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MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

DEPARTMENT

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are not, to judge from the amounts of the toddy rents, especially well provided with toddy trees. The price of arrack was highest in Salem, of which the toddy rent is Rupees 40,000 or one-third of the rent of the whole district. The following statement shows statistics of consumption, &c., in the several taluqs:—

Taluqs.	Population as per Census of 1871.	Area in square miles.	Number of Shops open.	Consumption.		Quantity per head.	Sales per Shops.	Square miles to each Shop.	Population per Shop.	Average retail price.
				Quantity in actual Gallons.	Amount realized.					
Salem...	3,93,805	993	163	32,074	1,50,830	0.81	125	6	2,416	Rs. 4. 11. 3
Ahmed...	1,64,006	793	88	7,375	31,634	0.05	84	9	1,864	4 4 8
Namkul...	2,61,009	743	118	7,284	30,112	0.07	62	6	2,212	4 2 2
Trichengode...	2,49,678	632	112	6,569	26,995	0.03	59	6	2,229	4 1 9
Dharampuri...	1,90,826	598	141	10,168	46,636	0.03	73	7	1,352	4 3 5
Krishnagiri...	1,70,233	658	134	7,555	33,194	0.04	56	5	1,270	4 6 3
Oosoor...	1,93,037	1,169	118	6,967	28,780	0.03	59	10	1,039	4 2 1
Tripatore...	1,90,800	805	79	9,207	40,625	0.03	116	10	2,415	4 6 7
Utengiri...	1,53,801	808	95	8,040	22,554	0.02	85	9	1,619	4 0 9
Total...	19,66,995	7,604	1,048	95,234	4,21,375	0.08	91	7	1,876	4 6 10

Consumption is highest in Salem, Dharampuri, Utengiri, and Tripatore. In Oosoor, it is evidently checked by toddy; of which there is abundance in that taluq. It is very low in Namkul and Trichengode. The distribution of the consumption accords with what is usually observed. It is always high where there are large centres of trade and in high lying and hilly tracts subject to fever; while in rustic tracts in the plain country more densely populated and wealthy but destitute of large centres of trade, it is low. This is here exemplified in Namkul and Trichengode, where the low consumption cannot be attributed to insufficient supply or number of shops, or competition of toddy. The consumption of the district on the whole is low, as is seen from the marginal figures.

7. The number of shops open was 1,048. The sanctioned arrack shops under the old rent were 1,837; but of these only 1,577 were open in Fash 1284. Thus it appears that the number of shops have been decreased by the new renters by no less than 33 per cent. The Collector attributes the low consumption to the high prices charged by the renters, who had two rates at which the liquor was sold, viz., Rupees 5 and Rupee 4 per gallon, the shopkeepers being allowed discount or commission which from the renters' accounts, is found to have amounted to Rupees 12,689 on 98,548 gallons, or 2 Annas 1 Pie per gallon. The renters' account shows the gross sale proceeds as Rupees 4,42,909, so that the average rate was Rupees 4-7-11. Deducting commission, the shopkeepers got the liquor at Rupees 4-5-10; and the shop accounts abstracted by the Collector show that they sold 95,234 gallons for Rupees 4,21,374, which gives an average price of Rupees 4-6-10. Their ostensible profit, therefore, was on the average 1 Anna 1 Pie per gallon. The average sales per shop were 91 gallons; and the average remuneration of a shopkeeper, therefore, appears to have been Rupees 6-2-7 per annum.

8. These facts and figures are sufficient to establish the existence of very extensive illicit practices. The suppression of a large number of shops, the former proprietors of which were in some taluqs* at least accustomed to distil; the small margin of remuneration allowed to the shopkeepers, which drives them to illicit practices; the high strength of the liquor which lends itself to dilution, which cannot be detected owing to the want of hydrometers, which have not yet been supplied; all tend to prove that illicit practices must prevail to the detriment of the Government revenue and the renters' profits. The high price at which the liquor is sold intensifies all these evils.

9. In computing the profits of the renters, the proper course appears to the Board to be to ascertain the actual sums disbursed for cost of liquor, duty, distribution and management, &c.; to add a proper allowance for depreciation of fixed capital; but to make none for interest on fixed or floating capital, that being included in the profits of the trade. Also to the receipts in cash must be added a sum representing the profit which the renters will realize on the balance of stock in the depôts and distilleries. The difference between the total of receipts and charges should then be contrasted with the amount of capital, fixed and floating, invested by the renters.

* In five taluqs in Salem, the Amami system, of taluq distilleries, obtained in six out of the nine taluqs under the old rent. Vide Mr. Delyell's first report, Appendix D, page 24.

The estimation of the floating capital is not easy. The essence of economical management seems to consist in reducing the amount of such capital to a minimum. The smaller the stock of liquor and materials with which a renter manages the supply, the oftener he will turn his money over, and the less of it will suffice. Striking differences in this respect are apparent. The amount of floating capital required may, in most cases, be estimated as equal to the cost of the average balance of liquor in stock (including duty paid on that in the depôts*), plus the cost of

In estimating the results of the rents this duty must clearly either be deducted from the excise paid, i.e., from the charges, or added to the profits. establishments and sundry charges for the period which elapses on the average between the manufacture and the realization of sale proceeds of the liquor. This period may be roughly got, in months, by dividing the monthly manufacture by the monthly expenditure of liquor. The fact that establishments are paid in arrears may be set against the fact that the sale proceeds may not always reach the renter on delivery of the liquor to the shopkeepers, though it is, the Board believe, usual for renters to require liquor to be paid for by shopkeepers before it is removed from the Depôts. Renters generally obtain large sums as deposits for security by shopkeepers and employés, and these deposits, in some cases, are more than sufficient to provide the floating capital with which the contract is to be worked. The charges entered by the Salem renters in their financial statement are as follows:—

	RS.
Depreciation at $\frac{1}{4}$ of fixed capital	14,090
Interest at 10 per cent. on guarantee deposit Rs. 85,250, and cash Rs. 31,514	11,684
Cost of Spirit sold and wasted	71,663
Distribution	18,069
Vendors' commission	12,689
Establishments	25,432
Sundries	2,290
Duty on issues	2,50,063
	4,05,980

and the receipts being Rupees 4,42,609, the result is a profit of Rupees 36,629.

10. The allowance for depreciation would repay the whole cost of the buildings and plant within the term of the contract and is too high; 6 per cent. or Rupees 2,536 is ample, and is equal to 5 Pies per gallon sold. The whole sum disbursed for materials, &c., should have been entered under cost of liquor, and not the cost of that sold and wasted only. On the figures given the cost is 11 Annas and 1 Pie per gallon. Distribution is 2 Annas and 9 Pies, and commission to shopkeepers 2 Annas and 1 Pie. Establishments come to 3 Annas and 10 Pies, and sundries to 5 Pies. The true duty being Rupees 2-6-9, the price to the shopkeepers is made up as follows:—

	RS.	A.	P.
Depreciation	0	0	5
Cost of liquor	0	11	1
Distribution	0	2	9
Establishment	0	3	10
Sundries	0	0	5
Duty	2	6	9
Vendors' commission	0	2	1
Renters' profit	0	12	7
	4	7	11

11. This rate of profit is enormously high. The stock of liquor in the distillery was 5,977 gallons, and in the depôts 4,691; and at 12 Annas and 1 Pie and Rupees 3-3-4, respectively, these quantities represent assets of Rupees 1,699 and Rupees 15,910. The total receipts are therefore Rupees 4,62,648; and total charges admitted Rupees 3,82,742, so that the profit becomes Rupees 79,906. The guarantee deposit and fixed capital amount to Rupees 1,27,520; and the floating capital is stated by the renters as Rupees 31,523, but there is a set off of Rupees 14,1 deposited by shopkeepers and others. The net sum is Rupees 17,412. The Board would estimate the sum really required at Rupees 2,090. Taking the renters' figures, however, and adding the profit 4 per cent. interest on the guarantee deposit (which is in Government Paper), the result is that the renters have made 57-4 per cent. per annum on their money. The rate of profit per gallon above given is 21-8 per cent. on the sum sunk in it, whence it results, roughly speaking, that the money is turned over about two-and-a-half times in the year. The total profit was the rate of 14 annas for each gallon sold.

Coimbatore.

12. The Coimbatore District was not one of those which the Board proposed as suitable for the excise experiment. The scattered still system was in full force there. The sanctioned arrack shops under the old system numbered 1,438, and there were no less than 1,337 stills; i.e. 13 out of every 14 shopkeepers distilled the liquor they sold. In the Collegal taluq alone was there any approach to a central distillery system, the reason no doubt being that carriage is difficult and the transport of the liquor is cheaper than that of the materials. In some taluqs there were more stills than shops.

	Stills.	Arrack Shops.
Coimbatore	211	196
Sattiamangalam	190	194
Collegal	11	114
Pollachy	162	162
Erode	149	151
Showany	111	113
Palladam	161	174
Dharapuram	144	146
Caroor	127	113
Ootumpeettah	71	75
	1,337	1,438

13. On the introduction of the excise system outstills were prohibited, and a single distillery was established at Coimbatore itself. The liquor to be issued by the new renters was to be 30° under proof and the duty was fixed at Rupees 1-12-0. The renters were not ready to issue liquor in sufficient quantity at the opening of the fasli, and they were allowed to import and issue under the contract 8,000 gallons of Colombo arrack obtained from Madras. Subsequently they represented that there was a demand for liquor at a higher strength than 40° under proof and they asked to be allowed to issue a quantity not exceeding 5,000 gallons monthly at 20° under proof at proportionately higher duty and price. This request was acceded to; the duty was fixed at Rupees 2, and the maximum and minimum prices ultimately settled at Rupees 4-4-0 and Rupees 3-4-0 respectively. The form of statement No. 2 provides for the quantities being shown in gallons at 30° under proof, and separate details as to the manufacture of liquor at 20° under proof are not available. The following is the stock statement reduced to 30° under proof, for distilleries, depôts, and shops:—

	Distilleries.	Depôts.	Shops.
	GALLONS.	GALLONS.	GALLONS.
Manufactured and received	100,800	94,140	86,450
Issued and sold	94,340	86,456	85,591
Wasted	6,460	2,255	...
Total	99,873	88,711	85,591
Balance	4,126	5,429	865

The particulars as regards to strengths are as shown below for depôts and shops:—

	Depôts.		Shops.	
	20° U.P.	30° U.P.	20° U.P.	30° U.P.
Received	20,116	7,922	17,398	66,573
Diluted	1,148	4,157	...	...
	20,167	7,079	17,398	66,573
Issued and sold	17,398	6,573	...	...
Wasted	728	1,423	17,086	66,064
	17,125	5,996	312	599
Balance	5,041	4,083	...	...

14. From these figures it will be seen that the wastage in the distillery was at the rate of 5-5 per cent., in the depôts 2-3 per cent., and on the whole manufacture 7-7 per cent. The rate in the depôts was 2-0 per cent. for the weaker and 3-5 per cent. for the stronger. In Salem liquor at 20° under proof wastes only 1-94 per cent. between issue and consumption. Apparently the strong liquor has been kept for a long time in some places in Coimbatore, for it is stated that some became 30° under proof without dilution and 148 gallons as shown above gave only 157 gallons at 30° under proof, instead of 169. Deficiency of the kind is however suspicious. Taking the rate of wastage given, the allowance of 5 per cent. appears as in Salem to be excessive, in the case of 30° under proof by a quantity equivalent to 3 per cent., and in that of 20° under proof, of 1-5 per cent.* The real rates of duty are therefore Rupees 1-11-2 and Rupees 1-1-6 per gallon.

* The difference is of course due to shrinkage in the case of the stronger liquor.

15. The average balances cannot be ascertained exactly because, it is said, stock is not taken monthly. But there is no necessity to do this. It would suffice that the contents of each cask in gallons, and strength should be recorded when the liquor is made and the contents filled; and any loss which may be found written off when the cask is again gauged and tested. It will suffice for the purpose for which the Board require monthly stock, if the quantities and strengths originally recorded as put in the cask are maintained pending the issue of the liquor.

16. There is no doubt however that the balances maintained were very large. The renters began with 11,645 gallons and manufactured on the average 7,695 gallons, against an average sale of 7,293 gallons reduced to 30° under proof. The closing balance was equivalent to 9,555 gallons. The small balance remaining in the shops, which gives an average of 752 of a gallon in each shop open, is noteworthy. The average sale per shop is six gallons per mensem, or 0.2 gallons per diem. Each shop had therefore an average of nearly four days' supply.

	Sales.	Gallons.	Total.
	20° U.P.	30° U.P.	
Coimbatore	4,232	21,795	26,027
Palladam	3,804	1,993	5,797
Erode	1,284	5,108	6,392
Caroor	44	8,366	8,410
Pollachi	3,065	4,290	7,355
Bhowany	942	3,367	4,309
Dharapuram	1,173	3,824	4,997
Sattiamangalam	2,327	5,544	7,871
Udumalpettah	664	4,238	4,902
Collegal	..	7,913	7,913
Total	17,683	66,043	83,148

17. The distribution of the liquor in the several strengths is shown by taluqs in the margin. The demand for the stronger liquor seems to be greatest in Palladam and Pollachi as compared with the total consumption, a fact the cause of which is not apparent. It is not consumed at all in Collegal and scarcely at all in Caroor.

18. The following statement shows the issues and sales in actual gallons in each month, and the average retail prices both strengths being taken together:

Month.	Issues Monthly.		Sales in Gallons.			Percentage of each Strength.		Percent of Sales.	Average Price.
	20° U.P.	30° U.P.	Total.	20° U.P.	30° U.P.	Total.	20° U.P.	30° U.P.	Rs. A. P.
July	..	15,073	15,073	7,040	..	7,040	..	100	8 47 3 11 10
August	..	7,483	7,483	7,169	..	7,169	..	100	8 02 3 11 8
September	1,635	4,517	6,152	6,223	432	7,272	5.9	94.1	8 75 3 12 2
October	2,339	5,477	7,816	6,223	1,671	7,894	21.1	78.9	9 49 3 12 10
November	1,868	4,744	6,612	6,709	1,818	7,527	24.3	75.7	9 03 3 12 7
December	1,808	7,213	9,021	5,944	1,706	7,650	23.4	76.6	9 20 3 12 8
January	1,890	5,254	7,144	5,100	1,800	6,900	23.4	76.6	9 26 3 12 8
February	1,647	4,947	6,594	4,765	1,633	6,398	25.5	74.5	9 70 3 13 0
March	2,087	3,447	5,534	4,241	1,767	6,011	29.4	70.6	6 65 3 13 3
April	1,862	3,891	5,753	3,824	1,706	5,530	30.0	69.1	7 51 3 13 4
May	2,464	4,387	6,851	4,167	2,081	6,248	33.3	66.7	8 07 3 13 6
June	2,595	4,609	7,204	4,233	2,471	6,709	36.8	63.2	..
Total	20,315	70,922	91,237	66,063	17,685	83,148	20.5	79.5	100.0 3 12 8

19. From this it will be seen that the stronger liquor was gradually displacing the weaker, the proportion having risen to 37 per cent. at the close of the year. The total sales fell in February from 7,700 gallons, the highest in any month, to 6,398, and continued to fall during the next two months, the lowest sales being in April, viz., 5,530 gallons. The cause of course is the coincidence of the toddy season. It is very noticeable that the fall was chiefly confined to the weaker liquor; the sales of 20° under proof fell only 9.5 per cent. in the three months, but those of 30° under proof fell 35 per cent. This seems to show that the stronger liquor had less to fear from 10° competition than the weaker, and the taluqs of Coimbatore and Palladam, which take the largest quantities of 30° under proof, have also large rents for toddy. The selling price of 30° under proof liquor averaged Rupees 3-11-10 per gallon (intended for 3-12-0) throughout the year, and the falling off in sales was not met by any reduction in price. The price of 20° under proof was Rupees 4 throughout the year, and the average price of liquor of both kinds rose from 3-11-10 to 3-13-6, owing of course to the increasing proportion of sales at the higher strength.

