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MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

DEPARTMENT

G.O. No. / B.P. No. 1858 Press / Mis.

Dated 30-5-77 196

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GOVERNMENT OF MADRAS.

REVENUE DEPARTMENT.

30th May 1877, No. 1,858.

Read the following papers :—

No. 606. Proceedings of the Board of Revenue, dated 21st March 1877, No. 1,268.

THE Board resolve to submit to Government with reference to G.O., No. 1,456, dated 11th October 1876, the following remarks upon the Hon. Mr. Dalyell's second report on the Madras Abkári, and the proposals which he has made for the re-adjustment of the arrack rents in Coimbatore, Salem, and Tanjore. The report is most valuable as giving the results of personal inquiry by one thoroughly acquainted with the subject, and with the principles of the recent important changes of system which are now, it may be said, on their trial in this Presidency. The Board apologize for the delay in reporting on the subject, and have to attribute it chiefly to pressure of work at the present crisis. They have also been compelled to await the receipt of the Collectors' Excise administration reports, whence results of the experiment might be gathered. Many of these are still wanting, notably that from Tanjore, which is especially required in connection with the present reference. When these reports are fully reviewed in the Board's annual report, which is under preparation, the Board hope to be in a position to advise with greater confidence as to the improvement of the new excise system.

2. Mr. Dalyell begins his report by summarizing the financial results of the first year (1875-76) of the new contracts, and finds that on the whole they are very satisfactory, the failures being only in the arrack rents of the three districts, Coimbatore, Salem, and Tanjore. He expresses the opinion, in which the Board entirely concur, that the separation of arrack and toddy rents is not likely to result in any loss of revenue. The Board look to toddy rather than to arrack for the future expansion of the revenue from intoxicating liquors, and whatever the financial result the separation would have been necessary before proper measures could be taken for regulating taxation on either liquor. It is satisfactory therefore to find that it has also led to financial gain; and the Board are confident that at the next toddy rents a still larger sum will be secured. Mr. Dalyell devotes a section of his report to the toddy revenue, which the Board will briefly refer to below.

3. The causes of the failure of the arrack rents in the three districts above named are the subject of Section 3. Mr. Dalyell is of opinion that the tenders contemplated too high a consumption; that the season was an unfavorable one; that the separation of the toddy rents gave a great stimulus to the traffic in toddy; that there has been a laxity in the administration of the excise law; but that the principal cause of the consumption being so much less than the estimate is the enhancement of price which has taken place in Salem and Coimbatore. All these causes have unquestionably contributed to the result, but the Board think, as will appear more fully below, that the increase of price, though an important cause, is not of such importance as Mr. Dalyell believes.

4. The matters treated of by Mr. Dalyell under the head of "defects of the present system" are intimately connected with the results which have come about in the districts in which the new system is supposed to have failed; and the Board think it convenient to offer some general remarks upon these matters before proceeding to discuss the case of the districts in question. Mr. Dalyell maintains that too large a margin is left between the maximum and minimum prices and between the duty and the minimum price; that there is not sufficient security against an inordinate enhancement of

the selling price, to the detriment of the consumption and revenue, but to the great and excessive profit of the contractors; that such enhancement of price has as a matter of fact taken place in all the excise districts; that a decrease of consumption has followed thereon; that prices should be regulated so that contractors should not receive on the capital invested in the business a rate of interest higher than the ordinary commercial rate; and that every contractor will make a large profit out of every gallon which he can sell at a price in excess of the excise duty by Rupees 1-4-0 per gallon. He plainly avows a desire to see prices reduced in view to restoration of the consumption, and to reduction of the contractor's profits; but he would apparently leave excise rates as high as at present.

5. The Board think that in these suggestions Mr. Dalyell loses sight to some extent of the cardinal principle of excise management, viz., to restrict consumption as much as possible, consistently with the maintenance of a due revenue, and with the absence of encouragement to illicit manufacture. It is true that Mr. Dalyell believes that the enhancement of prices has given a stimulus to illicit traffic, and that his object is to substitute licit for illicit consumption. But the Board think that stronger evidence is wanting not of the prevalence, but of the increase, of illicit consumption, consequent on the enhancement of prices. Unless this is proved, and by distinct and separate evidence, a decrease of consumption without loss of revenue must be considered an unmixed good. Illicit traffic does exist, and is doubtless encouraged by increase of price; but the statistics of licit consumption in districts in which prices have been raised as compared with results of previous years, and in districts in which prices are high as compared with districts in which they are low, do not in the Board's opinion show indications of the greater prevalence of illicit trade following high prices; and the Board think that before prices are reduced with the object of stimulating consumption, an endeavor should be made, by direct prevention and by more stringent application of the law, to repress illicit practices and to maintain the prices and reduced consumption which they may have brought about. Such measures have not been sufficiently tried, and the law is at present too weak. Steps should be taken first to remedy these defects; and if it is necessary to reduce the profits of the contractors, it should be done by an increase of the excise rather than by reduction of the selling price. There is, of course, a point at which increase of price must check consumption, but the Board's contention is that it is not yet reached.

