco, and thus arrived at a rate of Rupees 56 per garce for the Malabar salt, by the following sum in Rule of Three :—

Cost price of Bombay Salt = say, Rupees 40. : Selling Price of Bombay Salt = Rupees 112. :: Cost Price of local Salt = say, Rupees 20. : *x*

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35. Government* agreed that it would in itself be a good thing if Malabar could produce enough salt for its home consumption, "if by "an improved manufacture, the people should "come to prefer it to foreign salt, and if the risk of smuggling could be adequately guarded against," and directed that an experiment should be tried at those pans which best promised success. But they naturally disallowed the Board's proposal for the regulation of selling prices, as being "in "reality" a proposal "to grant a large premium for the consumption of home-made salt in pre-"ference to foreign." The *same* duty in each case was to be added to the cost, and so the selling price arrived at.

* In G.O., No. 618, dated 24th Aug. 1821,—See Appendix G. to Mr. Bayley's Memorandum.

36. In July 1821, the Collector again reminded the Board about the required instructor. But the Board advised him to get a man from *Canara*. As to selling price, the Board proposed to levy a clear duty of Rupees 70, thus putting the price of country salt at Rupees 90 and of Bombay salt at Rupees 109 the garce. Mr. Vaughan, however, went back to a proposal as vicious in principle as the Board's, *viz.*, that home-made salt should be sold for Rupees 65 a garce, while foreign salt taken out for consumption in Malabar should be sold for Rupees 115, and that for consumption in Mysore at Rupees 112. The Board† disallowed this, but, without even consulting Government, permitted the old prices of Rupees 70 and Rupees 112, respectively, to stand good, though they were flagrantly obnoxious to the Government criticism as offering "a premium for the consumption of home-made salt"

From Collector, No. 1,818, dated 25th July 1821.
From Board, No. 1,574, dated 20th September 1821.

From Collector, Malabar, No. 2,557, dated 17th Oct. 1821.

† Board's Order, No. 1,783, dated 29th Oct. 1821.

37. In 1823, the Collector‡ obtained leave to put up to auction some country salt he had been unable to sell at 70 Rupees the garce. This was permitted, and the salt was sold for Rupees 50 the garce. On 23rd August 1824, the Collector asked whether the manufacture was, in face of these facts, to be continued; at the same time recording his "firm opinion that as long "as foreign salt is sold *ad libitum* to those who prefer it, not one grain of country salt will be "disposed of, whilst the former is§ sold at "Rupees 70, and the latter at a lower rate pro-"portioned (*sic*) only by the difference of the "purchase price of each respectively, more "especially as when foreign salt was§ sold at "Rupees 112 and country at Rupees 70, little or none of the latter was voluntarily purchased."

‡ No. 197, dated 13th January 1824.

§ From the tenses ("is" and "was") we may gather that in the meanwhile the prices of Rupees 70 and Rs. 112 had been modified, and Rupees 70 fixed as the selling price of the foreign salt, the home-made product being sold at a price lower by the difference in their respective cost.

38. Before finally settling whether manufacture should be persevered in, the Board asked what success the efforts to improve the quality of the salt had met. Mr. Vaughan replied‖ that, in his opinion, the conditions of climate and soil were such as would not admit of a salt being made which, even at half the price, could rival imported salt, and that from the difficulty of disposing of what had been manufactured, the industry had declined from year to year, till at last it "died a kind of natural death."

‖ Under date 29th September 1824.

39. The experiment in reviving the manufacture in 1857-58 has already been noticed. Mr. P. Grant, who succeeded Mr. (Sir W.) Robinson as Collector of Malabar, also in 1860 urged the resuscitation of the industry. But as 1½ maunds of the home-made salt only went as far as one maund of Bombay salt, he proposed to reduce the duty on the former in the same proportion. This the Board refused to countenance, and though Rupees 500 was sanctioned for a small experiment, nothing seems to have been done, and in July 1863 Mr. Ballard, who had succeeded Mr. Grant, wrote saying that natural obstacles were too strong to contend with, and advised the abandonment of the pans. The question was referred to Mr. Clarke, then about to visit Malabar, and his verdict was, as we have seen, adverse to the possibility of carrying on licit salt manufacture profitably in that district.

40. We now return to the Board's scheme of 11th May 1864. This was reviewed in the Madras Government Order, No. 889A, dated 1st May 1865. It was conceded that both manufacture under monopoly and importation by Government ought to be done away with on the West Coast. While, however, admitting the cogency of the Board's argument that the people of Malabar were as well able to bear taxation as their neighbours, the Government of Madras contended that the profit or duty on monopoly salt was really nearer Rupees 1-4-0, 4 Annas being a fair average of cost all round. But Government seemed to forget that what ran up the cost of salt on the West Coast and so raised the general average was the very system of state importation which they proposed to abandon. Government appear also to have been influenced by the fact that the excise in Bombay was then Rupees 1-4-0 per maund, and by the absence of all imports at a duty of Rupees 1-6-0 per maund. But while Government sold at Rupees 1-8-0, it would, indeed, have been remarkable had there been any private imports at a duty only 2 Annas below the monopoly price. However, on these grounds Government put the import duty and, by consequence, the excise duty, at Rupees 1-4-0 the maund.

41. Nor did Government agree with the Board that it was safe to sell off Government stocks at once and to cease importing. They agreed with Mr. Ballard that Government had by its action incurred a certain responsibility, and that the risk of a salt famine was no trivial risk. They, therefore, proposed to fix a price for the Government stocks made up of the duty (Rs. 1-4-0) and cost of salt landed, which was put roughly at 6 Annas for both districts, *i.e.*, Rupees 1-10-0 per maund.

42. Legislation being necessary, the sanction of the Government of India was asked to the bringing in of a Bill, and the Board was requested to revise the draft of 1859. For various reasons, however, the measure did not become law till 8th June 1871, when (Madras) Act VI of 1871 received the assent of the Governor-General.

43. We must here go back to notice briefly a correspondence which took place while the Act was being brought to maturity. The Collector of Malabar in his letter, No. 41, dated 11th February 1868, brought to the notice of the Board that the High Court had ruled that in Malabar the manufacture of salt was not illegal, but only its sale to others than Government. In South Canara a somewhat conflicting ruling had been passed, for there unlicensed transport had been declared illegal. Thus in Malabar, as the law stood interpreted, a man might make salt, and do anything he liked with it, except sell it, (otherwise than to Government); in Canara he might make it, but could not move it from the pans. Mr. Ballard declared that the people knew perfectly well that the manufacture was illegal, but as the ruling of the High Court had made honest men out of smugglers, he proposed that the law should be altered. Government, however, took a different view, and on historical grounds argued for the right of domestic salt manufacture as belonging to the Malabar ryot. But, as the practical inference drawn by Government was that the Excise Act, which would extinguish this right, should be pushed on with all speed, and as at a later date their views on the history of the introduction of the monopoly system into Malabar were much modified, the arguments of 1868 need not now be analysed. Mr. Ballard attempted some remonstrance, but the Board said the Excise Act would solve all his difficulties.

44. To return to the passing of the Act and subsequent correspondence. The Board* when consulted proposed to extend the Excise Act to South Canara and Malabar from 1st January or 1st April 1872, urging the spread of illicit manufacture reported by Mr. Ballard as an additional reason. They so far modified their views of 1864 as to propose to sell the Government stocks by monthly auctions spread over a year; but they were still of opinion that the retirement of Government from the business of import must be distinct and definitive, if private merchants were ever to come forward.

* No. 4,068, dated 22nd September 1871.

45. From these Proceedings, however, the First Member (Mr. G. S. Forbes) dissented. His minute deals chiefly with the general question, excise *versus* monopoly. But he expresses an opinion that Malabar and South Canara are the last districts to which the Act should be applied, because

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they must always depend on a supply *ab extra*, and that it has been proved by *experience* that their wants cannot be supplied by private trade. And Mr. Forbes especially cites the experience of 1856 as conclusive.

46. While selecting the West Coast districts as the best field for the experiment, the Board had addressed the Collectors of those districts on the subject. Mr. Webster, Collector of South Canara, urged that, while excise might be introduced, everything possible should be done to foster local manufacture under the excise system, till the district should become self-supporting, and that, in the meanwhile, Government should continue to import and maintain depôts. If the Government retired from import, Mr. Webster feared that a combination among traders would run prices up to an excessive height. The Board, however, did not share Mr. Webster's fears, and thought that private trade might be trusted to supply Malabar and Canara as it had supplied Hyderabad, Mysore, and the Central Provinces.

47. Mr. Macgregor, Collector of Malabar, afterwards replied. Neither he nor Mr. Webster was very definite as to the actual quantity of illicit salt made, and this was, indeed, to be expected. But Mr. Macgregor describes the number of persons employed as "considerable." He afterwards estimated 600 acres as devoted to the manufacture. He thought that the best time to introduce the Act was after the rains had broken up the pans, and he urged a gradual fostering of the private import trade. His figures are worth quoting, as showing how impossible it was till the monopoly price of the West Coast salt was raised for any private merchant to import licit salt. A contractor got 7 Annas a maund from Government for salt, and that salt was sold for 2 Rupees a maund less 5 per cent. discount, say at Rupees 1-14-6. How then could an honest trader import Bombay salt and pay an import-duty of Rupees 1-13-0 per maund? The Board supported Mr. Macgregor's proposals (1) to introduce the Act after the break of the monsoon, and (2) to keep up the salt stores till the supply from private trade was assured.

48. In 1873 the Board of Revenue obtained copies of the reports of Messrs. Pedder and Pritchard on the Bombay salt administration, and, in forwarding* certain reports to Government, (which need not be analysed here), distinctly withdrew their proposal to introduce the Excise Act in South Canara and Malabar. They assumed that the undoubted loss of revenue incurred in Bombay was due to the excise system, and expressed their apprehensions that "among the "Moplah population of Malabar and with the facilities afforded by the intricate backwaters of that "district and South Canara," the results might be not less disastrous. The Board were, "there-"fore, of opinion that the intention to introduce an excise system into this Presidency should be "abandoned." In this event, they urged that steps should be taken by other legislation to stop the illicit manufacture of salt on the West Coast, and, with regard to the possibility of extending manufacture in Canara, and reviving it in Malabar, they proposed to depute Dr. Ratton to those districts. Some further correspondence followed, consequent on the enforcement of pre-payment of duty in Bombay, the Board† protesting against the measure as tending to enhance the price of salt in Malabar and South Canara. But the Government of India did not yield the point. The Board also supported Mr. Thomas's proposal to raise the kudivaram (price paid to manufacturers) in South Canara from one Anna and nine Pies to three Annas a maund, in order to encourage the home manufacture.