20. The decrease in sales owing to the competition of toddy was greatest in the Sattiamangalam Taluq, which however took a high proportion, one-third, of liquor at 20° under proof. The sale of the 20° under proof seems to have been favored by the renters, for the difference between the duty and retail price, viz., Rupees 2, is the same as for 30° under proof; and cost of distribution, &c., being the same and prime cost greater, the renters' profit on the 20° under proof must have been less. In fact the addition made to the price of the liquor was nearly

the sum added to the duty. It must be admitted that they have tried to meet the demand of the consumers in the matter, and the comparative effect of the toddy competition of the two liquors also shows that the demand was real. The substitution of the stronger liquor is still more marked in the current fiscal year.

21. The following statement shows the usual particulars as to area, population, shops, and consumption in each taluq:

	Fasli 1256 (Issues gross).	
	20° Under Proof.	30° Under Proof.
July	3,460	4,054
August	3,388	3,228
September	2,625	3,129
October	3,304	3,673
November	2,985	3,227
December	4,706	2,814
January	3,451	3,519
February	2,441	2,607
Total	26,360	26,286

Taluqs.	Population as per Census of 1871.	Area in Square Miles.	Number of Shops.	Consumption.		Quantity per Head.	Sales per Shop in Gallons.	Square Miles per Shop.	Population per Shop.	Average Retail Price.
				Quantity actual Gallons.	Amount realized.					
Coimbatore	243,995	623	140	26,077	98,589	107	186	4.5	1,743	Rs. A. P. 3 12 6
Sattiamangalam	169,916	1,000	164	7,911	30,072	48	48	6.1	1,036	3 12 10
Collegal	90,830	1,400	77	7,913	29,622	103	103	11.3	1,171	3 11 11
Pollachi	167,546	700	149	7,265	28,005	49	49	5.6	1,869	3 13 8
Erode	233,564	698	125	6,452	24,508	52	52	8.3	1,057	3 12 9
Bhowany	102,813	800	97	4,909	18,631	51	51	5.7	1,651	3 14 6
Palladam	237,808	815	144	5,298	20,086	37	37	8.9	2,266	3 13 2
Dharapuram	217,493	852	96	4,015	15,340	42	42	5.7	1,705	3 11 11
Caroor	175,659	590	103	8,410	31,773	81	81	9.3	2,208	3 12 6
Udumalpettah	123,650	518	56	4,903	18,561	88	88	7.0	1,532	3 12 8
Total	1,763,274	7,936	1,151	83,150	3,15,477	104	72	7.0	1,532	3 12 8

22. It will be noticed that though 1,438 shops are sanctioned, the renters have opened only 1,151, and thus that, notwithstanding their complaints made as to the facilities given to the sale of toddy, they have not availed themselves to the full of the facilities afforded them for pushing the sale of their own liquor. The Board have not information as to the number actually open under the old rents. The following statement gives materials for a judgment how far the renters have been remiss in this matter:

	Villages.	Sanctioned Arrack Shops.	Arrack Shops open.	Old Toddy Shops.	Toddy Shops now Sanctioned.	Toddy Rents.
Coimbatore	258	196	140	84	122	Rs. 34,050
Sattiamangalam	237	194	164	87	177	3,000
Collegal	150	114	77	28	42	320
Pollachi	164	162	145	19	63	4,060
Erode	210	151	125	75	133	5,760
Bhowany	67	113	97	36	61	14,000
Palladam	194	174	144	52	67	7,550
Dharapuram	194	146	96	105	122	16,150
Caroor	111	113	103	8	35	3,050
Udumalpettah	94	75	56	1	12	3,020
Total	1,578	1,438	1,151	494	824	90,900

Looking at the total, 1,151 shops ought to suffice for 1,578 villages, and the sanctioned shops, which are nearly one to each village of 5½ square miles, were probably excessive. As regards toddy consumption, Coimbatore, Bhowany, and Dharapuram and Palladam, are the taluqs where the arrack renters might meet most competition, and might be expected to use all the arrack shops at their disposal. In Coimbatore, though they have opened only one shop for every two villages, they have one to every 4½ square miles; in Bhowany and Dharapuram there are more shops than villages; and in Palladam, the area to each shop is only 5.7 square miles. It seems therefore that sufficient facilities for obtaining arrack have been afforded.

23. The consumption per head is almost exactly the same as in the Salem district, and similar variations are observed as between different taluqs. Coimbatore with its large town, and hilly and feverish Collegal, show comparatively high rates; but Palladam, Dharapuram, and Erode,

which are open plain and rustic tracts show, like Namkal and Trichengode, very low rates. The sales per shop in Coimbatore are, however, only 72 gallons against 91 in Salem. The highest average is 186 gallons in Coimbatore, and the lowest 37 in Collegal. From the renters' account, it appears that the shopkeepers paid "at rates varying from 3½ to 4 Rupees per gallon," Rupees 2,92,072 for 83,971 gallons issued to them. These figures give a rate on the average, Rupees 3-7-7, or less than the lowest rate mentioned by the renters. The retail prices have been Rupees 3-12-0 and 4 Rupees, and assuming the figures in the accounts to be correct, the profit to the retailers would be from 4 to 8 Annas a gallon, which would be quite sufficient, though the absolute amount of remuneration which the shopkeepers would on the average receive would still be low, as the average sales per shop are not high. It is possible that the sum entered in the renter's account may be that actually received and not that due by the shopkeepers for the liquor supplied, but allowing for this the margin left for retailer's profit is doubtless sufficient. No charge for commission to shopkeepers appears in the renter's financial statement so that the receipts must be net. The previous training of the shopkeepers as distillers would render illicit practices by them likely enough; but as far as the accounts go the renters seem to have done their best to check these.

24. The receipts and charges are returned as follows:—

Receipts.				RS.
Sale proceeds of liquor	...	...	...	2,92,072
Sundries	...	...	...	132
				<u>2,92,204</u>
Charges.				RS.
Interest and commission to Arbuthnot and Co.	...	...	...	22,310
Depreciation at 5-78 per cent. on Rupees 61,766 fixed capital.	...	...	...	3,742
Cost of liquor	...	...	...	63,277
Distribution	...	...	...	16,174
Excise duty	...	...	...	1,56,507
Establishment—Inspection and collection	...	...	...	50,879
Do. Office	...	...	...	13,465
				<u>46,344</u>
Sundry charges	...	...	...	4,941
				<u>5,13,295</u>
Loss	...	...	...	<u>21,091</u>

25. The charges here entered are, however, not all admissible. The interest and commission on sales allowed to Arbuthnot and Co. by the actual renters ought not to be taken into account, as it amounts to a mere distribution of the profits really made. So too the charge for office establishment, which is very high, includes the separate salary paid to a partner in the rent and is part of his share in the profit. The Board would include against the rent a sum of Rupees 10,000 out of office establishment which will take into account a portion of this separate salary; as some charge for a resident manager is no doubt legitimate. The charge for depreciation on fixed capital is moderate, and is accepted. The cost of liquor is very high, being no less than 12 Annas 9 Pies per actual gallon made; but this is due to the inclusion of Colombo arrack, of which 7,933 gallons were bought for Rupees 9 7/8, or Rupees 1-3-0 per gallon. Excluding this the prime cost of the remaining liquor, reduced to 30° under Proof, is 10 Annas 4 Pies per gallon, which is moderate. Distribution cost 2 Annas 9 Pies per gallon, or exactly the same as in Salem. The excise duty, Rupees 1,53,507, divided by 89,086 (issuances less real wastage) gives Rupees 1-12-2 as the true average rate. Establishment, including Rupees 10,000 for office and management, comes to 40,879 Rupees or 7 annas 11 pies. Sundries cost 11 pies. The charges, excluding interest are therefore as follows:—

	RS.	A.	P.
Depreciation	...	0	0 9
Cost of liquor	...	0	12 9
Duty	...	1	12 2
Establishment	...	0	7 11
Sundries	...	0	0 11
Retailer's remuneration	...	0	5 1
Renter's profit	...	0	5 1
			<u>3 12 8</u>

The profit on liquor in distilleries and depôts at 5 Annas 1 Pie, and the duty on that in the depôts at Rupees 1-12-2, amount to Rupees 12,250. Receipts may therefore be taken at Rupees 3,04,454 and charges at Rupees 2,85,520, leaving a sum of Rupees 18,934 as gross profit

and interest. The fixed capital was Rupees 61,766, and the deposit Rupees 67,500. The floating capital employed is not stated, but the cost of and duty paid on the average balance of liquor would amount only to about Rupees 23,000. There was a sum of Rupees 30,744 obtained as cash deposits from subordinates, a capital which ought to suffice to work the rent, and so large that the Board doubt whether any floating capital was needed. But taking the cost of the average balance the capital found would be about Rupees 1,55,000. Adding interest at 4 per cent. on the fixed deposit to the gross profit above arrived at there is a sum of Rupees 21,634, which is 14 per cent. on the capital found.

(Signed) H. E. STOKES,
Secretary.

No. 607. Proceedings of the Board of Revenue, dated 13th April 1877,
No. 1,647:—

Read the following letter from Messrs. WILSON and Co., to H. E. STOKES, Esq.,
Secretary to the Board of Revenue, dated Madras, 7th April 1877:—

REFERRING to the existing drought and famine, we have the honor to inquire if the position of the Salem Abkari has had the consideration of the Revenue Board with a view to some reduction of our guaranteed revenue?

2. The Board will not feel surprised that we have again to petition for some relief under present exceptional circumstances.

3. In connection with such application, we beg to state that in accordance with the view taken by the Honorable Mr. Dalrymple and personally expressed to the writer, to the effect that our average selling price for arrack was too high, and that a reduction in rate would increase sales, we reduced prices in November last from about Rupees 4-5-0 per gallon (ex cooly) to about Rupees 3-10-6, (as per enclosed list, giving in detail the rates at each shop), although our previous experience of the result of reductions did not enable us to agree entirely with Mr. Dalrymple.

4. In making this reduction we did not consider our own interests as the rate, after deducting Rupees 2-8-0 for duty, is barely enough to cover the cost of manufacture and distribution of the liquor.

5. We now append a comparative statement of the result of the reduction, and we are of opinion that a continuance of such low rates is not warranted, though at the same time it is difficult to form a reliable estimate owing to the difference in the seasons.

6. We believe that an increase to, say, Rupees 4 per gallon would be more likely to meet the case and would not materially reduce the consumption, however, if the Board would be pleased to permit our continuing the contract on the same terms as sanctioned during the first eighteen months, viz., Rupees 2-8-0 duty per gallon on issues only; we shall be able to continue sales at present low price, or, say, Rupees 3-12-0 though, as already remarked, it barely covers cost.

7. If the Board hold other views, we beg they will give our case their most favorable consideration, and make us such concessions as the very adverse nature of the season demands.

COMPARATIVE Statement above referred to.

Month.	1875.		Month.	1876.	
	Gallons.	Average price.		Gallons.	Average price.
November	8,037	4 5 11	November	6,095	3 10 9
December	8,686	4 6 1	December	7,747	3 10 9
1876.			1877.		
January	9,738	4 5 6	January	8,520	3 10 3
February	7,935	4 5 11	February	5,910	3 10 5
March	7,690	4 5 3	March	5,700	3 10 5

ENCLOSURE No. 1.

STATEMENT showing the Rates at which Liquor is sold in the District of Salem in Fasli 1286.

Taluqs.	Depots.	Number of Shops in each Rate.			Total Number of Shops.	Remarks.
		RS. A. P.	RS. A. P.	RS. A. P.		
		4 8 0	4 0 0	3 8 0		
Salem	1. Salem	42	8	13	63	
	2. Rajepoor		4	20	24	
	3. Attayamputte			16	16	
	4. Machacy			34	34	
	5. Kadiarpatti			17	17	
	6. Onaloor			18	18	
	Total...	42	12	118	172	
Kistnagerry. {	1. Kistnagerry... ..		7	37	44	
	2. Arasumputti... ..			31	31	
	3. Mathoor			23	23	
	4. Baragoor			21	21	
	5. Rayacotah			15	15	
	Total...		7	127	134	
Oosoor... ..	1. Oosoor... ..			17	17	
	2. Thali			20	20	
	3. Bagalore			15	15	
	4. Soolagherry... ..			17	17	
	5. Deneanecotta			25	25	
	6. Kollamungalum ..			14	14	
	Total...			108	108	
Dharumapury. {	1. Dharumpury	6		40	46	
	2. Karimungalum			26	26	
	3. Palagode			33	33	
	4. Pennagarum... ..			27	27	
	Total...	6		126	132	
Namcul	1. Namcul... ..		2	21	23	
	2. Paramathy			32	32	
	3. Pavutirum			25	25	
	4. Sandamungalum...			20	20	
	5. Mogancoor			12	12	
	Total...		2	110	112	
Trichengode. {	1. Trichengode... ..			21	21	
	2. Senkerrydroog			23	23	
	3. Yedapady			25	25	
	4. Manally... ..			18	18	
	5. Komarapaliam			8	8	
	Total...			95	95	

STATEMENT showing the Rates at which Liquor is sold in the District of Salem in Fasli 1286.

Talugs.	Depots.	Number of Shops in each Rate.			Total Number of Shops.	Remarks.
		RS. A. P.	RS. A. P.	RS. A. P.		
		4 8 0	4 0 0	3 8 0		
Tripatoor ...	1. Tripatoor	8	3	30	41	
	2. Vaniyambady	5		8	13	
	3. Motoor... ..		...		12	
	4. Nattarumpulli		...		11	
	Total ..	13			77	
Ahtoor... ..	1. Ahtoor... ..	6		14	20	
	2. Yattapoor			17	17	
	3. Yallapady			17	17	
	4. Thalaivasul			11	11	
	5. Thammamputty			19	19	
	6. Veeraganoor... ..			8	8	
	Total...	6		86	92	
Uttengerry ...	1. Uttengerry			19	19	
	2. Mallapuram... ..			24	24	
	3. Harroor			42	42	
	4. Bayrenaikampetti..			9	9	
	Total..			94	94	
9	45	67	24	925	1,016	

7th April 1877.

(Signed) WILSON and Co.

8. SUBMITTED to Government with reference to Board's Proceedings, 21st March 1877. 1,268, now before Government.

2. In their Proceedings the Board suggested that as a condition of certain concessions in respect of the guarantee, Messrs. Wilson and Co. should reduce their prices to Rupees 4 on the average from Fasli 1287, but in the above letter Messrs. Wilson and Co. report that they already, in November last, reduced the rates at which they supply the shopkeepers (i.e., excluding commission) to such extent that the average rate has been from Rupees 3-10-3 to Rupees 3-10-9. The enclosure to their letter gives an average of Rupees 3-9-3 as the present rate. Adding 2 Annas 1 Pie for commission to vendors, the retail prices would be from Rupees 3-11-3 to Rupees 3-12-10. The details given in paragraph 10 of the Board's memorandum show that even at these rates they will make 1 or 2 Annas a gallon; but they have foregone profit to the extent of at least 10 Annas a gallon.

3. The reduction of price already made is considerably more than the Board recommended, but the effect of the experiment is of course rendered uncertain by the character of the present season and the existence of distress. The issues to shops are still considerably below those of Fasli 1285, but the effect of the reduced price is nevertheless apparent. The increase in December and January is not conclusive as a similar increase occurred in those months, in Fasli 1285; but from the comparison in

	Issues of Fasli 1286 to those of Fasli 1285.	ISSUES OF EACH MONTH THOSE OF JULY BEING TAKEN AS 1,000.	
		Fasli 1285.	Fasli 1286.
July ..	916	1,000	000
August ..	905	967	956
September ..	841	922	847
October ..	755		831
November ..	75		749
December ..	8		751
January ..	1		16
February ..	74		3
March ..	741		101

the margin, it will be noticed that notwithstanding the increase of distress the proportion of the sales of the current Fasli to those of Fasli 1285 was higher in December and January, and scarcely lower in February and March than in November; while the proportions of the sales in December and January to those of July, Fasli 1286, are nearly as good, and those for February and March taken together are not much lower than in Fasli 1285. This shows that the increasing distress has been to a considerable extent neutralized in its effect on consumption by the reduced prices charged for the liquor.