6. As to the possibility and the policy, of making such heavy reductions as Mr. Dalyell proposes in the profits of the excise contractors, the Board entertain serious doubts. The evidence brought forward as to the possibility of reduction consists chiefly of the statements of native Abkári contractors, and of the experience of Mr. Pritchard, the excise contractor of Chingleput. As to the former class of evidence it must be remembered in the first place that the statements of the native contractors are coloured by a great hostility to the present system, that they are almost uncorroborated,* and incapable of scrutiny with reference to results of contracts on the old system, otherwise than by the introduction of some very uncertain assumptions; but above all that the conditions under which their experience was gained were entirely inapplicable to the new system. The taluq rent, and the outstill manufacture, present conditions from which conclusions as to district rents and central distillery systems cannot be drawn. Where the outstill system prevailed, there was no cost of carriage; each shopkeeper made his own liquor; and the quantity which he sold was in nine cases out of ten entirely unknown to the renter or sub-renter. Even when the manufacture was carried on under the Amani system, *i.e.*, with one or two distilleries in each taluq, the cost of carriage was much less than under a district rent. Moreover, under the old system the liquor was, and still is in rented districts, of a very low alcoholic strength; fieriness was imparted to it by means of chillies and intoxicating power by various drugs. The best proof of this is the demand which has unquestionably arisen for the purer liquor, supplied by present contractors, at higher

* The official returns of receipts and charges ... supposed to be better evidence than casual and ... the most cursory examination of these returns ... think it worth while to analyze them here. ... ashed by native renters under the improved ... arming system would be ... nsible statements made to Mr. Dalyell by men of the same class; but ... cient to show that they are utterly incorrect, and the Board do not

strengths; and by the fact that even under the renting system contractors like Messrs. Corbett and Morison found it expedient to sell their liquor, which was superior to that ordinarily supplied under native rents, at 18° or 20° under proof. Another important reason why a lower margin sufficed under the old system was that the contractors spent next to nothing on prevention of smuggling or of illicit practices by the shopkeepers. They screwed out of the shopkeepers the highest rents they could, and then left them to their own devices. Thus whatever the native contractors received in excess of their rents was clear profit, and they had to find scarcely any capital for the management of their business.

7. The outstill system was a fruitful cause of irregularities and of illicit practices of all kinds, and the suppression of it must be paid for, and is worth paying for. The change will, of course, add to the cost of supply; and the superior appliances, materials, and processes used by the excise contractors, but not by the old renters, also require that a higher margin should be allowed to the former. The Board cannot accede to the principle that the profits of the excise contractors should be cut down to such rates as would merely pay the usual interest on the capital put into the business. It is one which requires peculiar skill and knowledge and no small administrative capacity; and it involves risks heavier than ordinary operations of trade. Mr. Pritchard's experience in Chingleput under the former excise rent is not conclusive. The district is a small and compact one, well supplied with communications, and easily managed. Distribution is therefore cheap.* His expenditure on establishments and prevention was not on a liberal scale; and a considerable portion of it was charged direct to the toddy revenue, to the development of which Mr. Pritchard paid special attention, because under the terms of the rent (which gave him 25 per cent. of the net toddy revenue) it was a more profitable liquor to him than arrack.

* The following is the cost of distribution per gallon in excise districts in Fasli 1285 (Reports from Ganjam and Tanjore have not been received.)

	Rs.	A.	P.
Vizagapatam	0	4	3
Nellore†	0	0	3
North Arcot	(not given)		
South Arcot	0	2	9
Trichinopoly	0	3	1
Chingleput	0	0	9
Bellary Cantonment	0	0	9
Salem	(not shown)		
Coimbatore	0	2	9

† The low figure is apparently due to the distribution being effected by sub-contractors on commission.

8. The Board therefore do not believe that it will ever be possible to cut down excise renters' profits to the extent suggested by Mr. Dalyell, but they entertain no doubt as to the impolicy of so far reducing the margin between duty and selling price. Men of a high stamp are wanted, especially in the earlier stage of the experiment. Under the system, reliance almost exclusive is placed upon the contractors for the provision of adequate establishment for the repression and detection of illicit practices detrimental to the revenue. The interest which the contractors have in such repression is the strong point of the system, and to give this interest play a sufficient margin of profit must be allowed. The contractor can do the work more cheaply and effectually than any State establishment; all that is wanted is certain modifications of the law, which is now undoubtedly too weak. A considerable portion of the present excess of sale price above cost and duty is in fact a payment for preventive purposes; and the excise duty is net revenue. It may be expedient to stipulate in the agreements for the expenditure by the contractors of adequate sums in this way, in the shape of a certain sum per shop open. The sums per shop open and per gallon sold, expended on establishment by contractors of excise districts in Fasli 1285 are shown in the margin. It will be noticed that in Chingleput the outlay is very low.

	Per Shop open. Rs.	A.	P.	Per Gallon sold. Rs.	A.	P.
Vizagapatam ...	52	10	9	0	7	5
Nellore ...	16	11	2	0	2	2
Chingleput ...	24	5	9	0	2	5
North Arcot ...	54	1	11	0	5	8
South Arcot ...	31	0	5	0	6	1
Trichinopoly ...	43	14	9	0	6	1
Nilgiris ...	72	7	0	0	2	7
Bellary Cantonment ...	1	15	3	0	0	1
Salem	16	2	0	0	3	10
Coimbatore	35	8	3	0	7	11

9. It is abundantly evident from the statistics analyzed in the Board's excise report for Fasli 1284, and from further materials now in their possession that

malpractices by the shopkeepers themselves are a more fruitful source of loss of revenue than illicit traffic by outsiders. The facilities the shopkeepers have for such malpractices as selling under color of their licenses liquor manufactured, as of old, by themselves, are obviously great and evidently availed of. Dilution is another most injurious practice, as also short measure. These practices can only be prevented by constant visitation of shops, which requires a strong establishment to be maintained out of the contractors' profits, and by the use of the hydrometer. The Board made full provision in the new contract for the second requisite; but unfortunately owing to difficulties raised by the Government of India as to sanctioning the indent for hydrometers, and to delays in the supply from England, this most essential part of the new system is now and will be for at least two years of the rents, entirely in abeyance. Much valuable time has thus been lost, and the knowledge acquired so far is of less value than it might have been.