* Board's Proceedings, No. 1,134, dated 30th June 1873.

† Board's Proceedings, No. 1,381, dated 24th July 1873.

49. In October‡ 1874, the Government of Madras recorded their views on the various references which the Board had been making since September 1871. The question of the introduction of the Excise Act is disposed of very briefly, thus: "The Right Honorable the "Governor in Council has come to the conclusion that the introduction of the Excise Act is undesir-"able. The correspondence which has passed shows clearly that at Bombay the system has failed, "and the experience acquired in Malabar under Regulation II of 1807 is not such as to encourage new "and uncertain experiments." In regard to the raising of the selling price on the West Coast, as the measure has since been carried out, only so much of the argument need be cited as involves the

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‡ Government Proceedings, No. 1,333, dated 17th October 1874.

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assumption of that special responsibility on the part of Government towards the people of the Malabar Coast which has already been referred to. This argument is thus stated in the Proceedings of the Government of Madras: "To raise the price in Malabar and Canara would be a breach "of a long-established arrangement of the nature of a prescriptive right, which has been tacitly "acquiesced in for many years* and originated "in peculiar circumstances connected with the "tenure of landed property in these districts."

* We may perhaps venture to point out that the history of selling prices on the West Coast in 1820—24 and even in 1858—60, (see paragraphs 16 and 26—38 above) hardly bears out this assertion.

50. Government also agreed that illicit manufacture must, in any case, be stopped, and, as a first step, consulted the Advocate-General as to what the law actually was. We have not seen his reply.

51. The Board's proposals to depute Dr Ratton and to raise the kudivaram to three Annas a maund were likewise approved, it being, under existing circumstances, so Government remarked, "obviously necessary to develop salt manufacture in Malabar and Canara to the largest extent "compatible with security against smuggling."

52. The Government of India refused to recede in the matter of the price of salt, and the prices of Canara home-made and of imported salt in Malabar and South Canara were provisionally fixed at Rs. 2-2-0 and Rs. 2-5-0 per maund, respectively. The Board were to reconsider, both for those districts and others, what items should be taken into account in the estimate of cost. The matter has since been specially referred to us, as one of the points for our consideration, and is dealt with, as regards these districts, further on.

53. The present status on the West Coast is, therefore, as follows:—

(1.) Canara home-made salt is sold at a monopoly price of Rs. 2-2-0 per maund, subject to the 5 per cent. wholesale discount, (of which, however, it seems that traders do not avail themselves in Canara with respect to either indigenous or imported salt);—

(2.) Imported salt is sold at Rs. 2-5-0 a maund, also subject to wholesale discount, at all the depôts in Malabar and South Canara;—

(3.) The import duty is Rs. 1-13-0;—

(4.) Importers of salt from Bombay must prepay duty, and must bag their salt; these regulations being also binding on importers of Bombay salt on behalf of Government.

54. A further most important regulation in the shape of the "Square-rigged Vessels Bill," whereby the conveyance of all salt which has not paid full duty will be restricted to square-rigged vessels of three hundred tons burthen or upwards, is under consideration. We have already† expressed our opinion in favour of the measure.

† In our No. 77, dated 19th March 1876.

55. The monopoly price having been raised, the Government of Madras called on the Board to report on the possibility of withdrawal from state importation. The Board, on the assumption that the excise scheme had been abandoned, and that efforts were to be made to encourage the local manufacture, expressed themselves opposed to discontinuing importation, and the local Government agreed. The Government of India, however, refused to accept this settlement of the question, and in letter, No. 274, dated 19th August 1875, conveyed the following orders:—(1) that the excise system was to be introduced in South Canara and Malabar; and (2) that Government were to retire altogether from their position as salt traders. The subsidiary orders were, (*a*) that notice should at once be given that, after 1st April 1876, the system of Government supplying salt would cease, and the supply be left to private trade; (*b*) that a system of bonded warehouses should be introduced, and the present Government storehouses be made available for the purpose; (*c*) that, till the salt supplies should be assured, a supply equal to six months' consumption should be stored by Government, to be sold afterwards to the traders when the new system had taken firm root.

56. The Government of India, by telegram, dated 20th October 1875, sanctioned the immediate introduction of the Salt Excise Act into Canara and Malabar. The Board had been previously

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consulted as to the possibility of stopping Government importation from 1st January or 1st April 1876, and, in reply, urged that 1st April was a bad date for withdrawal, as merchants would require longer notice to make their arrangements, and the Government stocks would then be at their lowest ebb. They proposed instead 1st January 1877. They thought that at least nine months' ordinary consumption should be kept in hand, and that Government should declare that under no circumstances would their salt be sold for less than Rupees 2-12-0 a maund. They also expressed an opinion that legislation would be necessary to permit of this measure, as Act XI of 1875 only allowed the addition to the duty of the sum required to cover certain specific charges. It seems to us, however, that clause (*c*) of Section 4 of Act XI of 1875, which permits the local Government to vary the sum added to duty with reference to any circumstance affecting the sale of the salt, is wide enough to embrace this particular case. But, while urging these objections to the details of the arrangements proposed by the Government of India, the Board do not disguise their aversion to the principle of the measure itself, and they enclose a memorandum by Mr. Webster, Collector of South Canara, dated 20th October 1875, which is, in fact, mainly a defence of the existing system against the arguments for its abolition brought to bear by the Government of India.

57. Mr. Webster first urges that, for the purpose of crushing out illicit manufacture, the introduction of excise was not necessary, as the object might equally be gained by the amendment of the existing law. He then contends that Dr. Ratton's report shews that the manufacture could under monopoly be extended to meet the supply of the district, but he doubts whether this will take place under excise. He states the practice to have been in Canara to distribute the Kundapur* salt to the different stores, the demand at Kundapur itself being not equal to the supply. This, we may remark, shews that the local salt of Canara had been made an exception to the general rule which prohibits Government undertaking the carriage of salt, and that, *so far*, the consumption of that kind had been artificially fostered. Mr. Webster then recurs to the often-used argument that the case of Canara and Malabar is exceptional, and that the inhabitants are specially entitled to "tender treatment," while the "effect of the introduction of the excise will be to put them on the same footing as those inland "districts whose case is admitted to be different." Again, Canara was practically isolated for five months of the year; but here Mr. Webster seems to forget that the Government of India expressly directed the maintenance of half a year's supply to meet the contingency of privately imported salt running short. The result of the measure would be, Mr. Webster thought, to drive the people to *Goa* salt, at any rate for home consumption, though the ghaut traders might still prefer Bombay salt at a higher price, for under the new system he expected the price to be "greatly "enhanced." Mr. Webster, therefore, recommends that what he designates as the "modified mono-"poly" system should be allowed to continue in South Canara for five years longer, and that meantime every effort should be made to extend the home monopoly manufacture, till it should suffice at least for the whole wants of the district, Bombay salt being still imported, till that consummation should be reached.

* Kundapur is the only taluk where salt is made in South Canara.

58. When the Board† received the orders of Government directing the *immediate* application of the Salt Excise Act to South Canara and Malabar, they pointed out that, if the change was made just as the season commenced, the manufacture would be unable to settle itself on its new basis, and recommended that the measure should be postponed till the date (*i.e.*, 1st January 1877) which they had recommended for the cessation of state imports. On receipt of these Proceedings, the Government of Madras‡ suggested to the Government of India that "in view of the various complications which attend the "introduction of the Salt Excise Act into the districts of South Canara and Malabar, *under the "conditions imposed*, the subject might advantageously form one of the topics to be considered by "the Salt Commission." The suggestion was adopted by the Government of India and resulted

† Board's Proceedings, No. 3,083, dated 10th November 1875.

‡ G.O., No. 1,779, dated 9th December 1875.

in your letter under reply, which refers the question to us for consideration and requires a specific report on the following points :—

(1.) the conditions on which the importation of salt by private traders into Malabar and South Canara should be permitted ;— and

(2.) what stock of salt the Government should retain and at what price it should be sold in the event of the trade failing to supply the market ;—

(3.) on what date the change of system should be introduced ;— and

(4.) whether it is expedient to exclude any part or the whole of Canara from the operation of the Madras Salt Excise Act.

59. We have also since been furnished with copies of certain correspondence between the Board and the Collectors of Malabar and South Canara—(1) proposing a scheme for the revival of monopoly manufacture in Malabar, and (2) containing the proposals on points of detail submitted by the Collectors, in case the change is to be absolutely enforced. These will be noticed further on in their places.

60. We have thus set forth, at what may seem tedious length, the history of the discussion, because we think some narrative of the sort necessary to bring out clearly the real points at issue and the arguments urged on both sides. We now proceed to state our views on the questions involved.

61. And first comes the main question whether the present system is to continue or not. Now the present system consists of two parts—(1) importation of salt by sea by or on behalf of the state into South Canara and Malabar, (2) the maintenance of a local *monopoly* manufacture in the former district.

62. We think that it will be conceded that *theoretically* the arrangement by which Government undertakes the importation of salt into the West Coast Districts is indefensible. The abandonment of the system has been from time to time advocated, first by Mr. Maltby in 1852, who was supported by the Board and Government. It was thought that to permit import at a duty of 12 Annas a maund, while Government sold its imported salt at 1 Rupee, less 5 per cent. discount, would of itself suffice gradually to foster private trade, but a margin of Annas 3-3, (for, taking the discount into consideration, it was no more), was clearly insufficient to cover the cost and carriage of Bombay salt and to allow a fair trade profit. Hence Mr. Maltby's complaints that, though the trade had been thrown open, no one embarked in it. Of course, when Government raised the import duty to 14 Annas, the case against the private trade became stronger still.

63. In February 1856 the Government of Madras, after a deliberate consideration of the whole case, determined that Government should retire from the trade on the 30th June 1857 : but, on the representations of the Collector, the date was postponed from year to year, till for a time the project dropped through, or was forgotten. Yet Mr. Robinson, the Collector in question, admitted that the change would be right in principle. But in 1864 Mr. Clarke again urged the measure of withdrawal, and it was most strenuously advocated by the Board. The local Government, too, admitted the measure to be desirable, but appeared to think that a system of importation by the state might subsist side by side with private trade. From this stage the introduction of an excise becomes the central point of the discussion, until your letter of the 19th August last again gave prominence to the import question. The Collectors and the Board now seem to advocate a continuance of the present state of things.

64. What then are the practical difficulties believed to stand in the way of a change admitted to be theoretically desirable ? They appear to us to be resolvable into two, *viz.*, (1) that the salt supply of the West Coast will be endangered, and (2) that Government is in some way bound to refrain from any measure which may have the effect of enhancing the price of salt, because the action of the monopoly has in Malabar extinguished, and in South Canara greatly diminished, the local manufacture of salt.