4. These results make it very advisable to try the effect of reduced prices as suggested by the Board in Fasli 1287 which, it is hoped, will be a normal year. Messrs. Wilson and Co. propose that they be allowed to continue to pay on issues, irrespective of guarantee, as at present, on condition that the present rates are maintained.

5. The effect of the reduction of price which has taken place is of course to modify considerably the Board's estimate of Messrs. Wilson and Co.'s profits under the rent, and existing agreements as to guarantee. It appears probable that the Board's estimate of sales for Fasli 1286 will be realized; but profit is now only 2 Annas per gallon instead of 12 Annas 7 Pies; and instead of closing almost in equilibrium (Board's Proceedings, 21st March, paragraph 19) the renters will lose, supposing the reduced prices to last only till the end of June, about Rupees 33,000. If the reduced prices are continued till the end of the rent, probably 105,000 gallons might be sold in Fasli 1287, and their loss on the whole contract would be about 70,000 Rupees.

	RS.
Issued to shops at unreduced prices, July to October	29,588
At reduced prices, November to March	34,081
Estimated, April to June, at 75 per cent. of the issues of Fasli 1285..	16,311
Total..	79,980
Duty payments already estimated ..	6,53,630
Add 10,000 gallons at Rs. 2-6-9 ..	24,220
Payments under present agreement..	6,77,850
Excess	8,65,395
95,000 at 12 Annas 7 Pies	1,87,545
105,000 at 2	74,760
Difference, Fasli 1287	13,125
Add profit foregone, Fasli 1286 ..	61,635
Profit estimated	33,000
Difference.. .. .	94,635
Net loss	2,12,220
	1,17,585
	69,960

increase of consumption were 20,000 gallons, Government would receive Rs. 7,02,076 instead of Rupees 8,65,395. Messrs. Wilson and Co. would make on the former supposition and with present prices approximately Rupees 1,18,000, and on the latter

Rupees 1,19,250. The arrangement would therefore be very advantageous but not at all so to Government.

7. That already proposed by the Board will give Government Rupees 7,60,410, and Messrs. Wilson and Co. were estimated to make Rupees 60,500 on the whole contract, or 3 Annas 7 Pies per gallon. Assuming present reduced prices to continue till the end of the Fasli, this gain will be reduced approximately by Rs. 31,500.*

* 50,392 gallons at 10 Annas = 31,495. If consumption is increased next year the duty will go to diminish their excess payment for guaranteed revenue, and profit at the rate of about 6 Annas a gallon is also to be added. Thus for 10,000 gallons, Rupees 27,970 will be added to their gross profit, making it Rupees 56,970, a moderate sum. The Board adhere to the proposals already made.

(True Copies and Extract.)

(Signed) H. E. STOKES,
Secretary.

No. 608. Proceedings of the Board of Revenue, dated 4th May 1877, No. 2,081.

Read the following letter from A. WEDDERBURN, Esq., Collector of Coimbatore, to H. E. STOKES, Esq., Secretary to the Board of Revenue, dated 30th April 1877, No. 147.

In paragraph 3 of the G.O., dated 18th February 1876, No. 244, the arrack monopolist of this district was allowed to pay for the first eighteen months of his contract on the issues of arrack only, and the strict term of the contract was to be enforced for the remainder of its currency. The contract began on the 1st July 1877, and the period of eighteen months allowed by the G.O. quoted above expired on the 31st December 1876. "The strict terms of the contract" commenced, therefore, from the 1st January 1877. I accordingly sent on the 21st April last a bill to the agent of the monopolist for Rs. 46,121-6-4 as follows:—

	RS.	A.	P.
(1.) Duty on issues for March 1877	8,369	10	10
(2.) Amount to make up the minimum guaranteed revenue for the third quarter of Fasli 1286 (January, February, and March 1877)	37,751	11	6
Total	46,121	6	4

2. The agent to the contractor instead of remitting the whole amount of the bill has sent only the amount of the first item, i.e., duty on the actual issues for March 1877.

3. I observe that in paragraph 25 of the Revenue Board's Proceedings, No. 1,268, of 21st March 1877, the Board have recommended Government to permit the renter to continue to pay on issues to the end of the rent, on condition that prices are somewhat reduced in Fasli 1287, but I have not received final orders on the subject.

4. Under these circumstances, I have the honor to request instructions as to whether payment on the actual issues is sufficient, or whether I should enforce payment of the amount of the second item mentioned above, to make up the guaranteed minimum for the quarter.

SUBMITTED for the orders of Government with reference to Board's Proceedings, 21st March 1877, No. 1,268.

2. Pending orders of Government, the Collector need not enforce the demand for full guaranteed revenue for the quarter.

(A true Copy and Extract.)

(Signed) H. E. STOKES,
Secretary.

609.

ORDER THEREON, 30th May 1877, No. 1,858.

Separate Revenue, No. 19.

Abkari.

With the first of the Proceedings above read, the Board submit, with their remarks, the Hon. R. A. Dalyell's second Report on the working of the new Abkari System; also certain proposals

regarding the adjustment of the arrack contracts in Salem, Coimbatore, and Tanjore. In the second they forward a letter from Messrs. Wilson & Co., the Salem Contractors, making certain request regarding the unexpired portion of their contract, and with the last a letter from the Collector of Coimbatore inquiring whether demand on the contractors for payment of the guaranteed amount or for payment on issues should be made.

2. His Grace the Governor in Council reserves for further consideration the general questions, whether of principle or administration, discussed in Mr. Dalyell's report, and the Board's review of it, but will dispose now of the Board's proposals in the matter of the Salem and Coimbatore contracts. After mature deliberation, His Grace in Council resolves, subject to the condition of the contractors agreeing to the revision of the selling prices, to sanction the continuance to the end of the current leases of the system of duty-payment on issues irrespective of guarantee in both Salem and Coimbatore Districts.

3. This is, in effect, what the Board have proposed in paragraph 25 of their Proceedings, No. 1,208, 1877, for Coimbatore, and in view of the action taken by the Salem renter after their communication with Mr. Dalyell of the present depressed circumstances of the country, and of the great uncertainty attending the prospects of the next fasli, His Grace in Council is of opinion that both districts may equitably be treated on the same principle.

4. The Board of Revenue will in due course make the desired revision of the selling prices.

5. The Tanjore contract will be dealt with specially when the Collector's report is received.

(True Extract.)

(Signed) C. G. MASTER,
Offg. Secretary to Government.

To the Board of Revenue.

Exd. F. R. Bantleman.

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.

ward of the rent of the whole district. The following statement shows statistics of consumption, &c., in the several taluqs:—

Taluka.	Population as per Census of 1871.	Area in square miles.	Number of Shops open.	Consumption.		Quantity per head.	Sales per Shops.		Square miles to each Shop.	Population per Shop.	Average retail price.
				Quantity in actual Gallons.	Amount realized.		Quantity in Gallons.	Amount.			
Salem...	3,93,805	993	163	32,074	1,50,836	081	147	6	2,416	4 11 3	
Ahmed...	1,64,006	798	88	7,375	31,634	045	84	9	1,864	4 4 8	
Namkul...	2,61,009	743	118	7,284	30,112	027	62	6	2,212	4 2 2	
Trichengode...	2,49,678	632	112	6,569	26,995	022	59	6	2,229	4 1 9	
Dharampuri...	1,90,626	998	141	10,163	46,636	053	72	7	1,352	4 9 5	
Krishnaghiri...	1,70,233	658	134	7,555	33,194	044	56	5	1,270	4 6 3	
Oosoor...	1,33,037	1,169	118	6,967	28,789	035	59	10	1,636	4 2 1	
Tripatore...	1,90,800	805	79	9,207	40,625	048	116	10	2,415	4 6 7	
Utengiri...	1,53,801	808	95	8,040	32,554	052	85	9	1,619	4 0 9	
Total...	19,66,995	7,604	1,048	95,234	4,21,375	048	91	7	1,876	4 6 10	

Consumption is highest in Salem, Dharampuri, Utengiri, and Tripatore. In Oosoor, it is evidently checked by toddy; of which there is abundance in that taluq. It is very low in Namkul and Trichengode. The distribution of the consumption accords with what is usually observed. It is always high where there are large centres of trade and in high lying and hilly tracts subject to fever; while in rustic tracts in the plain country more densely populated and

wealthy but destitute of large centres of trade,

it is low. This is here exemplified in Namkul and Trichengode, where the low consumption cannot be attributed to insufficient supply or number of shops, or competition of toddy. The

consumption of the district on the whole is low, as is seen from the marginal figures.

7. The number of shops open was 1,048. The sanctioned arrack shops under the old rent were 1,837, but of these only 1,377 were open in Fasli 1284. Thus it appears that the number of shops have been decreased by the new renters by no less than 33 per cent. The Collector attributes the low consumption to the high prices charged by the renters, who had two rates at which the liquor was sold, viz., Rupees 5 and Rupees 4 per gallon, the shopkeepers being allowed discount or commission which from the renters' accounts, is found to have amounted to Rupees 12,689 on 98,548 gallons, or 2 Annas 1 Pie per gallon. The renters' account shows the gross sale proceeds as Rupees 4,42,909, so that the average rate was Rupees 4-7-11. Deducting commission, the shopkeepers got the liquor at Rupees 4-5-10; and the shop accounts abstracted by the Collector show that they sold 95,234 gallons for Rupees 4,21,374, which gives an average price of Rupees 4-6-10. Their ostensible profit, therefore, was on the average 1 Anna 1 Pie per

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, Oosoor, and Namkul; but with the exception of Oosoor, these are not, to judge from the amounts of the toddy rents, especially well provided with toddy trees. The price of arrack was highest in Salem.

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 (17 in number.)	Shops.
Manufactured and received ...	114,347	103,289	98,543
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 $(2-8-0 \times .9694 =)$ 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.
July	16,116	8,892	8,357	8.8	Rs. A. P.
August	8,335	8,597	8,221	8.6	4 9 3
September	9,016	8,195	7,990	8.6	4 7 11
October	9,052	8,063	8,096	9.1	4 7 6
November	7,033	8,071	7,951	8.4	4 7 2
December	9,379	8,672	8,308	8.8	4 6 2
January	8,664	9,762	9,178	9.6	4 6 1
February	8,742	7,968	7,747	8.2	4 6 8
March	6,601	7,677	7,535	7.9	4 6 3
April	7,291	6,783	6,623	7.0	4 6 7
May	6,719	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

gallon. The average sales per shop were 91 gallons; and the average remuneration of a shopkeeper, therefore, appears to have been Rupees 6-2-7 per annum.

8. These facts and figures are sufficient to establish the existence of very extensive illicit practices. The suppression of a large number of shops, the former proprietors of which were in some taluqs* at least accustomed to distil; the small margin of remuneration allowed to the shopkeepers, which drives them to illicit practices; the high strength of the liquor which lends itself to dilution, which cannot be detected owing to the want of hydrometers which have not yet been supplied; all tend to prove that illicit practices must prevail to the detriment of the Government revenue and the renters' profits. The high price at which the liquor is sold intensifies all these evils.

9. In computing the profits of the renters, the proper course appears to the Board to be to ascertain the actual sums disbursed for cost of liquor, duty, distribution and management, &c.; to add a proper allowance for depreciation of fixed capital; but to make none for interest on fixed or floating capital, that being included in the profits of the trade. Also to the receipts in cash must be added a sum representing the profit which the renters will realize on the balance of stock in the depôts and distilleries. The difference between the total of receipts and charges should then be contrasted with the amount of capital, fixed and floating, invested by the renters. The estimation of the floating capital is not easy. The essence of economical management seems to consist in reducing the amount of such capital to a minimum. The smaller the stock of liquor and materials with which a renter manages the supply, the oftener he will turn his money over, and the less of it will suffice. Striking differences in this respect are apparent. The amount of floating capital required may, in most cases, be estimated as equal to the cost of the average balance of liquor in stock (including duty paid on that in the depôts†), plus the cost of

establishments and sundry charges for the period which elapses on the average between the manufacture and the realization of sale proceeds of the liquor. This period may be roughly got, in months, by dividing the monthly manufacture by the monthly expenditure of liquor. The fact that establishments are paid in arrears may be set against the fact that the sale proceeds may not always reach the renter on delivery of the liquor to the shopkeepers, though it is, the Board believe, usual for renters to require liquor to be paid for by shopkeepers before it is removed from the Depôts. Renters generally obtain large sums as deposits for security by shopkeepers and employes, and these deposits, in some cases, are more than sufficient to provide the floating capital with which the contract is to be worked. The charges entered by the Salem renters in their financial statement are as follows:—

	RS.
Depreciation at $\frac{1}{2}$ of fixed capital	14,090
Interest at 10 per cent. on guarantee deposit Rs. 85,250, and cash Rs. 31,594	11,684
Cost of Spirit sold and wasted	71,663
Distribution	18,069
Vendors' commission	12,689
Establishments	25,432
Sundries	2,290
Duty on issues	2,50,063
	4,05,980

and the receipts being Rupees 4,42,909, the result is a profit of Rupees 36,929.

10. The allowance for depreciation would repay the whole cost of the buildings and plant within the term of the contract and is too high; 6 per cent. or Rupees 2,536 is ample, and is

equal to 5 Pies per gallon sold. The whole sum disbursed for materials, &c., should have been entered under cost of liquor, and not the cost of that sold and wasted only. On the figures given the cost is 11 Annas and 1 Pie per gallon. Distribution is 2 Annas and 9 Pies, and commission to shopkeepers 2 Annas and 1 Pie. Establishments come to 3 Annas and 10 Pies, and sundries to 5 Pies. The true duty being Rupees 2-6-9, the price to the shopkeepers is made up as follows:—

	RS.	A.	P.
Depreciation	0	0	5
Cost of liquor	0	11	1
Distribution	0	2	9
Establishments	0	3	10
Sundries	0	0	5
Duty	2	6	9
Vendors' commission	0	2	1
Renters' profit	0	12	7
	4	7	11

11. This rate of profit is enormously high. The stock of liquor in the distillery was 5,978 gallons, and in the depôts 4,694; and at 12 Annas and 7 Pies and Rupees 3-3-4, respectively, these quantities represent assets of Rupees 4,699 and Rupees 15,040. The total receipts are therefore Rupees 4,62,648; and total charges admitted Rupees 3,82,742, so that the profit becomes Rupees 79,906. The guarantee deposit and fixed capital, amount to Rupees 1,27,520; and the floating capital is stated by the renters as Rupees 31,593, but there is a set off of Rupees 14,141 deposited by shopkeepers and others. The net sum is Rupees 17,452. The Board would estimate the sum really required at Rupees 24,000. Taking the renters' figures, however, and adding to the profit 4 per cent. interest on the guarantee deposit (which is in Government Paper), the result is that the renters have made 57.4 per cent. per annum on their money. The rate of profit per gallon above given is 21.8 per cent. on the sum sunk in it, whence it results, roughly speaking, that the money is turned over about two-and-a-half times in the year. The total profit was at the rate of 14 annas for each gallon sold.

Coimbatore.

12. The Coimbatore District was not one of those which the Board proposed as suitable for

	Still.	Arrack Shops.
Coimbatore	211	196
Satnamangalam	190	194
Collegal	11	114
Pollachy	162	162
Erode	149	151
Bhowany	111	113
Bhavadam	161	174
Dharapuram	144	148
Carcor	127	113
Oodamulpettah	71	75
	1,337	1,438

the excise experiment. The scattered still system was in full force there. The sanctioned arrack shops under the old system numbered 1,438, and there were no less than 1,337 stills; i.e. 13 out of every 14 shopkeepers distilled the liquor they sold. In the Collegal taluq alone was there any approach to a central distillery system, the reason no doubt being that carriage

is difficult and the transport of the liquor is cheaper than that of the materials. In some taluqs there were more stills than shops.