10. The shopkeepers are driven to these practices chiefly because their remuneration, which forms part of the difference between duty and selling prices, is so trenched upon by the rapacity of the contractors as to be in some cases, ostensibly at least, reduced to nothing; and frequently when assessed at the nominal rate on the quantity sold, comes to only a few Annas a month. One of the most important improvements to be effected is the complete separation of the contractors' and retailers' profit, by stipulations limiting the rates at which the liquor is to be charged to the shopkeepers, or by fixing the minimum commission to be allowed to them on sales. It is usually accepted that 4 Annas a gallon is a sufficient remuneration for the retailer, but in the town of Madras, where owing to the large sales per shop a smaller rate per gallon than in the Mofussil might be thought sufficient, from 6 to 8 Annas a gallon are allowed; and it is difficult to prevent dilution and other irregularities even at this rate. In the mofussil, 4 Annas a gallon is hardly ever allowed. The Board think that it should be a minimum rate even allowing for the fact that in sales by the dram, there will always be a profit on the measurement.*

11. As to the decrease of consumption in Fasli 1285 in excise districts, consequent on the enhancement of price following increased duty, the Board present the following figures:—

	Fasli 1284.		Fasli 1285.	
	Average Retail Price.	Consumption per Head.	Average Retail Price.	Consumption per Head.
	Rs. A. P.	GALLON.	Rs. A. P.	GALLON.
Ganjam (1)	2 2 1	·067		
Vizagapatam (2)	2 10 7	·020	2 12 4	·015
North Arcot (3)	3 14 10	·058	4 5 2	·056
South Arcot (4)	Not known.	·047	3 9 6	·041
Chingleput (5)	3 15 3	·049	4 1 7	·049
Salem			4 6 10	·048
Coimbatore			3 12 8	·047
Trichinopoly			3 11 8	·041
Nilgiris	Rented.		4 4 8	·060
Bellary Cantonment			4 3 0	·033
Tanjore			3 7 6	·032
Nellore			3 8 0	·03

These figures which are based upon the returns compiled by the Collectors from the renters' and shopkeepers' accounts do not bear out Mr. Dalyell's contention, that increase of price has been accompanied by seriously reduced licit consumption in

* If a gallon be measured out in 48 drams, it will always be found that, with every desire to give fair measure, a dram or very near it will remain over; and this represents an Anna or 1¼ Annas to the shopkeeper.

(1) and (2).—Duties very slightly raised.
(3).— " raised by ten annas.
(4).— " raised by four annas per gallon.
(5).— " raised by eight annas.

old excise districts;* and the Board observe that in considering the results, it must be borne in mind that Fasli 1284 was a good season and Fasli 1285 a bad one; also that in the latter year, the consumption of toddy was stimulated. The experiment of enhancing the duties with an increase, though not a proportionate one, of the prices and a restriction of the maximum rates to be charged, appears to the Board to have been eminently successful. Knowledge of the conditions of the question was somewhat deficient and great caution was necessary; but the result has shown that further steps in the same direction may safely be taken. As to the effect of prices upon consumption, the Board would also refer to the experience of Mr. Pritchard during the first year of his old rent in Chingleput. He found that, without detriment to the consumption, a large increase of price was possible; and, being free from stipulations as to maximum price, he put on a large increase and realized a profit which may be called fabulous.

12. Mr. Dalyell objects to the margin of one rupee allowed between maximum and minimum prices and points out that the renters have almost always endeavoured to secure the maximum rates, which are closely approached by the average selling prices in the districts. This is true to a very considerable extent, though, as will be seen from the statement in the last paragraph, the true average prices are in most cases lower than those given in paragraph 14 of his report. Mr. Dalyell goes so far as to suggest that the prescription of maximum and minimum limits should be discontinued altogether, that there should be no margin allowed, and even that the selling price should be fixed by Government for each particular locality.

13. The last proposal appears to the Board entirely impracticable. The smallest locality to which Mr. Dalyell would apply the principle would probably be a taluq, the largest a district. There is not sufficient information as to necessity for fostering licit consumption by low prices, or as to cost of supply and sale in particular taluqs; and in view of continual changes which are going on in the circumstances of the demand, which it is the function of the renters to watch no rate could be fixed for the period of a rent, or even for a single year, which would not be found gravely inconvenient. There are the most remarkable differences between taluq and taluq, and the idea of a single price for a whole district is, the Board consider, simply chimerical. The law requires that a minimum price should be prescribed, and it is, for obvious reasons, necessary to put it at a low figure. If then no margin is to be allowed, it amounts to saying that there shall be no maximum price; whereby Mr. Dalyell's object would be defeated. The whole question therefore is whether the range allowed between maximum and minimum prices is too great or not; and as the minimum price is practically inoperative, and is and ought to be determined rather by the duty fixed than the specific limit declared, the question is narrowed to whether the maximum prices allowed are too high, which again is the old one whether the renters are allowed too high profits. Some reduction may be feasible and proper, but the Board are not prepared to commit themselves to a definite recommendation at present.