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65. Let us consider in turn the validity of each of these objections. And first we wish to examine the argument which appeals to *experience* as having proved that private trade cannot supply the districts of the West Coast. Perhaps this argument is most boldly stated by Mr. G. S. Forbes in 1871, when he dissented from his colleagues of the Board of Revenue, (see paragraph 45 above). But it is also implicitly appealed to by Mr. Robinson and the Board when, in recommending the postponement from time to time of the measure of withdrawal, they refer to the absence of any symptoms of private trade springing up, as a cause for apprehension, should the measure be carried out. It may be at once conceded that till the passing of Act XI of 1875 private trade did not, as a matter of fact, contribute in any appreciable degree to the supply of licit salt in Canara and Malabar. But why did it not so contribute ? Simply because the monopoly price at which Government sold imported salt was so fixed that it was impossible for an honest private trade to develop itself.

66. That this was the case may be very easily shewn. In 1807 the clause of Regulation I of 1805 which expressly forbids private imports was extended to Malabar. Regulation II of 1818 repealed so much of this clause as related to imports by sea, but imposed a prohibitive duty of Rupees 350 a garce, modified by Act VI of 1844 into 3 Rupees per maund. When the duty was by executive order lowered to 12 Annas a maund, we have seen, (paragraph 62), that it was still impossible for the importer of Bombay salt to get a footing in the market. The duty was then raised to 14 Annas, and that rate seems even to have excluded the Goa salt, which for a time to some extent established itself in Canara under a 12-Anna duty. The selling price of imported salt was then raised to Rupees 1-2-0 in Malabar.* This, after deducting discount, gives a true selling price of Rupees 1-1-7, a margin of Rupee 0-3-7 being thus left for cost, carriage and profit, a margin obviously too narrow when we remember that not long afterwards, as stated by Mr. Grant, Government was paying Rupee 0-7-11½ for Bombay salt. When, in 1859, two Annas was added to the monopoly price on the East Coast, the price in Malabar was raised to Rupees 1-4-6, the customs duty being raised to Rupee 1. This gave an actual margin of Rupee 0-3-6 only, after allowing for discount. When the monopoly price was further enhanced the distinction between East Coast and West Coast became obliterated and, even discarding discount, the utmost margin was 3 Annas, till the passing of Act XI of 1875.

* It was only Rupees 1-2 0 in Canara, to which therefore this argument applies *a fortiori*.

67. But whenever private trade did for the moment get a chance, that chance was seized. Thus it has already been seen that when in 1854 the duty was lowered to 12 Annas, Goa salt, doubtless aided by smuggling, did come into Canara ; and, similarly, of late, since the monopoly price was raised to Rupees 2-5-0, reducible, let it be remembered, by trade discount to Rupees 2-3-2, the import duty standing at Rupees 1-13-0, there have been considerable imports† of salt from Dwarka, Damán, and even Bombay, to Calicut, Tellicherry and Cannanore.

† 89,464 maunds in all during 1875-76, of which 72,036 maunds were foreign, and 17,428 maunds Bombay Salt.

68. We must therefore distinctly traverse the assertion that experience proves that private trade will not suffice to supply the market. What little experience there is to the point goes to prove the opposite. As to apprehensions for the future, perhaps Mr. Robinson, for Malabar, and Mr. Webster, for South Canara, may be taken as expressing them most forcibly. Mr. Robinson, however, admitted that the extension of the railway to Malabar would materially alter the case.

69. Let us then look at Malabar first, and consider the distribution of the salt sold in that district, both in space and in time. We may perhaps fairly assume that at first the diffusion of salt from the coast will, under private trade, follow much the same routes as at present, and that approximately the same quantities will follow each route ; also that the active season of inland traffic will continue the same. The following table shews on an average of the last five years how much

salt was sold at each salt station in Malabar during the five monsoon months, June to October, both inclusive, and how much during the rest of the year :—

Average Sales calculated on the five years 1870-71 to 1874-75.	Cannanore.	Tellicherry.	Calicut.	Beypore.	Ponnani.	Chowghaut.	Mathilagun.	Cochin.	Total.
	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.	MDS.
From June to October, both inclusive ...	8,419	12,662	41,917	43,135	59,259	1,304	1,277	2,733	170,706
During the other seven months of the year ...	50,362	60,433	77,624	89,043	95,582	1,639	1,273	3,605	379,561
Total ...	58,781	73,095	119,541	132,178	154,841	2,943	2,550	6,338	550,267

It will be seen that over the whole district more than two-thirds of the sales occurred in the open months, and that out of the 170,706 maunds sold during the monsoon period, no less than 144,311 maunds belongs to the three stores of Beypore, Ponnani, and Calicut, where any deficiency could at once be made good by rail-borne salt from the east. Indeed, out of the total average sales of 550,267 maunds, 406,560 maunds came from those three depôts. Moreover, in the years on which these averages are taken, salt went eastward from Ponnani and Beypore into tracts which, since the raising of the duty on the West Coast, get their salt from Madras by rail. The district is traversed by the railway, there is communication parallel to the coast by backwater open all the year from Beypore and Calicut nearly as far north as Tellicherry, and inland by numerous streams running into the long stretch of backwater. The road system of the district is moreover exceptionally good.

70. We had an interview with the principal salt merchants of Calicut, when we visited that place at the beginning of May, and they expressed themselves as ready to enter on the traffic under the free system as they had been to act as contractors for the Government supply. We learned from them that Bombay merchants were also prepared to embark in the enterprise, and that indeed most of the salt imported on private account had been sent down by Bombay traders for sale on commission. There is every reason to believe that the passage quoted from Mr. Clarke in paragraph 21 as to the shrewdness and speculative activity of the native merchants is at least as true now as it was in 1864.

71. In South Canara the communications are not so good as in Malabar, and the district is more isolated in the monsoon. But, on the other hand, the following statement prepared for South Canara shows that the stagnation of inland traffic there during the rains approaches complete cessation far more nearly than in Malabar :—

Average Sales calculated on the figures of 5 years 1870-71 to 1874-75.	Udipi.	Cassergode.	Mangalore.	Buntwal.	Kundapur.	Total.
Sales during five monsoon months	7,122	7,490	23,526	4,277	7,596	50,011
Sales during remainder of year	12,414	14,209	150,240	21,566	26,753	225,182

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Moreover, at the beginning of the monsoon there are always two lakhs of maunds of salt or more at the North Canara salt works not far from the border of the two districts. Ratnagiri, which mainly depends on Bombay for salt, and Belgaum and Dharwar, which obtain much of their supply through Ratnagiri, are in the rains as completely cut off from their base of communication as South Canara, but no failure of the salt supply has been experienced in those districts, though undoubtedly the price rises in the monsoon months. Nor does the Board of Revenue share Mr. Webster's fears in this respect.

72. On the whole, therefore, we are of opinion that neither in Malabar nor in South Canara has a sufficient case been made out against Government withdrawing from the salt import trade on the ground that such a measure would endanger the supply.

73. We now come to the argument based on the supposed obligation incurred by Government towards the people of the West Coast on account of the action of the monopoly in killing the local salt manufacture in Malabar and crippling it in Canara. This argument has been brought forward from time to time against every measure tending to place the people of the West Coast on the same footing as the inhabitants of the rest of the Presidency in respect of the salt-tax. Thus, in 1863-64, Mr. Ballard and Mr. Clarke used it to prove that the duty should be lowered on the West Coast ; the Government of Madras advanced the supposed claim as a reason against raising the monopoly price ; and now Mr. Webster urges it in his appeal for the " tender " treatment of the South Canara folk. Even in your letter of the 19th August 1875 to the Government of Madras, the Government of India seems to countenance the idea of a special claim based on the action of the monopoly, though, as the plea was over-ruled in regard to the increase of the monopoly price, it can hardly be intended to allow it much weight now.

74. It seems to us that the correspondence which has been fully abstracted in paragraphs 4 and 26—38 above completely disproves any such claim in respect of Malabar. Those letters show that probably the supply came partly from the north by sea before the monopoly was introduced, or at least that this mode of supply was the chief one so early as 1815. Mr. Vaughan and Mr. Græme took very different views of the subject, but they both admit that the natives of Malabar chose rather to pay Rupees 112 per garce for Bombay salt than to pay Rupees 87-8-0 per garce for indigenous salt. The Commissioner (Mr. Græme) urged, it is true, an experiment in reviving manufacture, not however on the ground of hardship to the consumers generally, but because the suppression of the trade would lead to distress among the salt-workers. The experiment was tried and failed utterly, notwithstanding that, at least for a part of the time, the indigenous salt was sold outright at Rs. 70 the garce, while foreign salt had to pay a clear duty of the same amount. The simple fact seems to be that the indigenous salt could not bear to pay the same tax as the imported article, and that though the local authorities by imposing on the latter a protectionist duty and actually closing at times the stores in which it was contained, tried artificially to stimulate the consumption of the former, the manufacture " died a natural death," being unable to compete with importation even on terms of such unfair advantage. That the salt-makers may have suffered some distress is not impossible though from the correspondence it seems that Government took steps even to compensate them, but we are decidedly of opinion that it is not proved that Government by its action in Malabar incurred any obligation to treat the inhabitants generally with special consideration in the matter of salt taxation. That the people are by reason of the comparative lightness of their

land assessment and their general prosperity well able to pay the tax on salt brought to them by the ordinary course of trade is on all hands conceded.

75. In Canara we have shewn that the assertion that the district was self-supplying till the monopoly came in, is not borne out by facts. Still, it may be admitted that since the introduction of monopoly the indigenous production has declined. Owing to the separation of Canara into two districts in 1860, it is difficult to make a comparison running far back ; but according to Mr. Clarke's figures given in 1864, the average home manufacture was 89,616 maunds. The average manufacture for the five years ending 1874-75 was only 26,659 maunds. The manufacture has, however, during the last year risen to upwards of 50,000 maunds, under the stimulus probably of the enhanced payment to the ryots of 3 Annas a maund ; but the sales have fallen, and were little more than half the quantity made. Mr. Clarke expressly combats the notion that the natives of Canara prefer the locally made salt, and Mr. Webster, as we have seen, admits that Government has to undertake the task of distribution to get the salt sold. The decline of the salt manufacture in Canara is probably due to the same causes as the extinction of the industry in Malabar. But Government never artificially forced the manufacture in Canara, (except perhaps lately by the grant of a high kudivaram), and the fact that it survives may shew that the conditions are more favorable there than in Malabar. The people of Canara are, in our opinion, in no way more entitled to any specially tender treatment than those of Malabar.