13. On the introduction of the excise system outstills were prohibited, and a single distillery was established at Coimbatore itself. The liquor to be issued by the new renters was to be 30° under proof and the duty was fixed at Rupees 1-12-0. The renters were not ready to issue liquor in sufficient quantity at the opening of the fasli, and they were allowed to import and issue under the contract 8,000 gallons of Colombo arrack obtained from Mudras. Subsequently they represented that there was a demand for liquor at a higher strength than 30° under proof and they asked to be allowed to issue a quantity not exceeding 5,000 gallons

monthly at 20° under proof at proportionately higher duty and price. This request was acceded to; the duty was fixed at Rupees 2, and the maximum and minimum prices ultimately settled at Rupees 4-4-0 and Rupees 3-4-0 respectively. The form of statement No. 2 provides for the quantities being shown in gallons at 30° under proof, and separate details as to the manufacture of liquor at 20° under proof are not available. The following is the stock statement reduced to 30° under proof, for distilleries, depôts, and shops:—

	Distilleries.	Depôts.	Shops.
	GALLONS.	GALLONS.	GALLONS.
Manufactured and received.	103,999	94,140	86,456
Issued and sold	94,140	86,456	85,591
Wasted	5,733	2,255	...
Total ...	99,873	88,711	85,591
Balance ...	4,126	5,429	865

The particulars as regards to strengths are as shown below for depôts and shops:—

	Depôts.		Shops.	
	20° U.P.	30° U.P.	20° U.P.	30° U.P.
Received	20,315	70,922	17,398	66,573
Diluted	— 143	+ 157	...	...
	20,167	71,079	17,398	66,573
Issued and sold	728	1,423	17,086	66,064
Wasted	18,126	67,996	812	509
Balance ...	2,041	3,083	...	...

14. From these figures it will be seen that the wastage in the distillery was at the rate of 5.5 per cent., in the depôts 2.3 per cent., and on the whole manufacture 7.7 per cent. The rate in the depôts was 2.0 per cent. for the weaker and 3.5 per cent. for the stronger. In Salem liquor at 20° under proof wastes only 1.94 per cent between issue and consumption. Apparently the strong liquor has been kept for a long time in some places in Coimbatore, for it is stated that some became 30° under proof without dilution and 148 gallons as shown above gave only 157 gallons at 30° under proof, instead of 169. Deficiency of the kind is however suspicious. Taking the rate of wastage given, the allowance of 5 per cent. appears as in Salem to be excessive, in the case of 30° under proof by a quantity equivalent to 3 per cent., and in that of 20° under proof, of 1.5 per cent.* The real rates of duty are therefore Rupees 1-11-2 and Rupees 1-15-6 per gallon.

15. The average balances cannot be ascertained exactly because, it is said, stock is not taken monthly. But there is no necessity to do this. It would suffice that the contents of each cask in gallons, and strength should be recorded when the liquor is made and the cask filled, and any loss which may be found written off when the cask is again gauged and tested for issue. It will suffice for the purpose for which the Board require monthly stock, if the quantities and strengths originally recorded as put in the cask are maintained pending the issue of the liquor.

16. There is no doubt however that the balances maintained were very large. The renters began with 11,645 gallons and manufactured on the average 7,695 gallons, against an average sale of 7,205 gallons reduced to 30° under proof. The closing balance was equivalent to 9,555

gallons. The small balance remaining in the shops, which gives an average of 752 of a gallon in each shop open, is noteworthy. The average sale, per shop is six gallons per mensem, or 0.2 gallons per diem. Each shop had therefore an average of nearly four days' supply.

	ales.	Gallons.	Total.
	20° U. P.	30° U. P.	
Coimbatore	4,282	21,795	26,077
Palladam	3,304	1,993	5,297
Erode	1,284	5,168	6,452
Caroor	44	8,366	8,410
Pollachy	3,065	4,200	7,265
Bhowany	942	3,967	4,909
Dharapuram	1,173	2,839	4,012
Sattiamangalam	2,327	5,584	7,911
Udumalpettah	664	4,238	4,902
Collegal	...	7,913	7,913
Total	17,685	66,063	83,148

17. The distribution of the liquor in the several strengths is shown by taluqs in the margin. The demand for the stronger liquor seems to be greatest in Palladam and Pollachy, as compared with the total consumption, a fact the cause of which is not apparent. It is not consumed at all in Collegal and scarcely at all in Caroor.

18. The following statement shows the issues and sales in actual gallons in each month, and the average retail price both strengths being taken together:—

Months.	Issues Monthly.			Sales in Gallons.			Percentage of each Strength.		Per cent of Sales.	Average Price.
	20° U. P.	30° U. P.	Total.	20° U. P.	30° U. P.	Total.	20° U. P.	30° U. P.		
July	...	15,073	15,073	7,040	...	7,040	100	...	8.47	Rs. A. P.
August	...	7,483	7,483	7,169	...	7,169	...	100	8.62	3 11 10
September	1,695	4,517	6,212	6,840	432	7,272	5.9	94.1	8.75	3 12 2
October	2,339	5,477	7,816	6,223	1,671	7,894	21.1	78.9	9.49	3 12 10
November	1,808	4,714	6,522	5,709	1,818	7,527	24.2	75.8	9.05	3 12 10
December	1,898	7,213	9,111	5,944	1,706	7,650	22.3	77.7	9.20	3 12 7
January	1,980	5,261	7,241	5,900	1,800	7,700	23.4	76.6	9.26	3 12 8
February	1,617	4,467	6,084	5,899	1,833	7,732	25.5	74.5	9.70	3 13 0
March	2,087	3,807	5,894	5,777	1,833	7,610	26.1	73.9	9.85	3 13 2
April	1,862	3,891	5,753	3,824	1,708	5,532	30.2	69.8	7.61	3 13 4
May	2,404	4,387	6,791	4,167	2,081	6,248	33.3	66.7	7.61	3 13 4
June	2,595	4,609	7,204	4,238	2,471	6,709	36.8	63.2	8.07	3 13 6
Total	20,315	70,922	91,237	66,063	17,085	83,148	20.5	79.5	100.0	3 12 8

19. From this it will be seen that the stronger liquor was gradually displacing the weaker, the proportion having risen to 37 per cent. at the close of the year. The total sales fell in February from 7,700 gallons, the highest in any month but one, to 6,398, and continued to fall during the next two months, the lowest sales being in April, viz., 5,530 gallons. The cause of course is the coincidence of the toddy season. It is very noticeable that the fall was chiefly confined to the weaker liquor; the sales of 20° under proof fell only 9.5 per cent. in the three months, but those of 30° under proof fell 36 per cent. This seems to show that the stronger liquor had less to fear from the competition than the weaker, and the taluqs of rents for toddy. The selling price of 30° under proof liquor averaged Rupees 3-11-10 per gallon (intended for 3-12-0) throughout the year, and the falling off in sales was not met by any reduction in price. The price of 20° under proof was Rupees 4 throughout the year, and the average price of liquor of both kinds rose from 3-11-10 to 3-13-6, owing of course to the increasing proportion of sales at the higher strength.

20. The decrease in sales owing to the competition of toddy was greatest in the Sattiamangalam Taluq, which however took a high proportion, one-third, of liquor at 20° under proof. The sale of the 20° under proof seems to have been favored by the renters, for the difference between the duty and retail price, viz., Rupees 2, is the same as for 30° under proof; and cost of distribution, &c., being the same and prime cost greater, the renters' profit on the 20° under proof must have been less. In fact the addition made to the price of the liquor was nearly

	Fasli 1236 (Issues gross).	
	20° Under Proof.	30° Under Proof.
July	3,460	4,054
August	3,388	3,228
September	2,625	3,129
October	3,304	3,678
November	2,985	3,227
December	4,706	2,841
January	3,451	3,519
February	2,441	2,607
Total	26,360	26,286

the sum added to the duty. It must be admitted that they have tried to meet the demand of the consumers in the matter, and the comparative effect of the toddy competition on the two liquors also shows that the demand was real. The substitution of the stronger liquor is still more marked in the current fasli.

21. The following statement shows the usual particulars as to population, shops, and consumption in each taluq:—

Taluqs.	Population as per Census of 1871.	Area in Square Miles.	Number of Shops.	Consumption.		Quantity per Head.	Sales per Shop in Gallons.	Square Miles per Shop.	Population per Shop.	Average Retail Price.
				Quantity actual Gallon.	Amount realized.					
Coimbatore	243,995	623	140	26,077	98,589	107	186	4.5	1,743	Rs. A. P. 3 12 6
Sattiamangalam	169,916	1,000	164	7,911	30,672	48	48	6.1	1,036	3 12 10
Collegal	90,830	1,400	77	7,913	29,622	103	103	17.3	1,171	3 11 11
Pollachy	167,546	700	149	7,265	28,005	49	49	11.3	4,698	3 13 8
Erode	233,564	698	125	6,452	24,508	52	52	5.6	1,889	3 12 9
Bhowany	102,813	800	97	4,909	18,631	51	51	8.3	1,037	3 12 9
Palladam	237,808	815	144	5,298	20,686	37	37	5.7	1,651	3 14 6
Dharapuram	217,493	852	96	4,013	15,340	42	42	8.9	2,236	3 13 2
Caroor	175,659	590	103	8,410	31,473	82	82	5.7	1,705	3 11 11
Udumalpettah	123,650	518	56	4,903	18,551	88	88	9.3	2,208	3 12 6
Total	1,763,274	7,996	1,151	83,150	3,15,477	72	72	7.0	1,532	3 12 8

22. It will be noticed that though 1,438 shops are sanctioned, the renters have opened only 1,151, and thus that, notwithstanding their complaints made as to the facilities given to the sale of toddy, they have not availed themselves to the full of the facilities afforded them for pushing the sale of their own liquor. The Board have not information as to the number actually open under the old rents. The following statement gives materials for a judgment how far the renters have been remiss in this matter:—

	Villages.	Sanctioned Arrack Shops.	Arrack Shops open.	Old Toddy Shops.	Toddy Shops now Sanctioned.	Toddy Rents.
Coimbatore	268	196	140	84	122	Rs. 34,050
Sattiamangalam	237	194	164	87	177	3,000
Collegal	150	114	77	23	42	820
Pollachy	164	162	149	18	53	4,060
Erode	210	151	125	75	133	5,700
Bhowany	67	113	97	36	61	14,000
Palladam	194	174	144	52	67	7,550
Dharapuram	83	146	96	105	122	16,150
Caroor	91	113	103	8	35	8,050
Udumalpettah	94	73	56	1	12	3,000
Total	1,573	1,438	1,151	494	824	90,900

Looking at the total, 1,151 shops ought to suffice for 1,573 villages, and the sanctioned shops, which are nearly one to each village of $5\frac{1}{2}$ square miles, were probably excessive. As regards toddy consumption, Coimbatore, Bhowany, and Dharapuram and Palladam, are the taluqs where the arrack renters might meet most competition, and might be expected to use all the arrack shops at their disposal. In Coimbatore, though they have opened only one shop for every two villages, they have one to every $4\frac{1}{2}$ square miles; in Bhowany and Dharapuram there are more shops than villages; and in Palladam, the area to each shop is only $5\frac{1}{2}$ square miles. It seems therefore that sufficient facilities for obtaining arrack have been afforded.

23. The consumption per head is almost exactly the same as in the Salem district, and similar variations are observed as between different taluqs. Coimbatore with its large town, and hilly and feverish Collegal, show comparatively high rates; but Pulladam, Dharapuram, and Erode, which are open plain and rustic tracts show, like Namkal and Trichengode, very low rates. The sales per shop in Coimbatore are, however, only 72 gallons against 91 in Salem. The highest average is 186 gallons in Coimbatore, and the lowest 37 in Collegal. From the renters' account, it appears that the shopkeepers paid "at rates varying from 3½ to 4 Rupees per gallon," Rupees 2,92,072 for 83,971 gallons issued to them. These figures give a rate on the average, Rupees 3-7-7, or less than the lowest rate mentioned by the renters. The retail prices have been Rupees 3-12-0 and 4 Rupees, and assuming the figures in the accounts to be correct, the profit to the retailers would be from 4 to 8 Annas a gallon, which would be quite sufficient, though the absolute amount of remuneration which the shopkeepers would on the average receive would still be low, as the average sales per shop are not high. It is possible that the sum entered in the renter's account may be that actually received and not that due by the shopkeepers for the liquor supplied, but allowing for this the margin left for retailer's profit is doubtless sufficient. No charge for commission to shopkeepers appears in the renter's financial statement so that the receipts must be net. The previous training of the shopkeepers as distillers would render illicit practices by them likely enough; but as far as the accounts go the renters seem to have done their best to check these.

24. The receipts and charges are returned as follows:—

Receipts.					RS.
Sale proceeds of liquor	...	...	...	...	2,92,072
Sundries	...	...	...	...	132
					<u>2,92,204</u>
Charges.					
Interest and commission to Arbuthnot and Co.	...	...	...	...	22,310
Depreciation at 5.78 per cent. on Rupees 64,766 fixed capital.	...	...	...	...	3,742
Cost of liquor	...	...	...	...	63,277
Distribution	...	...	...	...	16,174
Excise duty	...	...	...	...	1,56,507
Establishment—Inspection and collection	...	...	...	...	30,879
Do. Office	...	...	...	...	15,465
Sundry charges	...	...	...	...	46,344
	...	...	...	...	<u>4,941</u>
Loss	...	...	...	...	3,13,295
	...	...	...	...	<u>21,091</u>

25. The charges here entered are, however, not all admissible. The interest and commission on sales allowed to Arbuthnot and Co. by the actual renters ought not to be taken into account, as it amounts to a mere distribution of the profits really made. So too the charge for office establishment, which is very high, includes the separate salary paid to a partner in the rent and is part of his share in the profit. The Board would include against the rent a sum of Rupees 10,000 out of office establishment which will take into account a portion of the separate salary; as some charge for a resident manager is no doubt legitimate. The charge for depreciation on fixed capital is moderate, and is accepted. The cost of liquor is very high, being no less than 12 Annas 9 Pies per actual gallon made; but this is due to the inclusion of Colombo arrack, of which 7,938 gallons were bought for Rupees 3,714, or Rupees 1-3-0 per gallon. Excluding this the prime cost of the remaining liquor, reduced to 30° under Proof, is 10 Annas 4 Pies per gallon, which is moderate. Distribution cost 2 Annas 9 Pies per gallon, or exactly the same as in Salem. The excise duty, Rupees 1,56,507, divided by 89,986 (issues less real wastage) gives

Rupees 1-12-2 as the true average rate. Establishment, including Rupees 10,000 for office and management, comes to 40,879 Rupees, or 7 Annas 11 Pies. Sundries cost 11 Pies. The charges, excluding interest are therefore as follows:—

	RS.	A.	P.
Depreciation	...	...	0 0 9
Cost of liquor	...	...	0 12 9
Duty	...	...	1 12 2
Establishment	...	...	0 7 11
Sundries	...	...	0 0 11
Retailer's remuneration	...	...	0 5 1
Renter's profit	...	...	0 5 1
			<u>3 12 8</u>

The profit on liquor in distilleries and depôts at 5 Annas 1 Pie, and the duty on that in the depôts at Rupees 1-12-2, amount to Rupees 12,250. Receipts may therefore be taken at Rupees 3,04,454, and charges at Rupees 2,85,520, leaving a sum of Rupees 18,934 as gross profit and interest. The fixed capital was Rupees 64,766, and the deposit Rupees 67,500. The floating capital employed is not stated, but the cost of and duty paid on the average balance of liquor would amount only to about Rupees 23,000. There was a sum of Rupees 30,744 obtained as cash deposits from subordinates, a capital which ought to suffice to work the rent, and so large that the Board doubt whether any floating capital was needed. But taking the cost of the average balance the capital found would be about Rupees 1,55,000. Adding interest at 4 per cent. on the fixed deposit to the gross profit above arrived at there is a sum of Rupees 21,634 which is 14 per cent. on the capital found.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 21st March 1877.

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 Abkari, 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.

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 Abkari 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

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

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 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

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

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

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

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.

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

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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

	Per Shop open.			Per Gallon sold.		
	RS.	A.	P.	RS.	A.	P.
Vizagapatam ...	32	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

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.