14. There is one point of importance to be noticed in connection with the system on which the prices settled for the higher strengths were computed for the present rents. The system was as follows:—30° under proof being taken as the standard as to duty and price, the rates for higher and lower strengths were computed proportionally from those fixed for 30° under proof, the duties being rounded to the nearest anna and the prices to the nearest quarter rupee. The principle is correct as to duty, but wrong altogether as to price. The price is made up of prime cost of liquor, cost of distribution, establishment, &c., contractors' profit and retailers' remuneration. Whatever may be the case as regards prime cost, it is evident that the cost of distribution and

* In the Board's calculations of consumption they always take the actual number of gallons sold and not the equivalent number at 30° under proof, and they have recourse to the sale accounts rather than to the issues. Mr. Dalyell usually reduces to 30° under proof and too frequently accepts the issues. It is true that as between very weak and very strong liquor, *e.g.*, between 60° under proof and 20° under proof, a larger consumption per head will be found in the weaker; but as between liquors so near in strength as the usual strengths of 20° under proof and 30° under proof, the Board do not think the principle holds good. A native drinker will grumble if his dram is not strong enough, but he will not take a proportionately greater number of drams. It is often very misleading to calculate consumption on issues from the distilleries, as the renters frequently regulate them with reference to the necessity of paying up guaranteed sums within certain dates, rather than to actual sales.

sale of strong liquor is not greater—indeed it is if any thing less*—than of weak; and therefore that the same sums, and not proportionately greater sums, should be allowed in the price of the stronger liquor for all its component parts except contractors' profit and prime cost. Contractors' profit ought to be greater only to the extent of interest on the greater prime cost of the strong liquor; and this is an infinitesimal consideration. Even as to the prime cost, the Board do not think that the increase is proportional to the increase of absolute alcohol contained in the liquor. Of course, a proportionately greater quantity of alcohol-producing materials have to be used, but with appliances such as are used by the contractors, the cost of distillation of the strong liquor is less.† This at least seems to be proved by the fact that most of the contractors under the excise rents, and European distillers generally, run the liquor from the still at high strengths, sometimes as high as 40° over proof. It is evident therefore that on the method of calculation adopted, the price and the contractors' profits at the higher strength were improperly enhanced; and further the range between maximum and minimum price which is usually 1 Rupee at 30° under proof becomes $1\frac{1}{4}$ or $1\frac{1}{2}$ Rupees at proof. In the same way the prices and profits at 60° under proof are unduly reduced. This matter appears to the Board one to be borne in mind in adjusting the limits of prices under the new rents, if several strengths are allowed under the same contract, of the expediency of which the Board entertain some doubt; and it has to be noted here as it partly explains the great increase of price which was allowed to take place in the Salem District in Fasli 1285.

15. The plan of fixing maximum and minimum prices appears to the Board to be in present circumstances thoroughly sound. The chief reason why it was adopted is stated by the Board in paragraph 75 of the Excise Report for Fasli 1284, and by Mr. Dalyell in paragraph 10 of the report under review. But a further reason is that the demand for liquor varies so considerably in different parts of the same district, that a price which would be prohibitive of consumption or provocative of smuggling in one taluq, is in the next neither one nor the other. This is proved by the differences between the rates of consumption which are obtained even under experience and discriminating renters like Messrs. Corbett and Morison* in adjoining taluqs of the same district, and which cannot at all be attributed to difference in degree of smuggling (see marginal table). Alcohol is not, like salt, a substance of which the human body demands a certain quantity, and of which therefore it may be assumed that a certain consumption per head, licit or illicit, prevails everywhere. The demand depends on a multitude of circumstances chiefly social characteristics and customs, and diffusion of wealth, and in a less degree on density of population. The Board deduce from a survey of the statistics of the

Fasli 1285.

District.	Highest Taluq.	Rate per Head. Gals.	Lowest Taluq.	Rate per Head. Gals.	Average Rate of the District. Gals.
Vizagapatam.	Vizagapatam.	·082	Sarvasiddi ..	·003	·015
Nellore ..	Nellore ..	·093	Kanigiri ..	·003	·029
Chingleput..	Sydapet ..	·100	Madurantakum	·024	·049
North Arcot..	Vellore ..	·131	Wandiwash ..	·014	·056
South Arcot..	Trinomalai ..	·065	Tindivanam ..	·028	·041
Trichinopoly.	Trichinopoly.	·115	Kulitalai ..	·016	·047
Salem ..	Salem ..	·081	Trichengode ..	·022	·048
Coimbatore..	Coimbatore..	·107	Dharapuram ..	·018	·047

* The carriage is of course less; and, as the strong liquor made by the European contractors is more easily distinguishable from that made in illicit native stills, and has less to fear from competition of toddy, the other charges might probably be less also.

† When, as in native stills, the higher strength has to be obtained by redistillation, the cost is probably more than proportionally increased.

* Messrs. Corbett and Morison are much the best of the Abkári contractors. In economy of fixed capital, maintenance of sufficient supply with a minimum stock outlay on suppression of illicit traffic, careful regulation of prices, and manufacture of good and wholesome liquor, they have shown themselves masters of the business, and they have always been ready to afford to the officers of Government all the information in their power.