The following table shews the land-revenue and population of each district :—

Years.	South Canara.	Malabar.
	Population 918,362 Souls.	Population 2,261,250 Souls.
	Rs.	Rs.
1872-73	12,50,461	19,20,193
1873-74	12,60,571	18,00,794
1874-75	12,30,571	18,13,193
Total ...	37,41,603	55,34,180
Average ...	12,37,201	18,44,726

Thus the incidence of land-revenue is Rupees 1½ per head in South Canara and 13 Annas per head in Malabar.

The following table shews the value of imports and of exports and the Sea Customs revenue, (exclusive of salt and treasure), of each of the districts : —

Years.	South Canara.			Malabar.		
	Value of Imports.	Value of Exports.	Sea Customs (exclusive of Salt.)	Value of Imports.	Value of Exports.	Sea Customs (exclusive of Salt.)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1872-73	17,95,218	40,67,354	72,134	93,73,470	219,76,159	1,50,282
1873-74	16,65,450	47,15,435	39,332	90,41,190	216,90,719	1,35,925
1874-75	17,04,707	45,12,996	56,628	91,78,394	225,26,901	1,04,395

76. As this last argument of the opponents of change is urged on the assumption that the change will result in increased prices, we may perhaps be expected to say a few words on that subject. We are unwilling to hazard any prediction as to the maximum price which will be

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reached, but we wish to record the following facts. When at Calicut, we, (as already noticed), had an interview with the chief merchants engaged in the salt trade there. They were all ready to embark in the enterprise, and some had already brought in foreign salt on their own account. They had, however, met with some difficulty in disposing of it, having up to 9th May 1876, although the importations commenced as early as September 1875, only taken out of bond 228 garce of 600 garce imported and having out of the 228 garce about 100 garce unsold in their own stores, though they had been willing to sell Daman salt at Rupees 2-4-0 and Rupees 2-4-3 ; and Dwarka salt at Rupees 2-3-0, per maund. They had not imported Bombay salt, (though some had reached Tellicherry and other Malabar ports on private account), because they could get it at little over Rupees 2-3-0 from the Government stores, (deducting discount), and could not import it for less. They thought they could import it and sell it at Rupees 2-4-0 in the open season and Rupees 2-5-0 in the rains, prepaying duty at Bombay. Bombay salt had been imported and sold at Rupees 2-4-0 and Rupees 2-4-3 at Cannanore and Badagara. For South Canara we have no definite facts of our own collecting as to price, but it cannot well be that it would cost more to lay down Bombay salt there than in Malabar. The railway will, at least in the latter district, always act as a check on any great rise of prices, for Madras salt can be laid down at Beypore for Rupees 2-8-1, salt from Tuticorin for Rs. 2-11-0, and salt from Negapatam for Rupees 2-8-2 the maund.

77. We have now fully considered the arguments against the withdrawal from state imports, and we see no reason to believe that the measure will involve any injustice or hardship to the inhabitants of South Canara and Malabar, any serious danger of a failure in the supply of salt, or an inordinate enhancement of the price.

78. We pass to the question of excise. It will have been seen that Mr. Maltby in 1852 was in favor of the measure, but afterwards proposed to maintain the monopoly manufacture in Canara till the effect of the opening of the trade should be practically tested. The effect of that opening of the trade was, for reasons already explained, absolutely nothing, and in the Government orders of 1856 the question of excise is not noticed ; indeed those orders directed an experiment for revived manufacture under monopoly. We have seen how the excise plan originating out of Mr. Plowden's report dropped through, and Mr. Clarke, like Mr. Maltby, wished to begin by withdrawing from importation. The Board in 1864, however, distinctly advocated an excise for South Canara, and when the Salt Excise Act was passed proposed to introduce it in the West Coast Districts. A perusal of the Bombay reports worked a revolution in their opinions. But it seems to us that the "Bombay experiences" relied on shew nothing more than that abuses may exist under a system of excise, and that the defects discovered in Bombay might also exist under a monopoly. As between excise and monopoly the experience of the Bombay Salt Department was not conclusive either one way or the other. It will, we think, be difficult to maintain a monopoly of the home manufacture, and at the same time throw open the import trade entirely, and we would most strongly deprecate another attempt to vivify monopoly manufacture in Malabar, as advocated by the Collector, even with the advantage of Dr. Ratton's experience to guide us. If, under an excise, a local manufacture can establish itself in Malabar, by all means let it do so, but it would, in our opinion, be very undesirable for Government to repeat the experiments which so completely failed in 1820-24 and in 1857-59. In South Canara the interests involved are very small. Taking the kudivaram at 3 Annas a maund, the average manufacture of the last five years would represent a sum of just Rupees 5,000. Even if that sum be doubled, it would hardly imply a vested interest sufficiently strong to stand in the way of an important step towards establishing a free trade in salt. It does not appear that compensation has been claimed by those affected by the gradual closing of pans which the gradual decrease of manufacture must have involved. The pans have probably been re-absorbed in the rice land from which they were originally taken. Such of the pans as can be properly concentrated and brought under preventive supervision may, if licenses are applied for, be licensed ; the rest will probably, as in Malabar, be reclaimed for cultivation. We therefore think that the Salt Excise Act should be introduced in South Canara and Malabar, and that no part of the former district should be exempted from its operation. This answers the 4th of the specific questions put in your letter under reply.

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79. Though the application of the Excise Act may not be the only way of suppressing the illicit manufacture which prevails in Malabar and South Canara, (and in the latter district, as pointed out by Mr. Webster in his memorandum of 20th October 1875, to a greater extent than the Government of India seem to suppose), yet it is probably the simplest and fairest way of doing so. We think the law should be thoroughly enforced in this respect; the supposed lawfulness of the process is a mere creation of ingenious legal technicality, not believed in by the people themselves. Indeed when we visited Beypore and endeavoured to get a view of the process and pans we were unable to do so and were informed that the workers had destroyed the pans and fled. The Collector of Malabar told us that he did not think any extra force would be needed to crush out the practice. If so, well and good, but we think that both there and in South Canara it will be wise to maintain an effective repression at the outset and that such extra force as is wanted for this purpose should not be grudged. It is one of the evils of this protracted discussion that a sort of prescription should have been allowed to gather round this illegal process of manufacture.

80. The next point for consideration among those referred to us is "the conditions on which the importation of salt by private traders into Malabar and South Canara should be permitted." This may be looked at under three heads—

I.—the routes by which import should be allowed;—

(*a*) land routes;—

(*b*) seaports of entry;—

II.—the rules with which salt on entry must comply;—

III.—the preventive measures necessary against smuggling.

81. Under the head I. (*a*), land routes, the only restriction proposed is that suggested by Mr. Webster, *viz.*, that the road from Batkal to Baindur should be closed to salt coming from North Canara, where he believes smuggling exists. But if smuggling does exist there, the proper remedy is closer supervision, not the establishment of a preventive cordon between two British Indian districts paying the same duty. We see no reason why land routes should not be left absolutely free. We wish, however, while on this point, to draw attention to the wording of Section 13 of the Madras Salt Excise Act, which places all salt manufactured outside the Madras Presidency on the same footing as regards the regulation of its import by land.

82. Under the head of ports of entry, I. (*b*), Mr. Webster proposes to open all ports, but he would only have bonded warehouses at Cassergode, Manjeshwar, Mangalore, Moolky, Malpe, Hangarkottah and Kundapur. The Collector of Malabar would allow foreign salt to land only at Calicut and Tellicherry till a preventive establishment was thoroughly organised. Section 14 of the Salt Excise Act gives Government full power to limit the number of ports of entry, and we venture to think that the ports named in the margin* will be found sufficient at first. As all salt must be tested, even though it have paid duty, each port of entry must have a trustworthy Superintendent. The Board of Revenue has, we believe, now under consideration a revised scheme of customs establishments and the fact that such establishments will have to supervise salt imports should, we think, be borne in mind in that connexion. Savings from the salt establishments will be available, but we are not in a position to make any detailed proposals on this head.

South Canara.	*Malabar.*
Kundapur.	Tellicherry.
Hangarkottah.	Badagara.
Moolky.	Calicut.
Mangalore.	Beypore.
Kassergode.	Ponnani.
	Chowghat.
	Cochin.

83. With regard to regulations at the ports of entry, we observe that both in your letter under reply and in the letters of the Collectors forwarded to us by the Board, the establishment of a system of bonding appears to be contemplated. Under the plan of prepaying duty now in force at Bombay it will obviously be unnecessary to provide for the bonding of salt from *that* source. But, the West Coast local authorities and the Board of Revenue having objected to the enforcement of prepayment as enhancing the cost of imported Bombay salt to the consumer in Malabar and South Canara, we have endeavoured to estimate what the actual difference between a system of

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prepayment and a bonding system would be. At present two months' credit is given at Bombay, but the Bombay Government will probably be willing to extend this to three months. It may be assumed that no larger stocks will be maintained by private merchants in Malabar and South Canara than will suffice to meet demands during the period when the coast is closed and salt is not obtainable from Bombay. Assuming that the traffic ceases on the 15th May, and allowing a fortnight for loading and the voyage, the three months' credit would cover May, June, and July. The traffic begins again in October or even in September, but, to err on the safe side, we may say that the salt to be bonded would be that necessary to meet the demand of August, September, and October. The demand is probably fairly represented by the average Government sales. These give the following figures:—

	MDS.
Average sales during August, September, and October in South Canara.	33,434
Do. do. do. do. in Malabar ...	102,684

By bonding the merchant would save interest at the ordinary commercial rate (12 per cent.) on the duty on these quantities for the three months after expiry of credit, and the difference between that rate and 4 per cent. for the period of credit. This saving would amount to Rupees 3,030 in South Canara and Rupees 9,305 in Malabar. Godown rent may perhaps be left out of consideration. The merchants would have to pay for storage in some form under either system. Wastage also may be left out of account. It would remain to set against the saving of interest the cost of establishments and guarding at the bonded warehouses. Taking these on a minimum scale for six months, we put their cost at Rupees 3,216 in South Canara and Rupees 4,073 in Malabar. Thus in the former district there would be a slight loss, (Rupees 3,216 — 3,030 = 186), and in Malabar a saving of Rupees 4,073, which, spread over 102,684 maunds, gives a saving of about 8 Pie a maund. We may mention that the Calicut merchants made a rough calculation of the additional expense caused by the prepayment rule and their maximum estimate was 9 Pie per maund. We consider our calculation an extreme one, the case being put strongly in favour of the advantage of bonding; for instance it might be necessary to maintain establishments all the year round, and we understand that the securities deposited in Bombay do not represent so much capital the property of the trader, but are hired at a percentage. This might further reduce the estimate, but in the absence of detailed information as to the rates of hire we cannot distinctly say. We may add that, to judge from statements shewing the actual prices of salt in the Calcutta market sent us by the Collector of Customs, the compulsory prepayment of duty has made no appreciable difference in the selling price of Bombay salt there. On the whole, the difference in the price of salt caused by the prepayment system is so small that we would not suggest any change in existing arrangements for the prepayment of duty at Bombay. The risk of the irregularities which might attend the bonding system, if introduced at a number of scattered ports, will also be thus avoided. If, as we have recommended, the Square-rigged Vessels Bill becomes law at an early date, the quantity of salt, other than Bombay salt, arriving without the duty prepaid will probably be small. It will be advisable, in our opinion, to postpone any definite arrangements for bonding such salt till the effect of that law is tested by experience. There will for the present probably be room in the Government golahs at Calicut and Mangalore, at both of which places there is a well-paid and efficient customs establishment, for such salt as is imported from other sources than Bombay.