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. Dilation 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:—

District	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	2 12 4	015
Vizagapatam (2) ..	2 10 7	020	4 5 2	056
North Arcot (3) ..	3 14 10	058	3 9 6	041
South Arcot (4) ..	Not known.	047	4 1 7	049
Chingleput (5) ..	3 15 3	049	4 6 10	018
Salem ..			3 12 8	047
Coimbatore ..			3 11 8	047
Trichinopoly ..			4 4 8	060
Nilgiris ..			4 3 0	033
Bellary Cantonment ..			3 7 6	032
Tanjore ..			3 8 9	03
Nellore ..				

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

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

* 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 1½ Annas to the shopkeeper.

† 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. Dalryell 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 66° 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.

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 minimum limits should be discontinued altogether, that there should be no minimum limits 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 as 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 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

* 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.

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 1½ or 1¾ 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 experienced 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

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..	Trinopalai ..	·065	Tindivanam ..	·028	·041
Trichinopoly.	Trichinopoly.	·115	Kuditalai ..	·016	·047
Salem ..	Salem ..	·081	Trichengode ..	·022	·048
Coimbatore..	Coimbatore..	·107	Dharapuram ..	·018	·047

social characteristics and customs, and diffusion of wealth, and in a less degree

* 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 Atkari 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.

on density of population. The Board deduce from a survey of the statistics of the Presidency two principles, which indeed might almost have been stated *a 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.

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 tents 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

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

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.

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 gallon 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

	Fasli 1285, Issued Gal.		Fasli 1286, Issued Gal.	
	Rs.		Rs.	
July	16,116	9,359		
August	6,095	7,312		
September	9,016	6,473		
October	9,053	6,351		
November	7,033	6,240		
December	9,379	7,447		
January	8,664	9,465		
February	8,742	5,234		
	76,338	58,417		
March	6,601	..		
April	7,391	..		
May	6,748	..		
June	8,211	..		
Total ..	1,05,289	..		

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.

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 the 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 illicit 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

		Rs.
* Paid in issues, Fasli 1285	..	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

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. Dalryell 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 8 Annas a gallon, which on 95,000 gallons would come to Rupees 47,500. A reduction of the maximum price to 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 at 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 18,931 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. Dalryell 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.		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.
			Per Gallon sold.	Per Shop open.				
Vizagapatam	1.3	Rs. A. P. 0 13 10	Rs. A. P. 0 7 5	Rs. A. P. 51 10 9	Rs. A. P. 0 4 3	Rs. A. P. 1 9 2	4,579	.015
Nellore	6.9	0 8 2	0 2 2	46 11 2	0 0 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	13.0	0 9 10	0 5 8	51 1 11	Not given.	1 8 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
Tiruchinopoly	13.8	0 8 6	0 6 1	43 14 9	0 3 1	1 6 5	2,450	.047
Salem	14.0	0 5 10	0 7 11	35 2 0	0 2 9	1 1 6	1,876	.048
Coimbatore	13.1	0 12 4	0 7 11	35 2 0	0 0 9	1 5 1	1,333	.060
Nilgiris	1.9	0 9 10	0 2 7	72 7 0	0 0 9	0 13 11	821	.033
Bellary Cantonment	5.3	1 0 7	0 0 1	1 15 3	Not given.	1 2 4		.033
Tanjore								

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 3.2 per cent. of sales.

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.

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

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

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 Abkari 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

	30° Under Proof.	60° Under Proof.	Total	Equal to 30° Under Proof.
Fasli 1286	GALS. 41,419	GALS. 26,375	GALS. 67,794	GALS. 56,490
" 1285, July to February.	29,399	19,106	48,505	40,317
" 1286, do. do.	31,197	8,739	39,936	36,191

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 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

* From Appendix A. page 3, to Mr. Dalyell's report it is gathered that the renters and sub-renters got Rs. 1,60,000, of which Rupees 99,000 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.

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 Abkari 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.

(A true Extract.)

Secretary.

To the Secretary to Government, Revenue Department, with a Memorandum.
Copy to all Collectors, with do. and copies of Excise Reports.

Exd. W. J. Lewis, W. H. French and J. Tulloch

1877. Sept 19/6
Board of Revenue,
MADRAS.

PROCEEDINGS, 21st MARCH 1877, No. 1,268.

(Dated 24/3/77)

Encl

MARCEL
No. 1,268.

Memo. Alkali—Submitting to Gov. present remarks on the second report of the Hon. R. A. Dalrymple on the working of the new system of and the proposals made by him on the re-estimate of the Arrack rents in Coimbatore, Salem and Tanjore.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 13th April 1877.

Read the following letter from Messrs. WILSON and Co., to H. E. STOKES, Esq., Secretary to the Board of Revenue, dated Madras, 7th April 1877:—

Referring to the existing drought and famine, we have the honor to inquire if the position of the Salem Abkari has had the consideration of the Revenue Board with a view to some reduction of our guaranteed revenue?

2. The Board will not feel surprised that we have again to petition for some relief under present exceptional circumstances.

3. In connection with such application, we beg to state that in accordance with the view taken by the Honorable Mr. Dalrymple and personally expressed to the writer, to the effect that our average selling price for arrack was too high, and that a reduction in rate would increase sales, we reduced prices in November last from about Rupees 4-5-0 per gallon (ex cooly) to about Rupees 3-10-6, (as per enclosed list, giving in detail the rates at each shop), although our previous experience of the result of reductions did not enable us to agree entirely with Mr. Dalrymple.

4. In making this reduction we did not consider our own interests as the rate, after deducting Rupees 2-8-0 for duty, is barely enough to cover the cost of manufacture and distribution of the liquor.

5. We now append a comparative statement of the result of the reduction, and we are of opinion that a continuance of such low rates is not warranted, though at the same time it is difficult to form a reliable estimate owing to the difference in the

6. We believe that an increase to, say, Rupees 4 per gallon would be more likely to meet the case and would not materially reduce the consumption, however, if the Board would be pleased to permit our continuing the contract on the same terms as sanctioned during the first eighteen months, viz., Rupees 2-8-0 duty per gallon on issues only; we shall be able to continue sales at present low price, or, say, Rupees 3-12-0 though, as already remarked, it barely covers cost.

7. If the Board hold other views, we beg they will give our case their most favorable consideration, and make us such concessions as the very adverse nature of the season demands.

COMPARATIVE Statement above referred to.

Month.	1875.		Month.	1876.	
	Gallons.	Average price.		Gallons.	Average price.
November	8,037	RS. A. P. 4 5 11	November	6,095	RS. A. P. 3 10 9
December	8,686	4 6 1	December	7,747	3 10 9
1876.			1877.		
January	9,738	4 5 6	January	8,520	3 10 3
February	7,935	4 5 11	February	5,910	3 10 5
March	7,690	4 5 3	March	5,700	3 10 5

ENCLOSURE No. 1.

STATEMENT showing the Rates at which Liquor is sold in the District of Salem in Fasli 1286.

Talugs.	Depots.	Number of Shops in each Rate.			Total Number of Shops.	Remarks.
		RS. A. P.	RS. A. P.	RS. A. P.		
		4 8 0	4 0 0	3 8 0		
Salem ..	1. Salem ..	42	8	13	63	
	2. Rajepoor ..		4	20	24	
	3. Attayamputte ..			16	16	
	4. Machaey ..			34	34	
	5. Kadiampatti ..			17	17	
	6. Omuloor ..			18	18	
	Total...	42	12	118	172	
Kistnagerry.	1. Kistnagerry...		7	37	44	
	2. Arasumputti...			31	31	
	3. Mathoor ..			23	23	
	4. Baragoor ..			21	21	
	5. Rayacotah ..			15	15	
	Total...		7	127	134	
Oosoor...	1. Oosoor... ..			17	17	
	2. Thali ..			20	20	
	3. Bagalore ..			15	15	
	4. Soolagherry...			17	17	
	5. Kollamungalam ..			25	25	
	6. Kollamungalam ..			25	25	
	Total...			108	108	
Dharumapury.	1. Dharumapury ..	6		40	46	
	2. Karimungalem ..			26	26	
	3. Palagode ..			33	33	
	4. Pennagarum...			27	27	
	Total...	6		126	132	
Nameul ..	1. Nameul... ..		2	21	23	
	2. Paramathy ..			32	32	
	3. Pavutirum ..			25	25	
	4. Sandamungalam...			20	20	
	5. Moganoor ..			12	12	
	Total...		2	110	112	
Trichengode.	1. Trichengode...			21	21	
	2. Senkerrydroog ..			23	23	
	3. Yedapady ..			25	25	
	4. Manally...			18	18	
	5. Kounarapaliam ..			8	8	
	Total...			95	95	

STATEMENT showing the Rates at which Liquor is sold in the District of Salem in Fasli 1286.

Talugs.	Depots.	Number of Shops in each Rate.			Total Number of Shops.	Remarks.
		RS. A. P.	RS. A. P.	RS. A. P.		
		4 8 0	4 0 0	3 8 0		
Tripatoor ...	1. Tripatoor ...	8	3	30	41	
	2. Vaniyambady ..	5		8	13	
	3. Motoor... ..			12	12	
	4. Nattarumpulli ..			11	11	
	Total ..	13	3	61	77	
Ahtoor... ..	1. Ahtoor... ..	6		14	20	
	2. Yattapoor ..			17	17	
	3. Yallapady ..			17	17	
	4. Thalaivasul ..			11	11	
	5. Thammanputty ..			19	19	
	6. Veeraganoor... ..			8	8	
	Total...	6		86	92	
Uttengerry...	1. Uttengerry ...			19	19	
	2. Mallapuram... ..			21	21	
	3. Harroor... ..			42	42	
	4. Bayrenaikempetti..			9	9	
	Total ..			94	94	
9	45	67	24	925	1,016	

7th April 1877.

(Signed) WILSON and Co.

SUBMITTED to Government with reference to Board's Proceedings, 21st March 1877, No. 1,268, now before Government.

2. In their Proceedings the Board suggested that as a condition of certain concessions in respect of the guarantee, Messrs. Wilson and Co. should reduce their prices to Rupees 4 on the average from Fasli 1287, but in the above letter Messrs. Wilson and Co. report that they already, in November last, reduced the rates at which they supply the shopkeepers (i.e., excluding commission) to such extent that the average rate has been from Rupees 3-10-3 to Rupees 3-10-9. The enclosure to their letter gives an average of Rupees 3-9-3 as the present rate. Adding 2 Annas 1 Pie for commission to vendors, the retail prices would be from Rupees 3-11-3 to Rupees 3-12-10. The details given in paragraph 10 of the Board's memorandum show that even at these rates they will make 1 or 2 Annas a gallon; but they have foregone profit to the extent of at least 10 Annas a gallon.

3. The reduction of price already made is considerably more than the Board recommended, but the effect of the experiment is of course rendered uncertain by the character of the present season and the existence of distress. The issues to shops are still considerably below those of Fasli 1285, but the effect of the reduced price is nevertheless apparent. The increase in December and January is not conclusive as a similar increase occurred in those months, in Fasli 1285; but from the comparison in

	Issues of Fasli 1286 to those of Fasli 1285.	Issues of Each Month Those of July Being Taken as 1,000.	
		Fasli 1285.	Fasli 1286.
July ..	916	1,000	000
August ..	905	967	956
September ..	841	922	847
October ..	755	1,008	831
November ..	757	903	749
December ..	802	977	951
January ..	875	1,095	1,046
February ..	746	892	729
March ..	741	687	701

4. These results make it very advisable to try the effect of reduced prices as suggested by the Board in Fasli 1287 which, it is hoped, will be a normal year. Messrs. Wilson and Co. propose that they be allowed to continue to pay on issues, irrespective of guarantee, as at present, on condition that the present rates are maintained.

5. The effect of the reduction of price which has taken place is of course to modify considerably the Board's estimate of Messrs. Wilson and Co.'s profits under the rent, and existing agreements as to guarantee. It appears probable that the Board's estimate of sales for Fasli 1286 will be realized; but profit is now only

	GALLONS.
Issued to shops at unreduced prices, July to October ..	29,588
At reduced prices, March ..	34,081
Estimated, April to June, at 75 per cent. of the issues of Fasli 1285..	16,311
Total..	79,980

	RS.
Duty payments already estimated ..	6,53,630
Add 10,000 gallons at Rs. 2-6-9 ..	24,220
Payments under present agreement..	6,77,850
Excess ..	8,65,395
95,000 at 12 Annas 7 Pies ..	1,87,545
105,000 at 2 " ..	74,760
Difference, Fasli 1287 ..	13,125
Add profit foregone, Fasli 1286 ..	61,635
Profit estimated ..	33,000
Difference..	91,635
Net loss ..	2,12,220
	1,17,585
	69,960

the margin, it will be noticed that notwithstanding the increase of distress the proportion of the sales of the current Fasli to those of Fasli 1285 was higher in December and January, and scarcely lower in February and March than in November; while the proportions of the sales in December and January to those of July, Fasli 1286, are nearly as good, and those for February and March taken together are not much lower than in Fasli 1285. This shows that the increasing distress has been to a considerable extent neutralized in its effect on consumption by the reduced prices charged for the liquor.

Board's estimate of sales for Fasli 1286 will be realized; but profit is now only 2 Annas per gallon instead of 12 Annas 7 Pies; and instead of closing almost in equilibrium (Board's Proceedings, 21st March, paragraph 19) the renters will lose, supposing the reduced prices to last only till the end of June, about Rupees 33,000. If the reduced prices are continued till the end of the rent, probably 105,000 gallons might be sold in Fasli 1287, and their loss on the whole contract would be about 70,000 Rupees.

6. If reduction of price induced a larger increase of consumption in a normal year than 10,000 gallons, their loss would be less by the duty and profit on the quantity in excess, viz., for every 10,000 gallons, Rupees 25,170. As far as the experiment already made goes, the Board do not think that it would be safe to calculate on expansion of more than 10,000 gallons.

If the consumption increased by this quantity, and if the present conditions as to guarantee are abrogated as proposed by Messrs. Wilson and Co., Government would receive on the whole contract Rupees 6,77,850 instead of Rupees 8,65,395. If the increase of consumption were 20,000 gallons, Government would receive Rs. 7,02,070 instead of Rupees 8,65,395. Messrs. Wilson and Co. would make on the former supposition and with present prices approximately Rupees 1,18,000, and on the latter Rupees 1,19,250. The arrangement would therefore be very advantageous to them, but not at all so to Government.

7. That already proposed by the Board will give Government Rupees 7,60,410; and Messrs. Wilson and Co. were estimated to make Rupees 60,500 on the whole contract, or 3 Annas 7 Pies per gallon. Assuming present reduced prices to continue

till the end of the Fasli, this gain will be reduced approximately by Rs. 31,500.*

* 50,392 gallons at 10 Annas = 31,495. If consumption is increased next year the duty will go to diminish their excess payment for guaranteed revenue, and profit at the rate of about 6 Annas a gallon is also to be added. Thus for 10,000 gallons, Rupees 27,970 will be added to their gross profit, making it Rupees 56,970, a moderate sum. The Board adhere to the proposals already made.

(True Copies and Extract.)

Secretary.

To the Secretary to Government, Revenue Department,
with copy of List and of Messrs. Wilson and Co.'s Letter.

Copy to the Collector of Salem, with do.

Erd. W. H. French.

Revenue Department
Proceedings of the Board of Revenue.

Dated 13th April 1877.

Read letter from Messrs. Wilson and Co. dated 7th April 1877.

Submitted to Government with reference to Board's Proceeding 21st March 1877 etc. 1268 now before Government.

2. In these proceedings the Board suggested that as a condition of certain concessions in respect of the guarantee, Messrs. Wilson and Co. should reduce their prices to Rs. 4 on the average from Rs. 12.87; but in the above letter Messrs. Wilson and Co. report that they already in November last

1877.

Board of Revenue,
MADRAS.

PROCEEDINGS, 13th APRIL 1877, No. 1,647.

2000 13 4 17)

Encl.

Received

14.5.77)

APRIL
No. 1,647.