Presidency two principles, which indeed might almost have been stated *à priori*, viz., (1) that in taluqs containing large towns and centres of trade where much highly-paid labor, other than agricultural, exists, consumption is high; but in rural tracts, without such centres of trade or festivals, even though the population is dense and well off, consumption is low: (2) that in hilly, high-lying and feverish tracts, with a low mean temperature, consumption, even though population is sparse, attains a high rate. It is generally found possible to explain apparent exceptions to these laws by the fact that toddy trees are plentiful or the reverse. There is in fact no such thing as a normal consumption; and Mr. Dalyell's reasoning from a comparison of the rates of consumption in North Arcot and other places with those of Salem and Coimbatore is fallacious.

16. Maximum and minimum prices will be entirely unnecessary when the aim and end of the policy which is now being pursued in this Presidency is reached, viz., when the rate of duty on the ardent spirits consumed throughout the country is raised so as to be equal to the rate levied on spirits imported, or manufactured in the country on the so-called European method and freely excised. As explained in the Board's Proceedings marginally noted, such equality is now impossible, and cannot be reached except gradually and after the lapse of a considerable time. When it is reached minimum prices under monopoly rents will be unnecessary owing to the duty, and maximum prices will be settled by the competition of the imported, and freely manufactured and excised, spirits.

Board's Proceedings, No. 2,563, dated 12th October 1876.

17. The Board fear that they have been somewhat lengthy in their remarks above recorded on the general system, but what has been said clears the way for a consideration of the course to be adopted as regards the arrack rents of Salem, Coimbatore, and Trichinopoly. The subject is dealt with in Mr. Dalyell's Sections 4 and 5. In a memorandum annexed to these Proceedings the Board have analyzed the statistics for the Salem and Coimbatore Districts which have been furnished with the Collector's annual reports. The report from Tanjore has not yet been furnished, and the Board must use Mr. Dalyell's figures as regards that district.

18. *Salem.*—The enhancement of price was very great, and it is necessary to explain how it came about. The duties and maximum and minimum prices fixed in the advertisement notice, with reference to which Messrs. Wilson and Co. tendered Rupees 3,41,000 were as shown in the margin. The renters soon saw that there was a larger margin from which to pay the enormous guarantee they had undertaken at the proof duties and prices than at the 30° under proof, and they applied to be allowed to issue at 20° under proof, paying thereon the proof rate of duty, and selling at proof prices. The Board, however, did not allow this, but adopting the Rupees 2-8-0 duty for 20° under proof, which was almost the same as the rate in the adjoining district of North Arcot, allowed a maximum price higher by four annas than prevailed in that district. It would have been better to reduce the guarantee had that been possible; but the Board did not anticipate at the time that the guarantee would be abolished altogether for a great part of the rent. The abolition has been the chief cause of the great profits which the contractors have made so far.

	Duty.			Maximum Price.			Minimum Price.		
	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
Proof ..	2	8	0	5	8	0	4	0	0
30° under proof	1	12	0	3	12	0	2	12	0
60° do.	1	0	0	2	4	0	1	8	0

19. From the Board's memorandum it will be seen that they estimate the contractors' profits at Rupees 83,316 in the first year, which is at the rate of 14 Annas on each gallon actually sold in the shops. It may be assumed that in the whole contract the issues will coincide with the sales in the shops. The sales in fasli 1285 were 95,234 gallons. Judging from a comparison of the issues in the current

fasli as per margin, and allowing for the character of the present season, the Board do not think that more than 80,000 gallons can be estimated for the current fasli; and taking the third year as the same as last, the total for the three years may be estimated at 270,000 gallons; on which at Rupees 2-6-9 per gallon (the true net duty, *vide* memorandum) the sum payable to Government would be Rupees 6,53,630, and the contractors' profit, if they were to pay irrespective of guarantee, Rupees 2,12,220. The payments under the present agreement (that is, full guarantee for the second half of the term) would be Rupees 8,65,395,* and a sum of Rupees 2,11,765 would have to come out of their profits, reducing them for the three years to Rupees 455 only. The Government would realize a duty of Rupees 3-2-7, and the contractors' profit would disappear. Mr. Dalyell's estimate of duty to Government is lower and of contractors' profit higher, owing to his having proceeded upon the issues, which in the first year were considerably in excess of the actual sales, and to his not having anticipated the present calamitous season.

	Fasli 1285, Issued Gal.	Fasli 1286, Issued Gal.
	Rs.	Rs.
July	16,116	9,359
August	8,335	7,848
September	9,016	6,473
October	9,053	6,351
November	7,933	6,240
December	9,379	7,447
January	8,664	9,465
February	8,742	5,234
March	76,338	58,417
April	6,601	..
May	7,391	..
June	6,748	..
	8,211	..
Total	1,05,289	..