84. We would here emphatically repeat our recommendation in favor of the early enactment of the "Square-rigged Vessels Bill." Under a system of open private trade, a restriction of the kind will be absolutely required to prevent smuggling, and in testimony of this necessity, as regards Malabar and Canara, we refer to the apprehensions expressed by the Collector of Malabar in paragraph 8 of his letter, No. 318, dated 20th October 1875, recorded in the Proceedings of the Madras Government, No. 120, dated 9th December 1875, which runs as follows:—"There is no "doubt that at present it will pay best to import salt from foreign ports, because duty has not "to be paid on what is lost by wastage or accident *or on what can be smuggled*. The facilities "for smuggling salt from vessels carrying no reliable clearance documents are very great; it is so

"easy to drop anchor for the night at some rendezvous and sell duty-free salt to boats coming off "from the shore under pretence of fishing. Even if by notification under Section 14 of the Excise "Act importation of foreign salt be permitted only at, say, Calicut and Tellicherry, the large "profits to be made from smuggling it *en route* to those ports will always enable merchants im- "porting it to under-sell others. I would not be at all surprised if it become necessary very "shortly to forbid importation of foreign salt altogether. As stated above it is the only salt that "has as yet been imported* on private account "into this district, and this too although it is of "inferior quality." The Collector of South Canara in his letter, dated 20th October 1875, recorded in the same Government Proceedings, bears similar testimony to the prevalence of smuggling from country craft carrying foreign salt.

* This was the case when the Collector wrote. Bombay salt was imported later on.

85. As a preventive establishment afloat, the Collector of South Canara proposes to entertain four Inspectors, (Natives, two on Rupees 50, two on Rupees 100), each of whom is to have a small sailing boat with a crew of six men. He also asks for a steam launch to be stationed at Mangalore, apparently for the use of the Sea Customs Superintendent and Conservator of the Port. The Collector of Malabar asks sanction for two Inspectors on Rupees 50 each, and for seven Ceylon outriggers, with crews of four men, to be stationed at different points on the coast. He proposes to place the whole force under the orders of the Master Attendant at Calicut, whose pay he would increase by Rupees 150 a month, and for whose use he would provide a steam launch. Steam launches, unless large and costly decked boats, are useless in a rough sea, and Native Inspectors, backed by crews of four or six men, might find themselves unable to cope with the dozen or more hardy Kolees or Musalmans they would find on board any pattimar intent on salt smuggling. A strong hand will be needed to put down the smuggling now carried on, and we think that, if the work is to be done effectually, Europeans must be employed. The length of coast to be guarded is about 300 miles, and we recommend that four Inspectors on salaries ranging from Rupees 100 to Rupees 250 a month be sanctioned. Each Inspector should have a fast sailing decked and cabined boat of about fifteen tons burthen, with a crew consisting of a Serang on Rupees 15, and ten Lascars on Rupees 10 each. Until these boats are built, the Inspectors might use pattimars, which can be hired for Rupees 100 or Rupees 120 a month. The Senior Inspector should be the head of the Coast Guard establishment, and the whole force should be directly subordinate to the Chief Salt Officer in the district. The Inspectors should live on board their boats and cruise actively, and they might be usefully employed occasionally in checking the weighments of salt landed at the ports within their beats.

86. There remains to consider what stock of salt the Government should retain, and at what price it should be sold in the event of the trade failing to supply the market, and also on what date the change of system should be introduced.

87. To take the last question first, we recommend that it should as soon as possible be notified that Government will cease sales of salt on the 1st December 1876, and that the usual state importations will not be made during the ensuing season. This is only one month before the date suggested by the Board of Revenue, and, considering that the coast is open in September, we think it is not too early.

88. As to the stock to be kept in hand, we find that the stock on 1st April 1876 in South Canara was 261,185 maunds and in Malabar 548,000 maunds, or a little short of a year's average demand in each case. Supposing the sales during the monsoon also to continue about the average, there would on 1st December remain an ample stock to meet the contingency of a short supply by private trade. If, however, the sales are larger than we anticipate, the stock should be raised to the half of a year's supply, or say 2¾ lakhs for Malabar and 1½ lakhs for South Canara. But the price at which the salt is to be sold will, of course, affect the monsoon sales, and this leads us to the last point, *viz.*, the price at which the salt should be sold.

89. In the memorandum which forms an enclosure to this letter we have estimated the actual cost to Government of the salt sold to the public in Malabar and South Canara. In the former district the cost comes out so nearly equal to that assumed as approximate cost when the selling price was raised to Rupees 2-5-0 the maund (*viz.*, 8 Annas a maund) that it would be hardly worth while to make any change. But, as we have already more than once pointed out, this price is only the nominal price, the real wholesale price being five per cent lower. We strongly recommend that the allowance of this five per cent. discount be at once withdrawn, and that up to the 1st December 1876 Government salt in Malabar be sold at Rupees 2-5-0 amaund for the quantity actually delivered, without any reduction. In South Canara, where different kinds of salt are sold, the result is not so simple, but the present prices certainly do not nearly yield a net duty of Rupees 1-13-0 per maund. As a matter of principle we think that the price of each kind of salt should at once be raised to its actual cost *plus* the duty of Rupees 1-13-0 per maund, without any discount or allowance. But, perhaps, if the change is at length to be actually carried out, it may not be thought expedient to alter prices now, in which case the present prices of Rupees 2-2-0 for indigenous salt and Rupees 2-5-0 for imported salt might be allowed to stand in Canara *till the cessation of Government sales*. But, should it be necessary to resume sales on account of Government, we think that the principle stated above should be strictly carried out, and that salt should be sold in both districts at a price which will cover the duty *plus* all charges. Should it seem likely that sales will have to be resumed, it might be well to to traders have notice of Government's intention to sell, say a month beforehand. But we do not advise that any such pledge should be given. Private trade once thoroughly established, the Government stocks might be gradually sold by auction on the plan adopted in Bengal when the salt of the monopoly was there superseded by imported salt.

90. Our conclusions and suggestions may be thus summed up :—

(1.) that the Excise Act may properly be introduced throughout the whole of South Canara and Malabar, and that Government should not actively interfere to revive or extend local manufacture in either district, but that the industry should be left to establish itself, if it can do so, under a system of excise ;—

(2.) that there is no reason, either in the circumstances of the people, or in the past dealings of Government with them in respect to salt taxation and supply, why the provision of salt for these districts should not be left entirely to private trade ;—

(3.) that there are no valid grounds for the fear that private trade will not be sufficient to meet the demand ;—

(4.) that Government should, therefore, at an early date, (we suggest the 1st December 1876), withdraw from the import trade in salt ;—

(5.) that the importation of salt by land may safely be left free ;—

(6.) that it will probably at first be sufficient to open to the trade five (named) ports in South Canara and seven (named) ports in Malabar ;—

(7.) that, in the revision of customs establishments, which we understand to be under consideration, the fact that salt imports will have to be supervised should be carefully borne in mind ;—

(8.) that the system of prepayment of duty continuing in Bombay, and there being, we hope, an early prospect of the passing of the Square-rigged Vessels Bill, definite arrangements for bonding may be postponed for the present ;—

(9.) that an efficient sea-going preventive establishment is necessary ;—

(10.) that, to meet emergencies, a stock of one half of a year's supply should be kept in hand ;—

(11.) that the allowance of 5 per cent. discount on wholesale sales should be forthwith discontinued ;—

(12.) that as a general principle no Government salt should be sold at less than the full cost *plus* duty ; that nevertheless, if thought expedient, sales in South Canara and Malabar may

be temporarily *continued* at existing rates, without discount, but that if, after discontinuance, sales have to be resumed, the principle should be strictly enforced ;—and

(13.) that, when private trade is once thoroughly established, the Government stocks should be gradually sold by auction.

We have the honor to be,
Sir,
Your most obedient servants,

(Signed) C. B. Pritchard

(,,) J. Geoghegan

(,,) H. E. Stokes

(,,) R. M. Adam

(,,) T. Venkasami

P. S.—We have omitted to notice in the body of our report the quality of the salt supplied under the contract system to the Government Warehouses on the Malabar Coast, and we desire here to add a few words on the subject. The great bulk of the salt comes from Bombay, and only cheap inferior kinds of Bombay salt are taken by the contractors. A considerable portion of the salt imported this season on Government account into both Canara and Malabar consisted of refuse and siftings from the Sanksi salt works, purchased by the contractors at rates varying from 14 Annas to Rupees 1-4-0 per '*ana*' of 70 Indian Maunds, *i.e.*, for less than 3 Pies per maund. The results of the analyses of three specimens of this season's importations from Government Stores in Malabar, and of one specimen of good average Bombay salt sent us by the Acting Collector of Salt Revenue at Bombay, are shown in the following table :—

* As reported by the Collector of Salt Revenue, Bombay.

	Moisture.	Insoluble matter.	Organic matter.	Sodium Chloride.	Magnesium Chloride.	Calcium Chloride.	Magnesium Sulphate.	Calcium Sulphate.	Unaccounted for.
Chowghat (Malabar) ...	8·342	1·453	·223	84·159	2·965	·185	...	2·942	+ ·269
Ponani (do.) ...	7·217	1·061	·322	85·270	3·200	...	·146	2·817	+ ·033
Calicut (do.) ...	6·450	1·161	·220	88·365	2·151	·233	...	1·873	+ ·457
Average Bombay Salt ...	3·856	2·702	·059	91·086	·615	...	·092	·680	+ ·90

The analyses were made by Dr. Hazlitt, the Analyst attached to the Commission. Our President informs us that the ordinary price of Bombay salt of quality similar to that standing last in the above statement is about Rupees 8 per '*ana*,' *i.e.*, about 1 Anna 10 Pies a maund ; and, further, that, except a comparatively small portion sent to Calcutta, the whole of the salt of inferior quality above referred to has hitherto been taken for export to the Malabar Coast. We think it likely that, under a system of open trade, this salt will no longer find a market in the West Coast Districts, but that it will be displaced by salt of fair quality, which can undoubtedly be imported and sold at a profit at prices within those heretofore paid to to the Government Contractors.