Advt. of Salem District. Submitting to Government, with Board's views, application of Messrs. Wilson and Co., arack renters of the district, for grant of certain concessions to them.

10606

last reduced the rates at which
 they supply the chopkeepers (ex-
 cluding commission) to such
 extent that the average rate
 has fallen — from Rs 3-10-3 to
 Rs 3-10-9. The mistake
 to their letter gives an average
 of Rs 3-9-3 as the present rate.
 Adding 200 ip for commission
 to vendors, the retail prices
 would be from Rs 3-11-3 to
 Rs 3-12-10. The details given
 in para 10 of the Board's memo-
 randum show that even at these
 rates they will make one or
 two annas a gallon, but they
 have foregone profit to the extent
 of at least ten annas a gallon.
 The reduction of
 price

price already made is consider-
 ably more than the Board recom-
 mended, but the effect of the
 experiment is of course rendered
 uncertain by the character of
 the present season and the exis-
 tence of distress. The issues
 to shops are still considerably
 below those of J. 1285, but the
 effect of the reduced price is
 nevertheless apparent. The in-
 crease in December and January
 is not conclusive as a similar
 increase occurred in these months
 in J. 1285, but from the compari-

	Issues of J. 1286 to those of J. 1285.	Issues of each month those of July being taken as 1000. J. 1285..... J. 1286	con in the mar- ket, it will be noticed that notwith- standing the increase
July	916	1000	1000
August	905	967	966
September	841	922	847
October	755	1008	831
November	757	903	749
December	892	977	951
January	875	1095	1046
February	746	892	729
March	741	687	701

increase of distress, the proportion of the sales of the current Taeli to those of J. 1285 was higher in December and January and scarcely lower in February and March than in November, while the proportions of the sales in December and January to those of July J. 1286 are nearly as good as those for February and March taken together not much lower than in J. 1285. This shows that the increasing distress has been to a considerable extent neutralized in its effect on consumption by the reduced prices charged for the liquor.

5. These results make it very

1287
very advisable to try the effect of reduced prices as suggested by the Board in J. 1287, which, it is hoped, will be a normal year. Messrs Wilson and ~~for~~ propose that they be allowed to continue to pay on issue, irrespective of guarantee, as at present, on condition that the present rates are maintained.

6. The effect of the reduction of price which has taken place is of course to modify considerably the Board's estimate of Messrs Wilson & Co's profits under the rent, and existing agreements as to guarantee. It appears probable that the Board's estimate

estimate of sales for J. 1286 will
be realized, but
profit is now only
2 annas per gallon
instead of 12 annas 7/8, and
instead of clearing
almost in a quail.

Losses to shops at	Follows
unreduced prices	
July to October	29588
At reduced	
prices - November	
to March	34081
Estimated profit	
to June @ 75% of	
the sales of J. 1285	46311
	<u>77980</u>

brim (Board's Proceedings 28th March
para 19) the renters will lose,
supposing the reduced prices to last
only till the end of June, about

Rs. 33,000. If the	Duty payments already	
reduced prices are	estimated	653630
continued till the	at Rs. 10,000 gallons at	
end of the rent, proba-	Rs. 2.46 9	24200
bly 105,000 gallons might		<u>677850</u>
be sold in J. 1287 and	Payments under present	
then loss on the whole	agreement	865395
contract would be	4 years	<u>187545</u>
about 70,000 Rs.	95,000 @ 12 annas 7/8	74760
If reduction	105,000 @ 2 annas	<u>13125</u>
of	Difference 2.09	61635
	Ad profit from J. 1286	<u>53000</u>
		94635
	Profit estimated	<u>213220</u>
	Difference	<u>117685</u>
	etc. loss	69960

If price induced a larger increase
of consumption in a normal
year than 10,000 gallons, then loss
would be less by the duty and
profit on the quantity in excess,
viz, for every 10,000 gallons, Rs. 25 1/2
as far as the experiment already
made goes, the Board do not
think that it would be safe
to calculate on expansion of
more than 10,000 gallons. If
the consumption increased by
this quantity, and if the present
conditions as to guarantee were
abrogated as proposed by Messrs
Wilson and Co., Government
would receive on the whole about
Rs. 6,77,850 instead of Rs. 8,65,395.
If the increase of consumption
were

were 20000 gallons, Government
would receive Rs 402070 instead
of Rs 865395. Messrs Wilson & Co
would make on the former, and
with present prices approximate,
by Rs 118000 and on the latter
Rs 119250. The arrangement
would therefore be very advantageous
to them but not at all so
to Government.

That already proposed
by the Board will give Govern-
ment Rs 760410; and Messrs
Wilson and Co were estimated
to make Rs 60500 on the whole
contract or 3 annas 7 p per gallon.
assuming present reduced
prices to continue till the
end of the year, the gain
will

50372 gals at
10 annas =
31495

will be reduced approximate-
ly by Rs 31500. If consump-
tion is increased next year the
Duty will go to diminish their
excess payment for guaranteed
revenue and profit at the rate
of about 6 annas a gallon is
also to be added. Thus for 10000
gallons, Rs 27970 will be added
to their gross profit making it
Rs 56970 a moderate sum. The
Board adhere to the proposals
already made.

(True Extract)

W. Wilson
Secretary

To the Secretary to Government
Revenue Department
with copy of letter and
of Messrs Wilson's letter

Encl
by

Statement showing the rate at which liquor is sold in the District of Salem in Feb'y 1286.

Talugo	Depot	No of Shops in each				Remarks
		P. A. P.	P. A. P.	P. A. P.	Shop	
		4-8-	4-	3-8-		
Salem.	1 Salem	42	8	13	63	
	2 Rajapur	"	4	20	24	
	3 Changanputte	"	"	16	16	
	4 Nachachy	"	"	34	34	
	5 Chachampatti	"	"	17	17	
	6 Omalore	"	"	18	18	
		42	12	118	172	
Tistnagermy	1 Tistnagermy	"	7	37	44	
	2 Changanputte	"	"	31	31	
	3 Mathoor	"	"	23	23	
	4 Karagoor	"	"	21	21	
	5 Rayacotah	"	"	15	15	
		"	7	127	134	
Ponnur	1 Ponnur	"	"	17	17	
	2 Thali	"	"	20	20	
	3 Bagalore	"	"	15	15	
	4 Solagerry	"	"	17	17	
	5 Dentanacotta	"	"	25	25	
	6 Kollamungalam	"	"	14	14	
		"	"	108	108	
Daramperry	1 Daramperry	6	"	40	46	
	2 Karamungalam	"	"	26	26	
	3 Palagode	"	"	33	33	
	4 Pennagaram	"	"	27	27	
		"	"	126	132	

Revenue (1077) Defaulter
No 2116

Proceeding of the
Revenue of Revenue

of 13th April 1877

20773

Revenue 1/2 - 50 - 00

20773

Rs 30-5-77 in 1850

Submittung

Government letter

from Mr. W. C. W. C.

as of regarding the

Revenue Contract

Count of Rs. 19, 1/4, 1/2, 2, 20, 5, 1/4
20, 1, 1/2, 1/4, 1/2, 2, 20, 5, 1/4

Heating Contract.

Taluk.	Depot.	No of Shops in each part.			
		4/8	4	3/8	Total
Kannur	1 Kannur	"	2	21	23
	2 Parumathy	"	"	32	32
	3 Parutimur	"	"	25	25
	4 Pandamungalum	"	"	20	20
	5 Moganoor	"	"	12	12
		"	2	110	112
Trichengode	1 Trichengode	"	"	21	21
	2 Simkarycherry	"	"	23	23
	3 Medapady	"	"	25	25
	4 Manally	"	"	18	18
	5 Kumbalangi	"	"	3	3
		"	"	95	95
Tripattur	1 Tripattur	8	3	30	41
	2 Vaniyambady	5	"	8	13
	3 Motur	"	"	12	12
	4 Kattarampatti	"	"	11	11
		13	3	61	77
Ahtoor	1 Ahtoor	0	"	14	28
	2 Mattupoor	"	"	17	17
	3 Mallaipady	"	"	17	17
	4 Thalavasal	"	"	11	11
	5 Thammampatty	"	"	19	19
	6 Veeraganoor	"	"	8	8
		6	"	86	92

	4-8--	4-4--	3-8--	Total
Uttengery 1 Uttengery			19	19
2. Hallapungu			24	24
3. Harvor			42	42
4. Baypencal kinu } -puttu }			9	9
			94	94
	9	45	67	24
			925	1016

7 April 1877.

157 Wilson 79

True copy

Wm. H. R. Secretary.



Madras 7 April 1877.

To The Secretary
Board of Revenue.
Madras

Sir,
Referring to the existing drought,
and for the same, we have the honor to
enquire if the position of the Salem
Abkari has had the consideration
of the Revenue Board with a view to
some reduction of our guaranteed
Revenue?

The Board will not feel surprised
that we have again to petition for
some relief under present exceptional
circumstances.

In connection with such
application, we beg to state that in
accordance with the view taken by
the Honble Mr. Dalrymple & personally
expressed to the writer, to the effect
that our average selling price for
Amack was too high & that a reduction

In column in B.O.

Proceedings to the

Secretary to Govt. P.O.

Dated 13 April 1877.

Rev: 21/6/77

Yours very truly &c. &c.

in rate would increase sales, we reduced prices in November last from about Rs 4-5/- per Gallon (Ex Coole) to about Rs 3-10-6, (as per Enclosed list giving in detail the rates at each shop) although our previous experience of the result of reductions did not enable us to agree entirely with Mr. Dalryell.

In making this reduction we did not consider our own interests as the rate after deducting Rs 2-8/- for duty is barely enough to cover the cost of manufacture & distribution of the liquor.

We now append a Comparative Statement of the result of the reduction and we are of opinion that a continuance of such low rates is not warranted tho' at the same time, it is difficult to form a reliable estimate

estimate owing to the difference in the seasons. —

We believe that an increase to say Rs 4 per Gallon would be more likely to meet the case and would not materially reduce the consumption, however, if the Board would be pleased to permit our continuing the contract on the same terms as sanctioned during the first 18 months viz Rs 2-8/- duty per Gallon on issues only; we shall be able to continue sales at present low price, or say Rs 3-12/- tho' as already remarked it barely covers cost.

If the Board hold other views we beg they will give our case their most favorable consideration and make no such concessions as the very adverse nature of the season demands

demands.

We have seen
B. Wilson & Co

Comparative Statement above referred to.

1875			1876		
Month	Gallons	Average price	Month	Gallons	Average price
Nov ^r	8037	4 5 11	Nov ^r	6295	3 10 9
Dec ^r	8686	4 6 1	Dec ^r	7747	3 10 9
1876.			1877.		
Jan ^r	9738	4 5 6	Jan ^r	8520	3 10 3
Feb ^r	7935	4 5 11	Feb ^r	5910	3 10 5
March	7690	4 5 3	March	5700	3 10 5

B. Wilson & Co

True copy

Wm

Secretary

Revenue Department

No: 2081

Proceedings of the Board of Rev.
Dated 4th May 1877.

Read the following

No 147

4688 From A. Wedderburn Esquire,
Collector of Coimbatore.

To, H. C. Stokes Esquire.
Secretary to the Board of
Revenue
Madras.

Sir,
In para 3 of the G.O. dated
18th February 1876 No 244, the arrack
monopolist of this District was allow-
ed to pay for the first - eighteen
months of his contract on the issues
of arrack only, and the strict
term of the contract was to be enforced

Enclure in 132

Proceedings to the

Secretary to Govt-R.O.

dated 13 April 77

Rev: 21/6/77

16 Oct 1877
17 Oct 1877

4-6-30 1877/78 L.R. 602

enforced for the remainder of its currency.
The contract began on the 1st July
1877, and the period of 18 months
allowed by the G. O. quoted above,
expired on the 31st December 1876.

"The strict terms of the contract"
commenced. therefore from the 1st
January 1877. - I accordingly sent
on the 21st April last, a bill to
the agent of the Monopolist for
Rs. 46 121-6-4 as follows: -

(1) Duty on issues for March
1877 ————— Rs 8,369-10-10.

2. Amount to make up
the minimum guaranteed
Revenue for the 3rd Quarter
of Fussy 1286. (January
February & March 1877) — 37,757-11-6.

Total Rs. 46 121-6-4.

18-12-77
The Agent to the Contractor
instead of remitting the whole a-
mount of the bill, has sent only
the amount of the 1st item i.e. Duty
on the actual issues for March 1877.

3. I observe that in para 25 of
the Revenue Board's Proceedings
No. 1268 of 21st March 1877, the
Board have recommended Government
to permit the renter to continue to pay
on issues to the end of the rent in
condition that prices are somewhat
reduced in Fussy 1287. - But I
have not received final orders on
the subject.

4. Under these circumstances
I have the honor to request instruc-
tions, as to whether payment on the
actual issues is sufficient, or
whether

whether I should enforce payment
of the amount of the 2nd item
mentioned above to make up the
guaranteed minimum for the quarter.

I have &c

Comptroller Collyer's Office J. C. Waincome
30th April 1877-3 for Collector

Submitted for the orders of
Government with reference to Board's
Proceedings 21st March 1877 No 1268.

2. Pending orders of Government. The
Collector need not enforce the demand
for full guaranteed revenue for the
quarter.

(True Copy & Extract)

To, The Chief Secy to Govt. ^{Waincome} Secretary

SECOND REPORT

ON THE

ABKARI SYSTEM

OF THE

MADRAS PRESIDENCY.

GOTACAMU P.
PRINTED BY OLIVER AND CO.
1876.

Dec: 1877/Sept: 1878

No 2008

For Order

8377

No 1608

1875 B.P. 21st March 77

has been in circ. since

20th April 77. It is submitted

that the Abkari's may be

allowed to be paid

when the land is

in the hands of the

landholder.

It is suggested

that the land

should be paid

when the land

is in the hands

Proceedings of the

Board of Revenue

dated 4th May 1877

Page 15

Recd - 7th May 1878

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1876
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SECOND REPORT

ON THE

ABKARI SYSTEM

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OOTACAMUND:
PRINTED BY OILLEFF AND CO.

1876.

1858
64

FROM

THE HON'BLE R. A. DALYELL,

*Second Member of the Board of Revenue,
On Special Duty.*

TO

THE HON'BLE D. F. CARMICHAEL,

Secretary to Government, Revenue Department.

SIR,

I have the honor to submit herewith a Report upon the working of the new system of Abkari management, as directed in the Order of Government under date 3rd July, 1876, No. 891. I have visited the three Districts in which it has been found desirable to sanction remissions of revenue during the past year, and full details in regard to them will be found in the Appendices to the Report. I have also deemed it advisable, for purposes of comparison, personally to investigate the operation of the new excise system in North Arcot and Trichinopoly, and of the improved farming system in Madura.

I have honor to be,

SIR,

Your most obedient Servant,

R. A. DALYELL,

Second Member of the Board of Revenue.

OOTACAMUND,
23rd September, 1876.

REPORT.

SECTION I.—PRELIMINARY.

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WHEN my General Report on the Excise of the Madras Presidency was submitted to Government in 1874, the old farming system was in force in fifteen out of the twenty Districts, and the experimental excise system, as it was then styled, was under trial in the Districts of Ganjam, Vizagapatam, Chingleput, and North and South Arcot. In that report, after giving due consideration to the various systems of excise management, which were in operation in other Provinces of the Empire, I recommended that a plan, based upon the experimental excise system, should be gradually introduced into this Presidency, which, I ventured to think, would combine the moral checks of the Sudr distillery system (which professed to secure the maximum of revenue from the minimum of consumption) with the financial advantages of the farming system, and would be free from many of the defects which were inherent in both these modes of managing the excise revenue. I considered that at the termination of the contracts then in force (30th June, 1875), it would be feasible to introduce this system into those Districts in which the experimental excise system was under trial, and perhaps into one or two others; but I recommended that the farming system should be continued in the remainder of the Presidency for the term of one more contract, with such modifications as would prepare the Districts concerned for the introduction of the new system on the expiration of that term.