20. The enhancement of price in Salem was much greater than in Coimbatore and from the character of the district the Board would expect a higher consumption than has been attained in he first year of the new rent. They have no doubt that illicit practices are very rife, and even think it possible that they have been stimulated and licit consumption diminished by the increase of price. The impetus given to the toddy traffic, however, must not be forgotten, supposing that a decrease in licit consumption of arrack is admitted, but to prove that such decrease in licit consumption has actually taken place, there is really no evidence. The contractors' management has not been such as to foster or increase licit consumption, and they have evidently been actuated solely by a desire to get to themselves the largest possible share out of the highest price that they could obtain for every gallon they could sell. Their expenditure on preventive establishment has been small, and they have reduced to a very low point the remuneration of the retailers. They are not entitled to much consideration; but it seems to the Board advisable that some concession should be offered to them in view to trying whether a reduction of price would increase the consumption during the last year of the rent. The amount of profit which will be left to them under present stipulations will be next to nothing. Mr. Dalyell would hold them to the present agreement, but considering present circumstances the Board think this would be harsh.

21. The Board would remit half the excess of guaranteed amount above duty on actual issues for the half-year ending 30th June next; prices being left as they are. The excess will probably be about 76,000 Rupees, and half of it about 38,000 Rupees. For next year a reduction of price should be tried; the guaranteed revenue being reduced by the amount so taken out of the contractors' profits. The Board would like to see the average price reduced to 4 Rupees, *i.e.*, by 3 Annas a gallon, which on 95,000 gallons would come to Rupees 47,500. A reduction of the maximum price to

* Paid in issues, Fasli 1285 ... Rs. 2,50,063
Do. first half, Fasli 1286 ... 1,03,832
Guarantee, second half, Fasli 1286 ... 1,70,500
Do. do. do. 1287 ... 3,41,000
Total ... 8,65,395

Rupees 4-4-0 would probably bring the average down to Rupees 4. The guarantee would be Rupees 2,93,500 for Fasli 1287, and Rupees 1,32,500 for the second half of Fasli 1286. Out of the profits of the contractors paying on issues only (say Rupees 2,12,000,—47,500 = Rupees 1,64,500) would be taken approximately Rupees 38,000 for excess payment in Fasli 1286, and Rupees 66,000 for Fasli 1287, total Rupees 1,04,000; leaving to them as profit on the three years Rupees 60,500, or on 270,000 gallons, the sales for the three years, 3 Annas 7 Pies per gallon; besides the chance of profit on any expansion of the consumption which any reduction of price would bring about. The Government would receive for the three years Rupees 7,60,410 (instead of Rupees 10,23,000 as originally guaranteed), or a duty of Rupees 2-13-1 per gallon.

22. *Coimbatore.*—The profits realized in this district were on a very moderate scale, and little went into the pockets of the actual renters. The amount for the past year was, as will be seen from the memorandum annexed, Rupees 18,934 only. There is no reason to find fault with the administration of the renters, and having regard to the peculiar difficulties resulting from the universality of the outstill system under the old rents, the Board are of opinion that the results attained by them are satisfactory and that, estimates to the contrary notwithstanding, the rate of consumption reached is probably a near approximation to the real rate. The estimate of consumption on which the guaranteed amount was based was excessive, and cannot fairly be insisted on. The effect of the remission allowed is estimated by Mr. Dalyell as a considerable loss, and is ascribed by him to the expensive system of management adopted by the renters. The Board do not think that there is ground to attribute to them any needless expense, except perhaps in the matter of office establishment, and in the amount of fixed capital sunk. Some particulars have already been given on this point, but the following table gives materials for a comparison on the principal points involved in good management for Fasli 1285.

Districts.	Average balance of Stock per cent. of sales.	Fixed Capital per Gallon sold.	Establishment per Gallon sold.	Establishment per Shop open.	Cost of distribution per Gallon sold.	Total Charges other than duty and interest and Vendors' commission per Gallon sold.	Population per Shop open.	Consumption per head.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.		
Vizagapatam	4·3	0 13 10	0 7 5	32 10 9	0 4 3	1 9 2	4,570	·015
Nellore	6·9	0 8 2	0 2 2	16 11 2	*0 6 3	*0 14 9	4,353	·030
Chingleput	33·5	0 4 0	0 2 5	24 5 9	0 0 9	1 1 2	3,242	·049
North Arcot	12·0	0 2 10	0 5 8	54 7 11	Not given.	1 3 5	2,701	·056
South Arcot	11·7	0 15 6	0 6 1	31 0 5	0 2 9	1 8 9	1,986	·041
Trichinopoly	18·8	[illegible]	0 6 1	43 14 9	0 3 1	1 6 8	2,456	·047
Salem	14·0	0 6 10	0 3 10	16 2 0	0 2 9	1 1 6	1,876	·048
Coimbatore	13·1	0 12 4	0 7 11	35 8 3	0 2 9	1 6 4	1,532	·047
Nilgiris	1·9	0 9 10	0 3 7	72 7 0	0 0 9	1 5 1	1,338	·660
Bellary Cantonment	5·3	1 0 7	0 0 1	1 15 3	Not given.	0 13 11	821	·933
Tanjore	.....	... ...	... ...	... ...	... ...	1 2 4	.....	·032

23. From this table it will be seen that Coimbatore contrasts favorably with other districts. The total charges per gallon comprise a high outlay on establishment, an item with which Government ought not to quarrel. One of the chief points of economy in management is working with a small stock. The present contracts require a month's supply or 8·5 per cent. of sales to be kept up, but so large a stock is not absolutely necessary, and the maintenance of large stocks imposes needless charge on contractors. There has been no instance of failure of supply as far as the Board are aware, and they think the stipulation as to a month's stock might be omitted in future rents. The stocks in several districts are not kept up to the prescribed limit. Those in Coimbatore and Salem were high, as the renters expected a larger business than fell to them. When free from the stipulation, Messrs. Corbett and Morison managed North Arcot for three years with a stock of only 3·3 per cent. of sales.