116/33

ENCLOSURE No. 1.

Memorandum, referred to in paragraph 89 on cost of Salt in South Canara and Malabar.

Items of charge.	Malabar.		South Canara.			
			1865-66 to 1874-75.		1874-75 and 1875-76.	
	1865-66 to 1874-75.	1874-75 and 1875-76.	Home Manufactured.	Imported.	Home Manufactured.	Imported.
	Ind. Mds.	Ind. Mds.	Ind. Mds	Ind. Mds.	Ind. Mds.	Ind. Mds.
Quantity made or imported	5,639,000	1,175,382	437,841	2,633,965	84,605	343,796
Received from other districts	59,274	.....	.....	.....	.....	.....
Gain by weighment and miscellaneous	6,580	1,285	3,469	22,392	245	1,710
	5,704,854	1,176,667	441,310	2,656,357	84,850	345,506
Deduct wastage	38,491	736	14,290	49,353	4,868	2,496
Do. discount	150,002	32,191	.....	.....	.....	.....
	188,493	32,927	14,290	49,353	4,868	2,496
Net ...	5,516,361	1,143,740	427,020	2,607,004	79,982	343,010
			3,034,024		422,992	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost of Salt. Charge for land	.....	.....	14,823	...	3,098	.....
Purchase of salt	25,93,099	5,04,632	47,615	12,08,824	13,503	2,09,259
Works... Repairs and temporary works	.....	.....	.....	.....	.....	.....
Works... Interest for permanent works	.....	.....	.....	.....	.....	.....
Charges on salt received from other districts	14,127	.....	.....	.....	.....	.....
	26,07,226	5,04,632	62,438	12,08,824	16,601	2,09,259
Rate per Maund ...	0 7 6·8	0 7 0·7	0 1 10·3	0 7 5	0 3 3·9	0 9 9·1
			0 6 5		0 8 6·5	
Revenue Charges. Establishment	69,041	16,265	1,89,125		35,874	
Contingencies	5,323	1,541	10,517		2,343	
Police	7,413	6,518	1,13,671		15,674	
Miscellaneous	64,244	5,567	60,986		13,864	
Works... Repairs and temporary works	24,846	5,703	25,469		6,689	
Works... Interest for permanent works	10,080	2,333	14,103		5,368	
	1,71,951	37,930	4,04,771		79,803	
Deduct recoveries, &c.	1,477	459	52,174		3,996	
	1,70,470	37,480	3,52,597		75,807	
Rate per Maund ...	0 0 6	0 0 6·3	0 1 10·3		0 2 10·3	
Average annual receipts	r. m. 570,485	5,88,334	3,09,853		2,15,178	
Value	rs. 2,78,334	2,69,222	1,43,003		1,34,036	
Interest at 4 per cent.	1,11,390	21,536	57,201		10,632	
Rate per Maund ...	0 0 3·8	0 0 3·2	0 0 3·8		0 0 4·9	
Works for public convenience— Repairs	.....	.....	953		910	
Interest on permanent works.	.....	.....	831		554	
	.....	.....	1,784		1,464	
Rate per Maund ...	.....	.....	0 0 0·1		0 0 0·7	
	0 8 4·6	0 7 10·2	0 4 0·5	0 9 7·2	0 6 7·8	0 13 1
Grand Total, rate per Maund ...			0 8 7·2		0 11 10·4	

REMARKS.

THE above statement shows the calculation of the cost of salt in Malabar and South Canara. The cost per maund is of course the cost per maund brought to sale, as it is the salt brought to sale which has to repay the outlay incurred on the whole quantity. The wastage is, therefore, deducted from the total quantity brought to store, and the charges divided by the remainder. Discount of 5 per cent. allowed on wholesale sales is deducted as representing a

real charge; for, if the discount is to cover wastage, and does so, it is of course a charge; if it is not, the salt is given away, and its cost must be recouped on the quantity which pays. As regards the distribution of the items "gain by weighment" (or excess found in store) and wastage between the home manufactured and imported salt in South Canara, there is a slight uncertainty; but it is not such as to appreciably affect the results. We are in correspondence with the Collector on the subject, and the doubt will be fully cleared up in the general report.

2. The salt entered as received in Malabar from other districts was sent by rail from Chingleput in 1865-66 on Government account. The railway freight is included under "Miscellaneous;" but the other charges of all descriptions incurred on this salt in Chingleput, calculated on the average of the ten years in that district, are entered under cost of salt in Malabar.

3. There being no manufacture in Malabar, there is no charge for land, or for works for the manufacture of salt. No outlay on works of this class appears to have been incurred in South Canara; but the assessment on the lands employed in salt culture, which are there the private property of the manufacturers, is remitted under land revenue each year. This remission seems to be a proper charge against the salt, and the amount is entered against the home manufactured salt.

4. The other items of charge, except works and police, are the actual payments made as shown by the Accountant-General's accounts. Under Police are included, as computed by the Inspector-General, all charges for clothing and accoutrements, pensionary charges, and district and central supervision in proportion to strength. Under works interest at 4 per cent. on the cost of all permanent works is charged, and the whole cost of repairs and temporary works. There are certain works, other than those for manufacture or storage and sale, *e.g.*, roads to give access to the stores, sheds, and such like, which are undertaken, no doubt, in the interest of the revenue, but which are not strictly speaking charges against the cost of the salt. These are classed separately. The amount is very small, and only occurs in South Canara.

5. The average annual receipts and expenditure of salt were respectively in Malabar 570,484 and 551,426 Indian Maunds, and in South Canara 309,853 and 307,687 Indian Maunds. These figures show that it will be sufficiently correct to assume that the salt is on the average about a year in stock; and therefore that interest for a year on the money sunk yearly in the average quantity received should be included as a charge. We may further assume that the money sunk is the prime cost *plus* half the establishment and other charges incident to bringing the salt to sale. The amount included on account of interest is calculated on these principles.

6. The ten years ending 1874-75 have been taken, because that is the period for which full information for the calculation of cost for the whole Presidency has been collected. But Government may wish to know the cost of the present stocks, and as sufficiently reliable figures for Malabar and South Canara for the last two years are available, and as important changes affecting the cost, such as the introduction of bagging and pre-payment of duty at Bombay and the increase in the payment to the manufacturers in South Canara, have taken effect within that period, the cost for these years is similarly estimated. The estimate for so short a period is somewhat uncertain, as the sums paid for the purchase of salt may include arrears, and thus not refer to the particular salt against which they are charged. The estimate for Malabar is probably right, but that for Canara as regards the cost of imported salt seems to be enhanced by this cause. The (Canara) contract rates on the quantities delivered were per maund, excluding duty—

	Bombay Salt.	Goa Salt.	Both.
	RS. A. P.	RS. A. P.	RS. A. P.
Season 1874-75... ...	0 9 8	0 4 0	0 8 3
,, 1875-76... ...	0 7 8	0 3 9	0 7 7

The average given by the estimate is Rupees 0-9-9·1. The cost of the imported salt may be safely stated at Rupees 0-11-6 per maund. As regards the home manufactured salt, it is to be observed that the enhanced Kudivaram (or payment to manufacturers) was in force for only one of the two years, and for the future would add about 6 Pies to the cost now estimated; and further that the revenue charges have been laid equally on both kinds of salt, though undoubtedly a great portion of them would not be incurred but for the home manufactured salt, and should be charged exclusively against it.

7. Some petty items of receipt, which are properly to be set against the revenue charges, are deducted in the statement. In Canara the deduction consists chiefly of charges for carriage of salt to inland depôts, which are recovered from the purchaser by addition to the monopoly price.

8. The result is that the cost per maund of salt is estimated as follows:—

	Malabar.	South Canara. Home manufactured.	South Canara. Imported.
	RS. A. P.	RS. A. P.	RS. A. P.
For the ten years ending 1874-75	0 8 4·6	0 4 0·5	0 9 7·2
For the last two years	0 7 10·2	0 6 7·8	0 13 1

The great difference between the cost of imported salt in Malabar and in Canara is accounted for in part by excess in the latter district in the contract rate, but chiefly by the higher charges for establishment, &c.

9. There is a further item which perhaps ought to be added to the cost in Malabar, *viz.*, the excise upon the quantity of salt forming the difference between the real wastage and the discount allowed at 5 per cent. on wholesale sales; for to this extent, salt on which the full duty would be paid is displaced. The actual wastage in Malabar for the ten years as ascertained in other sales was 0·81 per cent. The quantity represented by the discount allowed was 150,002 maunds; and the loss of duty was therefore Rupees 1,65,736 in the ten years, which would add 5·7 Pies per maund to the cost on the whole quantity disposed of.

GA 24 Aug 1876 No 1160

Rev 2555/76

Proof

N. 258 a
C 4/7

1160/35

REVENUE DEPARTMENT.

MINUTE BY THE HON. R. S. ELLIS, C.B.

THE recommendations of the Salt Commission are summed up in paragraph 90 of their report. I confess that I fail to perceive any good reasons for the first proposal—the introduction of an excise into Canara and Malabar.

This proposal was abandoned because it was understood that the excise system in Bombay was unsuccessful whereas the monopoly system in Madras works satisfactorily.

There is a plausible appearance about the excise system, as meaning free trade in salt as opposed to a Government monopoly; but practically it is a private instead of a State monopoly.

It is hardly possible to excise salt which any person chooses to make, consequently under an excise system only certain salt-pans are licensed and the holders become salt monopolists.

The taxation of salt thus requires that its manufacture shall be a monopoly, and it seems probable that it is best for both the public and the State that this monopoly should be in the hands of the Government. A comparison of the salt revenue of Bombay and Madras will, I believe, show that, if it be judged by taxed consumption of the article, that of Madras is in the most healthy condition. Why then should we alter the actual condition of things?

In paragraph 78 of the report the Commissioners recommend the introduction of the excise but it may be noticed that they give no single reason of their own for doing so, except that they think it would be difficult to throw open the import trade entirely if the monopoly is retained. I confess that this difficulty is not apparent to me. The import trade in salt is now entirely open both in the Eastern and Western Coasts, and I fail to perceive how the Government monopoly can influence it.