2. My colleagues of the Board of Revenue concurred in these views, and eventually a recommendation was made to Government, that what may now be termed "the improved excise system," should be introduced into the Districts noted in the margin on contracts extending to three years, from the 1st July, 1875, and that an improved farming system should be adopted in the other Districts of the Presidency. The Government sanctioned these proposals, and after some discussion, the Districts of Coimbatore and Tanjore and the town of Bellary were added to the list of those into which the new system was to be introduced, and it was also settled that the toddy farms should in all cases, be separated from the arrack contracts. Such a separation had been advocated in my report, but eventually I was a party to the recommendation that any change in this respect should be deferred, partly in deference to the opinion expressed on the subject by the local officers, but mainly because I feared that a separation, at that particular time, of the two farms which for so many years had been held together, might imperil the financial success of the new system.

3. The main differences between the improved excise system and the experimental excise system, are (1) that, under the former the duty on spirits is fixed with reference to the actual selling price of spirits in the Districts concerned, instead of being an arbitrary rate; (2) that the Contractors are not permitted to sell spirits beyond a fixed maximum price, in order to prevent their securing to themselves a large profit on a small and easily managed consumption to the detriment of the excise duty, and the neglect of the supply of out-lying tracts of country; and (3) that a minimum guaranteed revenue for each District is arrived at by tenders in the open market, so that a public estimate may be occasionally obtained of that normal consumption of spirits in each locality upon which the State is entitled to levy its excise. The

improved farming system requires that all spirits shall be sold at certain specified strengths, and at retail rates between certain specified minima and maxima. It also provides, as far as possible, for the manufacture of all spirits at Central Distilleries, which are subject to Government inspection, and requires that detailed accounts shall be kept at all Distilleries and Shops for the information of the officers of Excise.

4. On the 1st April 1875, the arrack and toddy farms of the several

Districts.	Total Abkarry Revenue in 1873-74.	New demand from 1875-76.		
		Total bids for Toddy.	Total bids for Arrack.	Total Revenue.
Godavery ...	2,47,635	82,120	1,95,520	2,77,640
Kistna ...	2,25,505	61,400	1,94,800	2,59,200
Uddapa ...	2,41,425	17,112	2,16,005	2,33,207
Bellary ...	6,07,490	3,33,800	3,01,950	6,35,750
Kurnool ...	3,26,550	90,880	1,36,700	2,27,530
Madura ...	1,85,050	82,450	1,98,350	2,80,700
Tinnevely ...	2,06,048	44,050	1,37,000	1,81,050
South Canara ...	1,24,500	59,800	82,000	1,42,400
Malabar ...	2,77,950	99,250	1,55,400	2,54,650
Total...	24,42,068	3,73,812	16,18,315	24,92,127

Districts, where the farming system was retained, were sold by Taluks for a term of three years, from 1st July following, and realized the amounts noted in the margin. The result of these sales showed that the value of the toddy farms, or rather their relative value to the arrack farms, had been very much under-estimated. It will be seen that these farms fetched an annual rent of Rs.8,73,812, or upwards of

Districts.	Toddy Revenue in 1873-74.	Total Abkarry Revenue 1873-74.	Total bids for Toddy.	Revenue guaranteed by Contractors.	Total Abkarry Revenue under new system.
Ganjam ...	7,500	86,240	9,451	86,000	75,451
Vizagapatam ...	25,680	1,27,247	37,650	93,600	1,31,250
Chingleput ...	105,055	1,93,570	1,35,000	40,000	1,75,000
North Arcot ...	43,450	2,31,745	1,20,580	2,42,000	3,62,580
South Arcot ...	63,000	1,93,079	1,30,000	1,24,000	2,54,000
Total...	2,49,685	8,32,437	4,32,681	5,65,600	9,98,291
Nellore ...	...	84,490	19,430	61,000	80,430
Bellary, Town ...	...	92,500	21,000	1,00,600	1,21,600
Tanjore ...	...	4,90,355	3,23,000	1,30,000	5,03,000
Trichinopoly ...	...	1,40,400	34,700	1,10,000	1,49,700
Coimbatore ...	...	2,83,600	90,900	2,70,000	3,60,900
Nilgiris ...	...	65,600	...	80,500	80,500
Salem ...	...	2,72,088	1,39,430	841,000	4,80,430
Total...	...	15,30,023	6,33,600	11,43,100	17,76,700

one-half of the arrack revenue, instead of little over one-sixth as had been estimated. Tenders had in the meantime been invited, guaranteeing a minimum arrack revenue for some of the Districts which were to be managed on the new system, and were subsequently called for for others, whilst the contractors of the five Districts, in which the experimental excise system had been in operation were permitted to retain them on the terms required by the new plan of management, the minimum guarantees having been fixed by the Board of Revenue, with reference to the known consumption of the previous three years. The toddy farms of these Districts had also been sold taluk-war on the 1st April, and the marginal statement exhibits the total annual excise revenue both from arrack and toddy, which was anticipated for the

SECTION II.—RESULTS OF THE NEW SYSTEM.

5. It will be seen that the estimated excise revenue in the districts managed on the farming system was about half a lac of rupees in excess of that which had been realized during the late Abkarry contracts, so that as far as these districts were concerned, the separation of the toddy farms had not as yet had by any means the disastrous effects which had been anticipated in some quarters. The actual collections in these districts too for the first year of the new contract, which closed on the 30th June last, must have fully realized the estimate, for including both current and arrears, they have amounted to about twenty-six lacs of rupees against about twenty-four lacs, which were collected in 1874-75. The lac-and-a-half in excess of the estimated increase is owing

to there having been more arrears outstanding at the commencement of 1875-76 than at the commencement of 1874-75. A comparison of the figures in the statement in the margin of the last paragraph relating to those districts into which the improved excise system was introduced, shows that a gross increase of about three-and-a-half lacs per annum was anticipated. It will also be noticed that the toddy farms of these districts realized upwards of ten-and-a-half lacs, against an anticipated revenue of about seventeen lacs from arrack. The increased proportion of the former rents in these districts is mainly owing to the heavy revenue which is derived from toddy in the Tanjore District, but the figures afford abundant evidence that no loss is likely to result from the separation of the toddy and the arrack farms. Indeed, the large increase which has taken place in the value of the toddy farms in the five districts which were lately managed on the experimental excise system (see column 2 of the statement) would seem to show that this measure has had quite the contrary effect.

6. The new system has been in force now for a little over a year in the eleven districts concerned, and in the town of Bellary, and a reference to the collections for the revenue year ending 30th June 1876, which was the first year of the new contract, will prove that it has been generally a financial success, except as regards the arrack revenue in the districts of Coimbatore, Salem and Tanjore. It will be observed from the statement given in para. 4 above, that, in the five districts in which the experimental excise system

Districts.	Combined Arrack and Toddy collections including Miscellaneous for 1875-76.			Combined Arrack & Toddy collections including Miscellaneous for 1874-75.		
	Arrears.	Current.	Total.	Arrears.	Current.	Total.
Ganjam ...	13,017	75,958	88,975	10,222	74,228	84,550
Vizagapatam ...	19,497	1,37,325	1,56,822	32,016	1,23,838	1,55,854
Chingleput ...	35,049	1,98,378	2,33,427	...	1,85,100	1,85,100
North Arcot ...	31,893	3,70,248	4,02,141	25,735	2,61,169	2,86,904
South Arcot ...	18,257	2,50,445	2,77,702	13,685	1,71,504	1,85,190
Total...	1,17,713	10,41,354	11,59,067	81,659	9,15,939	9,97,598

had been previously tried, an increase in the annual excise revenue of a little over one lac of rupees was expected; but it would appear from a comparison of the actual collections in 1874-75 with those of the past revenue year, as shown in the margin, that the collections of current revenue in these districts rose by upwards of two lacs in the latter year. The main portion of this increase is to be ascribed, no doubt, to the improved toddy revenue, but the arrack revenue has also been very largely developed under the new system during the year, and this too with a diminished consumption of spirits. In Ganjam and Vizagapatam matters appear to have remained much as they were, both as regards revenue and consumption, and I am not of opinion that this is altogether satisfactory when the results which have been attained in other districts are considered; but so long as the contractors continue to pay their guarantee, no objection can be taken. In Chingleput, the consumption was reduced by nearly five thousand gallons, but the arrack revenue was raised by upwards of Rs.9,000 owing to increased excise duty and the toddy revenue, which in this district is managed by the arrack renter as an exceptional case, also improved by upwards of Rs.17,000. In all upwards of Rs.29,000 were paid over and above the guaranteed revenue. In South Arcot also there was a small decrease in the consumption of arrack, but the payments to Government were considerably above those of the previous year, and the contractors have exceeded their guarantee by upwards of Rs.11,000. In North Arcot regarding which full details are given in Appendix F. (as it was one of the districts which I visited on my recent tour), the excise duty was fixed at Rs.2-10-0 for spirits 20° *u.p.*, and the minimum guarantee at Rs.2,42,000. The contractors have issued 109,855 gallons, and have paid Rs.2,88,514 as excise duty, so that they have exceeded the guarantee by upwards of Rs.46,000. In these five districts then it will be seen that payments in excess of the guaranteed or estimated revenue from spirits to the extent of nearly three-quarters of a lac have been realized, and that the gross excise revenue has increased during the first year of the new system by about a lac-and-three-quarters.

7. In three of the remaining six districts in which the new system has been introduced, and in the town of Bellary, the results have been equally encouraging, though no doubt future years will show even better results when the contractors become better acquainted with the resources of their districts, and the people become accustomed to the change of system. Full details in regard to the Trichinopoly district will be found in Appendix D. The guarantee has been fully paid up, and this amount, combined with the annual rental for which the toddy farms have been sold, represents a sum about Rs.9,000 in excess of the old combined rents of the district. The Nellore guarantee has also been realized, but the gross revenue will not quite reach that of 1874-75. On the Neilgherries, the contractor has paid some Rs.7,000 in excess of his guarantee, and the revenue of the year will be upwards of Rs.22,000 beyond that of 1874-75. In the town of Bellary still more satisfactory results have been obtained. The former revenue for both arrack and toddy was Rs.93,500, and the present contractor guaranteed Rs.1,00,600 for arrack alone. He has paid Rs.1,23,597, and the separate toddy rent has realized Rs.21,000. Thus in this group of districts also the arrack revenue will be some Rs.33,000 beyond the guarantee or estimate, and total annual excise revenue, both from arrack and toddy, will be improved by about Rs.87,000 per annum.

8. There remain the three districts of Coimbatore, Salem and Tanjore, in which, as already stated above, the new system does not appear to have been financially successful. As desired in the Government Order, dated 3rd July 1876, No. 891, I have recently made a full enquiry into the working of the system in these districts, and complete details in regard to them will be found in Appendices A., B., C. The guaranteed arrack revenue is exhibited in the marginal statement, together with the toddy rents for the present year, compared with the old revenue obtained from the combined rents in 1873-74. It will be seen that had the guarantees been fully paid up, there would have been an increase of nearly two lacs in the annual excise revenue of the three districts. Instead of this, owing to its having been determined, under the

Districts.	Excise revenue of 1873-74.	Toddy rents of 1875-76.	Guaranteed arrack revenue for 1875-76.	Total.
Coimbatore	2,85,000	90,900	2,70,000	3,66,900
Salem	2,72,088	1,39,430	3,41,000	4,80,430
Tanjore	4,90,355	3,23,130	1,80,000	5,03,130
Total	11,46,043	5,53,510	7,91,000	13,44,510

circumstances which are fully explained in the Appendices referred to above, to require the arrack contractors of these districts to pay the Government duty only upon the actual quantity of spirits issued, instead of in accordance with their guarantee, there will be a falling off in the estimated receipts of something under three lacs of rupees, so that for the year 1875-76 there will be a decrease of about a lac of rupees in the gross excise revenue of these three Districts instead of an increase. The augmentations of excise revenue which have been obtained in the other groups of districts, which have been under reference in the previous paragraphs, amounting to upwards of three lacs of rupees, will, of course, more than cover this diminution, leaving a net increase of revenue of something over £20,000 in the first year of the new system.

SECTION III.—CAUSES OF PARTIAL FAILURE.

9. A reference to Appendices A., B. and C. will show that various causes have operated to induce a depression of the arrack revenue in the three Districts referred to in the last paragraph. It will be seen that in my opinion the original tender made by the several contractors in each case contemplated a consumption of spirits which was considerably in excess of the ordinary consumption of the district. Then the season of 1875-76 was not a favorable one, and experience has amply proved that the excise revenue is invariably much more easily realized when harvests are plentiful, and the cultivating classes in comparatively good circumstances, than in a year when owing to a

failure of crop they find a difficulty in paying the dues of Government for the land revenue. The separation of the toddy farms from the arrack farms has also undoubtedly given a strong stimulus to the traffic in the former beverage, and has to some extent affected the consumption of arrack. From enquiries made, I believe it to be an entire mistake to suppose that the consumers of toddy are a different class of people from the consumers of arrack, and the fact that in every district in which the improved excise system is in force, the arrack sales from July to December are invariably in excess of those from January to June, which is specially the toddy season, is a confirmation of this opinion. There is also some ground for the very general complaint made by the contractors, that the Magistracy are not sufficiently alive to the necessity of administering the excise law with some severity if punishment is to prove deterrent to smugglers and illicit distillers, and it would probably be desirable that the attention of the Magistrates of districts should be drawn to the matter. The thorough co-operation of the Police with the Revenue Department in the detection and suppression of smuggling is also most essential. At the same time, as stated in the Appendices, I am decidedly of opinion that the main reason why the consumption of arrack in the two districts of Coimbatore and Salem is so far below the estimates, is because the retail price has been so largely increased. It will be noticed that whereas in the Coimbatore district the old retail price of spirits 30° u.p. (which was probably the strength in common use) was, during the last contract, Rs.3 per gallon, it has now been raised to Rs.3-12, and the stronger liquor is of course proportionately dearer, though it is questionable whether the people sufficiently realize the superior strength when comparing the high price demanded with the old rate at which they were accustomed to purchase their daily stimulant. It will be seen, too, that, in Salem, though all the spirit sold is of a superior strength and description to that formerly in use, the price has been raised from an average of about Rs.3-4 per gallon to an average of about Rs.4-8. I am aware that the contractors of both districts are not prepared to admit that their increased prices have reduced the consumption, and ascribe it mainly to the toddy competition, but it is well known that in all countries an increase in the price of any article of general consumption, such, for instance, as is usually caused by a rise in the duty, almost invariably results in a decreased demand. It is also the general opinion among the native abkarry contractors that this is the explanation of the decreased consumption in the two districts in question. A reference to Appendix E., on the Madura District, will show that the contractor of the Madura taluk is content to put up with a very small profit, per gallon, rather than increase the price of spirits in Madura town from Rs.3-0-0, per gallon, to Rs.3-4, as he feels satisfied that he would lose more by the check placed upon consumption, than he would gain from the increased price. If this is the case in the rich and prosperous town of Madura, what must be the effect of the much more serious augmentations of price which have taken place in Coimbatore and Salem? In order to show that the consumption in these two districts is not equal to that of adjoining localities where the circumstances of the people may be supposed to be very similar, I annex in the margin the annual consumption, per head, in some of the taluks, in each, compared with that of neighbouring taluks in North Arcot and Madura, and with that of the outlying parts of the Bangalore District which adjoins Oosoor. Now, it is impossible to suppose that the consumption of spirits can have been really checked to this extent in one year, and the only conclusion to be arrived at is

Gallons per head per annum of spirits 30° u.p.	
Coimbatore	
{ Dharampuram	019
{ Oodumulpettah	049
{ Caroor	043
Madura	
{ Pindigul	073
{ Palni	056
Gallons per head per annum of spirits 20° u.p.	
North Arcot	
{ Tripattur	043
{ Kisingherry	017
{ Oosoor	033
{ Gudlattan	065
{ Palmanair	071
Taluks of Bangalore District	069

that the licit and taxed consumption has been largely supplemented by illicit spirits. In other words, that the high price of spirits has led here, as in other countries, to wholesale smuggling, though the high price has not, as elsewhere, been mainly owing to a high duty, but rather to the monopolist

contractors' determination to secure a large profit. It will be seen by a reference to Appendix C. that the foregoing remarks do not apply to the Tanjore District as the price of spirits has not been raised by the new contractors.