* These are incorrect, the cost of distribution not being separable from vendors' commission—*Vide supra*, paragraph 7 note.

24. The Board estimate the sales of the current fasli in Coimbatore at 72,000 gallons, the issues to the end of February contrasting as per margin with those of Fasli 1285, and actual sales to December being 39,388 gallons against 44,552 gallons for the first half of Fasli 1285. Assuming the sales of Fasli 1287 to be the same as of Fasli 1285 the sales on the three years would be 238,000 gallons. The actual duty to 31st December 1876 and the estimated duty for the rest of the rent would be Rupees 4,44,536,* and the duty for the first half and guarantee for the second, Rupees 6,33,911, so that a sum of Rupees 1,89,375 would have to be made good out of profits. These, however, will amount to Rupees 78,864 only; the result being a loss of more than a lakh.

	Fasli 1285.	Fasli 1286.
July	15,073	7,514
August	7,483	6,616
September	6,212	5,754
October	7,816	6,982
November	6,552	6,212
December	9,111	7,550
January	7,234	6,970
February...	6,114	5,048
	65,595	52,646†
March	5,894	...
April	5,753	...
May	6,791	...
June	7,204	...
	91,237	...

25. The Board are of opinion that the contractors' management has been fairly satisfactory, that, allowing for the toddy, the true consumption of the district has probably been ascertained, and the real arrack revenue at present excise secured. They believe that this will be patent when the next toddy rents are sold, and the revenue from that liquor considerably increased.† The total Abkári revenue of the district will then approach the highest revenue under the farming system, supposing no increase in the taxation of arrack is found possible. The Board think that, in these circumstances, the best course is to permit the renters to continue to pay on issues to the end of the rent on condition that prices are somewhat reduced in Fasli 1287. A reduction of 4 Annas a gallon seems feasible without reduction of duty. The maximum price of 30° under proof should be Rupees 3-8-0 and of 20° under proof Rupees 3-14-0.‡ On these terms the renters will make about 70,000 Rupees on the three years, not too much.

26. *Tanjore.*—The Board, as already stated, have not the full accounts of the district, but must accept Mr. Dalyell's figures. He gives the charges at Rupees 1-2-4 per gallon, and the selling price on the average at Rupees 3-7-6, leaving‡ 5 Annas 2 Pies as the contractors' profit. Seeing that a large proportion of the consumption is at 60° under proof the charges are very high. The sales are stated to have been 38,786 gallons of 30° under proof and 23,775 of 60° under proof, or in the proportions of 62 and 38 per cent. Judging from the issues of Fasli 1286, however, the proportion is altering considerably and the stronger liquor is now more extensively consumed—a phenomenon similar to that observed in Coimbatore—notwithstanding that the weaker liquor is the more profitable to the contractor. The margin

—	30° Under Proof.	60° Under Proof.	Total	Equal to 30° Under Proof.
	GALS.	GALS.	GALS.	GALS.
Fasli 1286	41,419	26,375	67,794	56,49[illegible]
„ 1285, July to February.	29,399	19,106	48,505	40,3[illegible]
„ 1286, do. do.	31,197	8,739	39,936	36[illegible]19

* Estimating for the future at Rupees 1-14-0, as the proportion of liquor issued at 20° under proof is not nearly half.

† From Appendix A. page 3, to Mr. Dalyell's report it is gathered that the renters and sub-renters get Rs. 1,60,600 of which Rupees 90,960 only reach Government. The rents will probably increase by 25,000 or 30,000 Rupees.

‡ The maximum price of 20° under proof was fixed at Rupees 4; but in May 1876 it was discovered that the calculation was wrong and that the maximum ought to have been Rupees 4-4-0. Notwithstanding this, however, liquor has been sold, as appears from returns received, at Rupees 4 up to December 1876.

of 5 Annas 2 Pies obtained for contractors' profit and shopkeepers' remuneration is very small, and cannot stand reduction if the figures are correct. Mr. Dalyell does not think any reduction in price desirable, but shows that if the guarantee is enforced for the rent the contractors will lose, and proposes to allow them to resign their contract, if they wish, at the close of the current fasli. The Board do not think that anything is to be gained by this. It is certain that contractors could not be got to take the rent for a single year on terms which would yield a larger revenue to Government than the continuance of the present rent, with payment on issues only, would give them; and if a longer term were allowed it would amount to a postponement of the introduction in Tanjore of the improvements which the Board hope will be made in the system in Fasli 1288, as the result of the experience now being gained. The Board therefore would allow the renters to continue to pay on issues, but would, as in Coimbatore, stipulate for a reduction of price if on a fuller examination of the statistics yet to be furnished by the Collector such reduction should seem possible.