On the other hand, there can be no doubt that the introduction of excise will practically destroy the small local manufacture now existing, and it may be doubted whether we are justified in taking any step likely to have this effect unless the necessity for it is shown more conclusively than has been done in paragraph 78 of the Salt Commission Report. With Nos. 2 to 7 of the Commissioners' suggestions (paragraph 90) Revenue Officers in this Presidency will agree, nor is there any objection to suggestions 10, 11, and 12; but I do not think sufficient ground has been shown for the heavy expenditure involved in No. 9, and I cannot agree with the Commissioners as to the prepayment of duty at Bombay and the Square-rigged Vessels Bill as noted in No. 8.

Any action which is likely to increase the price of salt to the consumer is certainly to be avoided so long as salt is taxed by the State, and the prepayment of duty has in some degree this effect. The carriage of salt in country vessels other than square-rigged is calculated to cheapen the article. Why should these then be prohibited unless we have overwhelming proof that it leads to smuggling? and no proof whatever is adduced in the report.

11*th July* 1876.

(Signed) R. S. ELLIS.

Proof

GO 24 August/76 No 1160

1160/36

No 258

It is scarcely necessary
now to re[illegible] to the past
of the Salt question on
the West Coast. I
believe that we are
pretty nearly agreed
(1) to place Malabar
& Canara on the same
footing as the rest
of the Presidency as
respects the rate of
State duty on all Salt
(2) to adopt free tra[de]
- if the word can be applied -
Salt on the Coast at
high and equal duty
whether it be imported
or is of indigenous manu-
-facture; and (3) to
withdraw from all supp[ly]
operations by Govt. I am prep[ared]
to carry out the propos[als]
of

of the Commissioners in these respects at once – in fact the System has been partially introduced. The population can bear ~~the~~ the enhanced price ~~of~~ the 2. Recent circumstances have I think, shewn that ~~the~~ causes for anxiety in respect to the Safety of Supply of Salt by importation, no longer exists to the extent ~~they~~ it did – ~~and~~

¶3 It is scarcely worth while, I believe, to consider the question of the revival of indigenous manufacture under Excise – for under the circumstances I can scarcely doubt that the practical suppression of that industry will continue where it now exists in Malabar; and that it will spread to those parts of Canara, where Salt is still manufactured

that these measures may entail

Para 3

& Quality it failed & does when Bombay salt was sold by Govt at higher rates than this bar Salt & must fail still

was practically suppressed,

1160 317

for Government & ~~for~~ Salt indigenous manufactured on the Coast cannot possibly I believe compete at Equal duties, with imported Salt of good

¶4 ~~But~~ I may observe in passing – as has long been pointed out by this Govt that this indigenous industry on the West Coast was killed by the monopoly when extended to those Districts; and that the immemorial right to manufacture Salt, which belonged to the proprietary condition of the Country – for both districts are Zamindari (Jenmt Wurgdar) Jenmt and

the right to manufacture for private consumption ~~was~~ reserved by Law (Reg VIII of 1807) on that account, when the System was introduced ~~in respect~~ has long been illegally suppressed ~~the Commission notwith-standing~~. There may have

have been foreign —
imports of Salt before the
Cession of the Province
(1792 & 1799); for physical
Conditions have always
given a superior value
to imported Salt for
inland traffic — but
there certainly was
Extensive indigenous
manufacture, and
the home Consumption
was met by home Salt
at the price which its
quality justified and
~~sufficient to maintain at~~
~~least Equilibrium~~. When
the Monopoly was intro:
:duced, Salt could only
be sold to Government
— the right of private
manufacture being
Continued, as above
noticed, by Law — but
the Govt: gave a price
which scarcely rewarded
the industry and sold
to [illegible] Salt so bought
at a relative price which
Could

Could not Command a
buyer, when it had to
Compete with the better
Salt which they imported
and on which far higher
profits were realized.
The indigenous manufacture
of course succumbed in the
interest of the State (we
Called it "died a natural
death"), and even the
legal right of private
manufacture was
firmly suppressed by the
Police in the prevention
of Smuggling. The
private property & labor
which had been devoted
to this industry from
time immemorial thus
Came to complete ruin ~~grief~~
and have for half a
Century been nowhere
— and under the Conditions
before us will not even
now, I conclude, have a chance anywhere.
~~But~~ These are, however, things of the
past and we have
determined not to look
at

have been foreign
imports of Salt before the
Cession of the Provinces
(1792 to 1799); for physical
Conditions have always
given a superior value
to imported Salt for
inland traffic - but
there certainly was
extensive indigenous
manufacture, and
the home Consumption
was met by home Salt
at the price which its
quality justified and
~~sufficient to maintain at~~
~~best Equilibrium~~. When
the Monopoly was intro-
duced, Salt could only
be sold to Government
- the right of private
manufacture being
extinguished, as above
noticed, by Law - but
the Govt: gave a price
which scarcely rewarded
the industry and sold
the indigenous Salt so bought
at a relative price which
could

could not Command a
buyer, when it had to
Compete with the better
Salt which they imported
and on which far higher
profits were realized.
The indigenous manufacture
of course succumbed in the
interest of the State (we
called it "died a natural
death"), and even the
legal right of private
manufacture was
firmly suppressed by the
Police in the prevention
of Smuggling. The
private property & labor
which had been devoted
to this industry from
time immemorial thus
came to complete ~~ruin~~
and has ever for half a
Century been nowhere
- and under the conditions
before us will not even
now have a chance anywhere.
But these are, however, things of the
past and we have
determined not to look
at

at Equities in the Regime
of the State; but the Commissioners are wrong in endeavouring to ignore facts & deny the position of this Government argument.
~~is entitled to attempt to enforce them in every argument~~. The fact of the suppression of an ancient manufacture remains, & the cause lies with the financial arrangement of Govt. with a view to Salt Revenue; and the people well know that their Salt properties & rights have been traversed directly or indirectly in the interest of the Salt Revenue.

5 As regards Excise, (Para 78 & 79), I think the proprietors of Salt-pan-lands are entitled to have licenses offered them. It will look fair though not on the Square with them & rights; Since with the Excise System, to suppressed the

the General right — inherent in them in property and maintained by Law (Reg: VII of 1808) up to this time — to manufacture for private Consumption, but there is however a State Connivance in the restriction and practically it has subsisted for long by the action of Govt; tho' in Contravention of the Law. Govt, as they remarked, do not suspect indignation — manufacture to remove at Equal duties with imported Salt. I need scarcely add for the information of this Government that where the Commissioners remark (Para 79) the "supposed "lawfulness of the "process is a mere "creation of ingenious "legal technicality not believed

"believed in by the people" they do so in ignorance of the laws of property on the Coast - which a flying visit has failed to remove, - and they assume to contradict the sound reading of the legislation (Regⁿ VII of 1808) which was intended to enable Government to respect those rights, by the highest tribunals. If the people have become ignorant of their rights - which by the way, is not ~~altogether~~ now the case - they have become so & acquiesced under the belief that the Govt. would not do wrong. The protracted discussion ~~is worthy of a State~~ which has occurred in the matter - now finally decided - has been worthy ~~of~~ ~~a~~ not of a State which moves in the direction of foreclosing immemorial rights and privileges with great hesitation

6 I see no objection to the recommendation of the Commissioners (Paras 80 to 82) in respect to ports of entry &c in either District and would accept them with power to add to the number as experience may direct.

7 I consider the bonding system the only right and just one - the argument of the Commissioners not=withstanding. It prevents whenever high duties - needed for fiscal objects - add seriously to the burdens on trade and is most especially

Especially imperative where that trade is in a necessary of life, whose cost may be even slightly enhanced by absence of this convenience. Import duties belong to the Administration into whose ports their subject is introduced, and the Madras fisc is the proper place to bring to credit a heavy tax paid by the Provinces. I therefore consider the bonding system indispensable. Some of The Commissioners' recommendations — including the Square-rigged vessels Bill, — betray rather the natural anxiety of the tide-waiters than reflect the Equitable liberality to trade & taxpayers, which will doubtless

in this respect

~~much~~ influence the decision of the Imperial Government of India in this matter. Prepayment in Bombay should be abrogated — the seller is entitled to the cost price of the article only.

8 I entertain the strongest objection to the proposal to interfere with the class of craft which shall be allowed to carry salt, which is the main article of ballast on the Coast — Square rigged vessels of 300 cannot enter the back waters within which many of our port towns are situated; so that all smaller craft of that rig would be excluded from carrying salt — & I do not see why special protection should be extended to Bombay salt over Arabian & other foreign salt —

9 I also deprecate most earnestly any revival of the Rowanah system & licence of dealers in salt as exists in Bombay — The former system existed in this Presidency till 1860 & led to great abuses — It was then done away with without affecting the Revenue & its protection & the great relief of trade & of the people — The system of licencing dealers has never existed in this Presidency & judging from notices of its effect in Bombay as ~~noticed~~ stated of the Native Press, the system is oppressive leads to needless oppression —

10 The Commissioners propose (Para 85) to organise a Sea-going preventive Establishment at a cost of Rs: 15000 to 20,000 a year, ~~and~~ with an Equipment of Vessels which will cost at least Rs: 20,000 to 25000. I ~~strongly~~ deprecate this institution until its necessity is more fully established, and the Government have time to consider the matter. Some strengthening of the land Police will be necessary, but I think we should recommend

recommend to the Government of India to leave these matters to the calm and experienced deliberation of this Government for the present. The interference of such Establishment with weighment of Salt at the Custom House should be negatived

On the subject of Para 87 I would recommend that no further importation of Bombay Salt on account of Govt: should take place. The Stocks will suffice & should be raised as recom:-mended by the Commissioners (Para 88)

I accept the recommendations of the Commissioners in Para 89 and the Conclusion

1160/42

summarized in Para 90 with the reservation above noticed as to the "past dealings of the Government with" the people of the Coast (clause 2 & clause 9th and reject entirely clause 8.

I fear that the hopes of the Commissioners expressed in the P. S of their Report may not be realized — With high duties before them and a Constituency — of whom the bulk are poor — seeking a cheap necessary of life, I think that importers may be tempted to deal in Salt of a mean quality

E J Robson

I would like to see again — if a folly so much [illegible] letter — before [illegible]

N° 258 & 261

The recommendations of the Salt Commission are summed up in para 90 of their report. I confess that I fail to perceive any good reasons for the first proposal the introduction of an Excise into Canara and Malabar.

This proposal was abandoned because it was understood that the Excise system in Bombay was unsuccessful whereas the Monopoly system in Madras worked satisfactorily.