27. Mr. Dalyell's calculations as to toddy revenue and consumption are interesting, but they do not call for detailed notice here. The Board fully agree in the general remarks recorded by him in Section 7. He says that the separation of the toddy and arrack rents has been of great benefit both to the revenue and the people; that the toddy revenue is capable of very considerable development if better means could be found for regulating the taxation; and that there will be a large increase in the toddy rents next lease. He suggests that the plan of leaving the farms in the hands of a single monopolist on a per centage of the gross receipts might be further tried, and that the Board should issue rules for returns of toddy sales being furnished. The Board think that farms larger than taluqs ought certainly to be tried, and the plan suggested by Mr. Dalyell has undoubtedly worked well in Chingleput. The first step is, as stated by him, to gain knowledge of the consumption and present incidence of the revenue, and it is for inquiries of this kind that the services of the special Abkári officer, whose appointment the Board once suggested, would be conspicuously useful and remunerative. Mr. Dalyell at paragraph 16 again proposes the appointment of such an officer, and the Board are sure that much good would result, though perhaps not in time for the settlement of the next rents. The Board have not yet issued any rules as to returns to be furnished by toddy-renters and shopkeepers, partly because, as is abundantly shown by the returns submitted by the arrack renters in farmed districts, such returns are almost entirely untrustworthy and misleading, and for the reason stated by Mr. Dalyell, viz., the difficulty of procuring returns from completely illiterate retailers. They will, however, try the experiment.

28. The Board do not at all agree in Mr. Dalyell's remarks as to country brewed beer. They do not say that a wholesome beer could not be brewed on the Nilgiris, which may be possible. But it is beyond question that the liquor brewed there was found when sold in the plains noxious and unwholesome to a degree, and quite unworthy of any encouragement. It has been condemned by several competent analysts. As to Colonel Ouchterlony's beer the Board are informed by their second Member, who has had the misfortune to taste it, that it was extremely nasty stuff. It would always be futile to endeavor to secure the wholesomeness of the beer by rules as to the ingredients to be used; as such rules could not be really enforced except at an expense which the trade could not stand. And even if wholesome when brewed on the hills, the probability is that it will have ceased to be so long before it is sold on the plains. It is at any rate certain that good beer cannot be brewed on the plains, and the existing prohibition of licenses for the purpose should be strictly maintained.

29. As to the competition of the inferior imported spirits with the cheaper and purer liquors which can be made in the country the Board have recently addressed Government at length.

Board's Proceedings, No. 2,563, dated 12th October 1876.

(A true Extract.)

(Signed) H. E. STOKES,
Secretary.

MEMORANDUM.

Salem.

The renters were Messrs. Wilson and Co., and the conditions of the rent were as follows :—

Excise duty Rupees 2-8-0 per gallon 20° under proof less 5 per cent. allowed for wastage. Duty at proof Rupees 3-2-0.

Prices.—Maximum Rupees 5, Minimum Rupees 3-8-0 per gallon.

Guaranteed amount Rupees 3,41,000.

2. It was found that the consumption of spirit was so much less than the estimated amount that the contractors could not be justly held to their guarantee; they were allowed the option of resigning their contract on the 30th June 1876, or of paying duty on the issues only for the first eighteen months of the contract and making good the full guarantee for the remainder of the three years. They elected the latter.

3. The following shows the stock account of renters and shopkeepers :—

——	Distillery.	Depôts(47 in number.)	Shops.
Manufactured and received ...	114,347	105,289	98,548
Wastage	3,080	2,047	...
Issued and sold to public ...	105,289	98,548	95,234
	108,369	100,595	95,234
Balance	5,978	4,694	3,314
		13,986	

The average balance in the distillery and depôts at the close of each month was 13,796 gallons; the maximum gallons 16,975, and the minimum, 10,672. The sales being on the average 8,212 gallons, the stipulation in the contract as regards maintenance of stock has been fully observed.

4. From the above figures it will be observed that the gross issues were 105,289 gallons, and the wastage subsequent to issue gallons 2,047 or 1·94 per cent. The renters being allowed 5 per cent. for wastage paid duty on 100,245 gallons, but had for sale 103,242 gallons. The grant of 5 per cent. wastage was equivalent to a remission of duty of 3·06 per cent.; and the true rate of duty was (2-8-0 × ·9694 =) Rupees 2-6-9 per gallon.

5. The following statement shows the issues and sales for each month and the average prices :—

	Issues from Distillery.	Issued to Shops.	Sold in Shops.	Per Cent.	Price.
					Rs. A. P.
July	16,116	8,892	8,357	8·8	4 9 3
August	8,335	8,597	8,221	8·6	4 7 11
September	9,016	8,195	7,930	8·3	4 7 5
October	9,053	8,965	8,696	9·1	4 7 2
November	7,033	8,071	7,681	8·4	4 6 2
December	9,379	8,672	8,360	8·8	4 6 1
January	8,664	9,762	9,178	9·6	4 6 8
February	8,742	7,968	7,747	8·2	4 6 10
March	6,601	7,677	7,535	7·9	4 6 3
April	7,391	6,783	6,623	7·0	4 5 7
May	6,748	7,214	7,047	7·4	4 5 11
June	8,211	7,752	7,559	7·9	4 5 8
Total ...	105,289	98,548	95,234	100·0	4 6 10

6. The sales thus showed a falling off in the month of February due of course to the commencement of the palmyra toddy season. Neither the returns here shown for the whole district, nor those given by the Collector for taluqs in detail, show any special reduction of price of arrack which it would be expected that the renters would make to meet the additional competition at this season. The renters do not appear to be influenced much by consideration of the toddy, notwithstanding that the extension of toddyshops was much complained of by them. From the statement given below it will be seen that the lowest prices of arrack prevail in Utangarai, Trichengode, Oossoor, and Namkul; but with the exception of Oossoor, these