There is a plausible appearance about the Excise System, as meaning free trade in Salt as opposed to a Government monopoly: but practically it is a private instead of a State monopoly -

It is hardly possible to excise salt ~~which~~ any person chooses to make. Consequently under an Excise system only certain

1160/93

Salt pans are licensed and the holders become Salt monopolists -

The taxation of Salt thus requires that its manufacture shall be a monopoly and it seems probable that it is best for both the public and the State that this monopoly shd be in the hands of the Govt.

A comparison of the Salt Revenue of Bombay and Madras with, I believe show that if it be judged by taxed consumption of the article that of Madras is in the most healthy condition. . .

In para 78. of the Report the Commissioners recommend the introduction of the Excise but it may be noticed that they give no single reason of their own for doing so, except that they think it would be difficult to throw open the import trade entirely if the monopoly is retained -

. Why then should be alter the actual condition of things?

I confess that this difficulty is not apparent to me; The import trade in Salt is now entirely open both in the Eastern and Western Coasts and I fail to perceive how the Govt monopoly can influence it.

On the other hand there can be no doubt that the introduction of Excise will practically destroy the small local manufacture now existing - and it may be doubted whether we are justified in taking any step likely to have this effect unless the necessity for it is shewn more conclusively than has been done in para 78 of the Salt Comn. Report.

With Nos: 2 to 7 of the Comrs. suggestions (Para 90) Revenue officers in this Presidency will agree - nor is there any objection to suggestions 10. 11 12. but I do not think sufficient ground has been shown for the heavy expenditure involved in No 9. - and I cannot agree with the Comrs. as to the prepayment of duty at Bombay and the square rigged Vessel Bill as noted in No 8. -

Any action which is likely to increase the price of Salt to the consumer is certainly to be avoided so long as Salt is taxed by the State and the prepayment of duty has in some degree this effect.

The carriage of Salt in country vessels other than square-rigged is calculated to cheapen the article - Why should then then be prohibited unless we have overwhelming proof that it leads to smuggling? and no proof whatever is adduced in the Report.

R S Ellis
11/7/76

G.O. 24 Aug/76 No 1160 -

C. 21 Aug/76 R 23d Aug

1150/44

Traffic Code Form C1.

Class. 1	INDIAN TELEGRAPH		Local No. 10

TO (Station) Ootacamund

FROM (Station) Simla

No.	Words.	Time tendered for transmission. (Madras time.) Day.	H	M.
	29	1	12	30

OFFICIAL INSTRUCTIONS.—

TO (Person) Madras

FROM (Person) Commerce

1 Salt	2 Commissions	3 report
4 dated	5 tenth	6 june
7 on	8 West	9 Coast
10 Salt	11 questions -	12 Please
13 favor	14 Government	15 of
16 India	17 with	18 any
19 remarks	20 you	21 desire
22 &	23 offer	24 with
25 least	26 possible	27 delay
28	29	30
31	32	33
34	35	36

RECD. FROM ______ (L. L.) ______
AT ____ H. ____ M., on the ______
BY OOTACAMUND 1-7-76
Date

SENT TO ______ (L. L.) ______
AT ____ H. ____ M., on the ______
BY J. McSmith Telegraph Master

(P. 1)—Govt. Tel. Press,—500000,—25-6 74.

No. 2665
Revenue 1870 Dept.
Telegram
From
Government of India
Dated 31
Recd 1 July 1870

Ackd 1160 24 August 1870

No. 257-

No. 256

1160/

To,

The Honble W. Hudleston
Chief Secty to the Govt. of Ma

Ootacamund 26 June

Sir,

I have the honor on beh
of the Salt Commission to for
herewith a copy of our rep
on Salt arrangements on
West Coast, and to reque
that you will be good enou
to lay the same before the
Government of Madras.
copies will be forwarded
hereafter.

I have the honor
Sir,
Your most obed

C. Pritchard
Pres. Madras Salt Co

N. 2555
Rev. 1876: 3rd C

From
The President
Madras Salt Commission

Dated 23 & 26 June 1876

E. 1

Forwards a copy of Report of the Commission on Salt-revenue on the West Coast

Circulated

No. 256 @ 258

The G. in C. therefore offers no
objection to the suggestions
numbered 1. 2. 3. 4.
summed up in Paragraph No.
90. of the report of the Com.rs

~~2nd~~
As regards the conclusion
No 5. The G in C. considers
that the closer supervision (amount of)
or of preventive cordon necessary
~~Salt and the … which~~
is a matter of internal administration
~~of State expenses~~
Which ~~std be~~ must be decided
by events — & should be left to
~~Madras Govt~~ the Madras Govt

2ob. The G in C. entirely dissents
from this conclusion —
The prohibition of entry of a
necessary of life at any
port is simply to offer an
additional inducement to
its illicit introduction —
~~or offering~~ ~~if … and~~
~~to~~ while ~~an expensive~~ (if not a more expensive) an
(at least as costly)
establishment will be required
to (enforce the prohibition) ~~stop it~~ as to admit
the article —
The prohibition would interfere
with the loading of vessels for
these ports & prohibit …
freight on ~~ordinary~~ other articles

of preventing ~~the unsupplied~~ (carriers of)
~~a cargo with~~ Salt to
make up a cargo.

1160/46

And the G in C is unable to
discover any reason why
in Canara of Moolky
is included having a trade of
0 - 15 - 590
Udipi 0 - 34 - 670
Barkur 0 - 193 - 925
sh.d be excluded

or why in
Malabar. (~~its largest port~~) the largest port in
Cannanore (Malabar) with a trade
of 83 - 2 - 1398.
should be excluded
or if throughout with a
trade of ~~so~~ vessels
0 - 0 - 35 is
to be opened
Kallai 0 - 31 - 306
Quilandy 11 - 7 - 295
Tanur 0 - 0 - 225
should be closed —

But the G. in C. is not disposed
to argue this question of details
volume of trade
but considers ~~that~~ if
the trade in Salt is opened it sh.d be

open equally with that
are
of other excised articles
& that it shd be received at all
ports of entry —

No 7 — it will of course be
necessary to raise establishments
suitable & sufficient
& to provide bonding warehouses
~~[illegible]~~ ~~of the necessary~~
for the article of import
supply of this

8. The G in C. cannot agree
to the system of duty due to
Madras Presidency being
levied at Bombay by prepayment

~~The prepayment & security~~
an import duty
The duty is due to Madras
from the importer — not an
export duty due ~~to~~ Bombay
from an exporter — it is
not due until the ~~import~~ article
enters Madras jurisdiction —

~~The duty on articles shipped~~
The G in C. equally protests
agst the suggested license
upon vessels bill —
~~[illegible] under it &c~~
Its effect: ~~[illegible]~~ which may

Simply be to
from all Native vessels
& destroy the carrying trade —

~~The Comr suggests~~
The ~~ports~~ greater number of the
ports are not suitable to large ships
vessels — even if they existed for the
trade —

of the Canarese ports proposed
by the Comr to be opened for Salt traffic
only one ~~[illegible] Kasergode~~ Mangalore was visited
by English Ships —
~~of the~~
of the others the Foreign vessels
were under 60 tons —
the Native under 20 —

It will be proved also that
in the year 1874-5 —
The average burthen of
Foreign vessels entering ports
of Presidency was only 138 tons
& of Native vessels 37 tons

1160/47

6

It will not be sufficient

open only 5 ports

	Eng.	For.	Nat.
under 40 ✓ Kaundapur +		164	1035
under 20 ✓ Bangadi Kottah Barkur			599
under 20 ✓ Moolky +		75	
× ✓ Mangalore +	148	461	2991
under 20 ✓ Kasergode + in Canara		40	566
	5	680	5182
		136	1036
Malpe as			
Keembla		10	339
Udipi ×		34	670
Barkur		193	925
Baindur ×		24	497
			67
[illegible] Kottah ×			
Manjeshwar ×		41	182
	6	302	2679

Coast

× Tellicherry ×	80	31	1249
× Badagara ×	6	—	576
× Calicut ×	72	2	2547
× Beypore ×	35	—	789
Ponani ×	—	—	575
Chowghat ×	—	—	35
× Cochin ×	171	27	1644
× Cannanore +	83	2	1399
[illegible]	—	31	1306
× [illegible] ×	11	1	295
Tanur ×	—	—	225

1249
310
1360

832
139
1483

No. 1. not spoken

2
3
4
10

No ~~5 [illegible]~~
6 ~~[illegible]~~
7
9 } are matters of internal administration which sh^d rest with Madras Gov^t.

The Gov^t of Madras deems it necessary to remark that

There ~~seems~~ no valid reason why importation of salt sh^d ~~not~~ be ~~prohibited~~ at any port —

That to ~~prohibit~~ prohibit importation upon ~~[illegible]~~ any considerable length of coast ~~[illegible]~~ affords special room for smuggling will tend to raise the price to the consumers residents on that coast — and will probably entail a more preventive expensive staff to keep it out than to let it in —

That there is no reason for the preference of the ports named

Revenue Dept.

1160/48

No.

To

The Secretary to the Government of India.
Dept. of Rev: Agri: & Commerce

Sir

With reference to your telegram dated 1st July last, I am directed to forward the accompanying copies of the Minutes recorded by the Hon'ble Sir W. Robinson and the Hon'ble R. S. Ellis, on the subject of the letters* addressed to you by the Salt Commissioner regarding the introduction of the Excise System in the Western Coast Districts of this Presidency, and to state that, while this Gov^t agree in the main in the recommendations therein contained

*10 June 1876 No 216

(vide

W.H. 9/8.

W.H. 9/8

(vide para 90), they have strong objections to the system of prepayment of Salt duty enforced in Bombay against the Merchants importing salt into the West Coast; and to the Square Rigged Vessels Bill being passed into Law, for the reasons already brought to the notice[x] of the Government of India.

This space appeared to me to put this point in a much stronger light in the discussion of last Council.

* To Govt. of India 9: May/76. 588

From Govt. of India. 24: May/76 - 121
" — " — 23rd June " - 151
" — " — 19. July " 1652 F.D.

No 1160 dated 24 Aug 1876

Salt

1160/50

Read Copy of the Report made to G. I. by the Madras Salt Commission d/10th June/76 – forwarded by the Commissioners for the information of this Govt.

Read telegram from G. I. dept of Revenue & Commerce, asking for the observations of this Govt. on the foregoing Report – d/1st July/76

Read Minute by the Honble Sir W. Robinson. KCSI. d/5th July/76 & Minute by Honble R. S. Ellis. CB d/16th idem.

Ordered that the following letter be despatched to Govt India.

[illegible] 21/8/76.

Circ

C – 8: Aug/76

21: Aug/76 A 23d Aug

16.

S.

r. 9.

2.

TFI

RAS

RTM

ess

3.