10. It is natural that the contractors of Coimbatore and Salem should wish to think that an increased price does not affect consumption for every anna per gallon, which they can add to the price beyond the cost of production and sale, *plus* the Government duty, represents clear profit to them. It requires, moreover, considerable experience in the business so to adjust the price of liquor in each locality as to secure the largest possible profit on the quantity sold, and, at the same time, not to check the ordinary consumption by charging rates which the public are unwilling or unable to pay. The Board of Revenue, however, left the matter to the contractors, merely fixing the minimum and maximum rates for the protection of the public, for all their previous knowledge of the old native abkarry contractors showed that, as a rule, they had invariably preferred to look for their gains to a small profit per gallon on a large consumption, rather than to a large profit on a small consumption. The provision in the contracts too that a minimum gross sum should be paid as revenue, irrespective of the quantity of liquor passing into consumption, was an additional safeguard against contractors charging a prohibitive price to their own benefit, but to the detriment of the consumption and consequently of the excise, for if they did so raise prices as to check consumption, it would be impossible for them to pay their guarantee at the prescribed rate of duty, and the making up of that guarantee out of their own increased profits, per gallon, would practically have the effect of giving the Government a duty somewhat proportionate to the increased price charged by them. For instance, supposing the estimate given in Appendix B. of what I considered to be the normal consumption of the Salem District to be correct (and it would only be .07 of a gallon of 20° *u.p.*, per head, or very little in excess of that of the outlying parts of the Bangalore District, which is .069), and that with reference to this estimate, Messrs. Wilson and Co. had tendered a revenue of Rs.3,50,000, representing a duty of Rs.2-8 per gallon on 140,000 gallons. Then, if they sold at Rs.3-12 per gallon, the consumption would probably be unaffected, the full guarantee would be paid to the Government, and the profits of the firm would be such sum per gallon, as they could save out of Rs.1-4-0 for cost of manufacture, distribution, management, and vend. If, however, they sold at Rs.4-12 per gallon, and the consumption was thereby reduced to say 100,000 gallons, though their own additional profit would be one rupee per gallon, or Rs.1,00,000, the Government revenue at the prescribed rate of excise would only amount to Rs.2,50,000, so that the whole of their additional profits would be swallowed up to meet their guarantee of Rs.3,50,000 per annum. In other words the Government would receive an excise duty of Rs.3-8 per gallon, on a selling price of Rs.4-12 per gallon, instead of a duty of Rs.2-8 on a selling price of Rs.3-12 per gallon.

SECTION IV—PROBABLE EFFECTS OF THE REMISSIONS.

11. It will be perceived that the recent action of Government in permitting the contractors to pay excise duty upon their issues only, and without reference to the prices which they have charged for their liquor, has frustrated, for the present, so far as the Districts of Coimbatore and Salem are concerned, one of the most essential objects of the minimum guarantee, as explained in the previous paragraph. In the Appendices, I estimate the profits of the three contractors during the past year at the sums noted in the margin, and it is perhaps to be regretted that when the case of the Coimbatore contractors was represented to Government, it was not explained that though they had only succeeded in issuing sufficient spirits

	Rs.
Coimbatore*	97,795
Salem	69,192
Tanjore	16,912

* In an account supplied to me when this Report was in the press, the contractors of Coimbatore exhibit a profit of less than half the sum here named, which will cause the subsequent calculations made in this paragraph to be even more unfavorable to them than they now appear.

to pay, at the prescribed rate of a ¹/₂ per gallon, about three-fifths of the guaranteed revenue, they had sold the whole of this quantity at the maximum price of Rs.3-12 per gallon, so that they might well be called upon to pay a duty of say Rs.2-4 per gallon, on the actual issues, instead of only Rs.1-12 per gallon. The effect of their present engagement with Government will, however, have a better financial result for I much question whether they will succeed in selling more than 30,000 gallons during the second eighteen months of their contract, and upon this they will be required to pay the full guarantee of Rs.4,05,000, being equivalent to a duty of about Rs.3-2 per gallon, on this quantity. Their payments during the whole contract would thus be brought up to about Rs.2-7 per gallon upon the total quantity issued. According to their own accounts, the contractors would be very considerable losers (about four annas per gallon, or say Rs.65,000 in the three years) under such a result, but this is chiefly owing to their expensive system of management. In the Salem district, unless the consumption improves, the sales during the last eighteen months of the contract will only reach about 1,50,000 gallons, upon which the contractors will have to pay the full guarantee of Rs.5,10,000, representing a duty of Rs.3-6-4 per gallon. Their payments during the whole contract would thus be brought up to Rs.2-15-2, per gallon, which, with an average selling price of Rs.4-8 per gallon, would still leave Rs.1-8-10 per gallon in the hands of the contractors for the payment of all costs and charges, which would give them a profit of about Rs.50,000 on the three years results. In Tanjore, the results of the present arrangement, should the consumption remain at the existing figure, or, say at 80,000 gallons for the last eighteen months of the contract, would be the payment of an excise duty of Rs.3-6, per gallon, on this quantity, bringing the total payments during the contract up to Rs.2-11, per gallon, against a selling price of Rs.3-7-7 per gallon, so that if the contractor's account of his costs and charges is correct he would lose an average of six annas and seven pies on every gallon sold by him during the contract, or in all about Rs.65,000. If the consumption in any of these districts should increase, the position of the contractors will be to such extent improved, but it will be seen that even without any such increase the contractors in the Salem district will realize during their contract about Rs.16,500 per annum, representing more than 30 per cent. on a capital of Rs.50,000 which should be ample to work the business in the Salem district.

SECTION V.—ALTERNATIVE COURSES AVAILABLE.

12. It is perhaps questionable whether on the introduction of a new system it is advisable to hold the contractors of Coimbatore and Tanjore even to the terms of their new agreements with Government if there appears to be no prospect of the consumption improving, and there is no question that the contractors of the former district have a fair ground of complaint owing to the number of toddy shops having been increased *after* their contract was made. I should be disposed to recommend then that both contractors be released to some extent even from the existing engagements. They might either be permitted to resign their contracts at the close of the second year, *i.e.*, on 30th June next, provided they give notice of their desire to do so before the end of February next, and on the understanding that the full guarantee is to be paid from January to June 1877, as already provided in the agreements now in force, or they might be permitted, for the entire contract, to pay duty, as at present, only upon the actual quantity issued, but be required either to reduce the prices charged for spirits, so as to give the consumption some chance of improving, or to pay duty at rates proportionate to the present prices. It would probably be most convenient to adopt the former mode of relief in the Tanjore district, where prices have not been raised, and where no extension of consumption is likely to result from lowering them, and the latter mode in the Coimbatore district, where the consumption has undoubtedly been affected by the high rates charged. Though the contractors of the latter

1858
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district put their present expenses for manufacture, distribution, management and vend at upwards of Rs.1-9 per gallon, if they were entirely remitted from the guarantee, they would probably be willing to reduce the retail selling price to, say Rs.3-4 per gallon leaving the duty as at present Rs.1-12, and trusting to increased consumption and improved management to reduce their expenditure; so as to enable them to make a small profit on every gallon sold. Should the first-named form of relief be adopted, and the rates of consumption remain as at present the contractors of Coimbatore would be required to pay the full guarantee of Rs.1,35,000 for the six months ending 30th June next, upon a consumption of about 43,000 gallons, representing a rate of duty of Rs.3-2 per gallon. This would bring up their total payments for duty to a rate of Rs.2-1-6 per gallon, for the two years of the reduced contract, and would give them a small profit of about 1/4as. per gallon during the whole period.* In Tanjore the contractors would be required to pay the full guarantee of Rs.90,000 on the 26,000 gallons they would sell between January and June next year, which would represent a duty of Rs.3-7, and would bring up their total payments, during the two years, to Rs.2-5-9 per gallon, which would leave them losers of about six pice per gallon during the two years of the contract. It will of course be understood that neither of the modes of relief here proposed would be applicable to the case of the Salem contractors, as under the present modified contract they will realize some Rs.90,000 during the first eighteen months, and their losses, even without any increase of consumption during the second eighteen months, will not exceed about Rs.40,000. At the same time, I think it in every way advisable from a financial point of view that the enormous increase of price which has taken place in the Salem district, should be reduced at the earliest opportunity possible, in order that some approach may be made to what I am satisfied has hitherto been the normal consumption of the district. I am, moreover, of opinion that this is no less desirable from a moral point of view, for I feel assured, as already stated, that the present reduced licit consumption is supplemented by a considerable illicit traffic which neither the police nor the contractors are competent to cope with.

SECTION VI.—APPARENT DEFECTS IN THE SYSTEM.

13. The consideration of the cases of these three districts in which the new system has not been successfully worked, leads me to question whether it is generally advisable to leave the contractors so large a margin as one rupee between the minimum and maximum price at which they are permitted to sell. After a careful calculation of the cost of production, distribution, management, and vend of spirits, the Board of Revenue came to the conclusion that as a general rule spirits of a strength of 30°*u.p.*, could be sold without loss at one rupee per gallon, plus whatever might be the rate of excise duty fixed by Government. They accordingly in most cases in which the new system was adopted fixed the minimum price at which spirits might be sold at one rupee beyond the duty, and the maximum price at a rupee higher. Though Mr. T. Prichard is the only one of the European Distillers now under engagements with the Government who has succeeded in approaching this rate of one rupee per gallon, for the manufacture, sale, &c., of spirits, I am quite satisfied that, as a rule, a native distiller's expenditure, for this purpose, is well under this sum. The present toddy contractor of the Tripatore taluk in the Salem district, who for 30 years has been an abkari contractor in a large way, and who is related to the Tanjore family which for many years carried on the largest business of this kind in the Presidency, assured me that he would willingly take up as many districts as the Government would consent to give him, on the new system, but with the understanding that he should pay as duty whatever sum in excess of one rupee per gallon might be fixed as the retail price of spirits in any locality, and stated that under such an arrangement he would make a very fair profit. The figures too in my note on

* This would be converted into a considerable loss under the new accounts submitted by the contractors.

the Madura district (Appendix F.) clearly show that unless the several taluk contractors are able to reduce their expenditure below one rupee per gallon, many of them are working at a heavy loss. At the same time it must not be lost sight of in all such calculations that the cost of management and distribution when rated per gallon, must largely depend upon the number of gallons sold, for the gross charge would probably be much the same whether the quantity sold was 50,000 gallons or 100,000 gallons, so that it would be more correct to take into account the probable quantity to be sold when fixing the margin between the duty and the minimum price. In fixing the maximum price at one rupee beyond the minimum, the Board of Revenue, as already explained in para. 10 above, were under the impression that it might be safely left to the contractors to charge such rates as would not check consumption, as it would be against their own interests to do so, and as the provision in the contracts that a minimum sum should be paid as revenue irrespective of the duty paid on issues was also expected to act as a check upon prices.

14. In spite, however, of these supposed safeguards against contractors unduly increasing prices, I find that in nearly every district into which the improved excise system has been introduced, the contractors have charged either the maximum prices, or at any rate such rates as have had the effect of realizing for themselves profits considerably in excess of those obtained in ordinary mercantile transactions, while the Government excise duty, though equal to or in excess of the minimum revenue guaranteed has not been fairly proportionate to the price paid by the public for spirituous liquors. No doubt the profits of the contractors are very much below what they used to be under the old unrestricted farming system, and the Government revenue has been to this extent augmented without any additional burden being placed upon the tax-payer, but it seems to me that as further experience is gained under the new system, further steps should be taken in this direction, for there is no valid reason why persons entering into contracts with Government for the supply and sale of spirits to the public should obtain a larger interest for the capital invested than persons employed in any other branch of trade. The marginal statement exhibits the average retail prices at which spirits are sold in all the districts in which the new system is in operation, except those of Vizagapatam and Ganjam, compared with the prices formerly charged, and the maximum prices sanctioned under the contracts. The duty charged is also shown, and it will

Districts.	Maximum price prescribed	Average price charged.	Duty per gallon.	Balance.	Average price in 1874-75.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Salem	5 0 0	4 8 0	2 8 0	2 0 0	3 0 0
North Arcot	4 12 0	4 6 0	2 10 0	1 12 0	3 11 10
Neilgherries	4 8 0	4 8 0	2 12 0	1 12 0	4 0 0
Chingleput	4 4 0	4 2 0	2 4 0	1 14 0	3 15 3
Bellary Town	4 4 0	4 4 0	2 12 0	1 8 0	4 8 0
South Arcot	4 0 0	3 12 0	2 0 0	1 12 0	3 0 0
Tanjore	4 0 0	3 7 7	2 0 0	1 7 7	3 8 0
Coimbatore	3 12 0	3 12 0	1 12 0	2 0 0	2 14 0
Trichinopoly	3 12 0	3 12 0	1 12 0	2 0 0	2 14 0
Nellore	3 8 0	3 8 0	1 8 0	1 15 0	2 14 0

N.B.—The spirits sold in North Arcot and Salem are 20°*u.p.*, in all others 50°*u.p.*

be seen that in every district an unnecessarily large margin is left for contractors' and vendors' expenditure and profits. It will also be observed that in all the districts, except Salem and Tanjore, into which the improved excise system has been introduced, without a preliminary trial of the experimental system, the maximum price sanctioned under the contracts has invariably been adopted, and that it has been very nearly approached in Chingleput, South Arcot and North Arcot and Salem.

15. In the three districts formerly managed on the experimental system the retail price of the previous year has been largely increased, and a fall in the consumption has been the invariable result, though it has not been so considerable as to preclude the payment of the minimum guarantees which in these districts have been fixed at somewhat low rates. In the other districts the

Districts.	Estimated, or actual consumption in 1874-75 in gallons	Issues of Spirits in 1875-76	Contractors' receipts in excess of Rs. 14 per gallon.	Estimated additional profits at this rate.
Salem	163,887	169,035	6 2	Rs.
North Arcot	113,713	169,825	12 0	75,064
Neigherries	13,690	13,413	8 0	54,913
Chingleput	42,833	37,611	10 0	14,707
Bellary Town	51,766	49,227	4 0	23,507
South Arcot	77,623	72,820	8 0	12,397
Tanjore	70,432	62,285	3 7	36,410
Coimbatore	135,795	84,399	12 0	11,710
Trichinopoly	89,730	66,106	12 0	61,793
Nellore	53,306	42,000	11 6	49,625
				39,133

consumption has been very much below the estimates given in my General Report, as shown in the marginal statement, and though these may have been somewhat above the actuals, owing generally to a reduced estimate of the toddy receipts having been adopted, there is every reason to suppose that the increase of price which has taken place everywhere, except in Tanjore and Bellary town, has to some extent affected consumption, and that consequently the Government receipts in the shape of excise duty have been unduly depressed, and the profits of the contractors unduly augmented. This is clearly shown in D. and F., and a reference to columns 4 and 5 of the marginal statement will show what these, so to say, "extra profits" of the contractors should have been during the past year, supposing that all of them had been equally successful in manufacture and management, for it is well known that any successful abkarry contractor with a consumption of not less than 20,000 gallons, after allowing for the cost of manufacture, distribution and vend of spirits and for superintendence, will make a considerable profit on every gallon of spirits for which he can realize Rupees 1-4. exclusive of the excise duty, so that all he obtains in excess of this amount may fairly be viewed as extra profit. Though it is true that, as already stated, the receipts of the State during the year have in all districts, except three, exceeded it, and that they have, moreover, been very considerably beyond the receipts of former years, when the old farming system of management was in force, so that the improved excise system may be said, on the whole, to have proved an unqualified success, as far as it has gone, still, so long as the contractors are enabled under it to realize such inordinate profits as those shown in the statement, it cannot be considered an entirely satisfactory system of management, though no doubt greatly superior to the system which preceded it. At the close of the present contracts, therefore it will probably be worth consideration whether contractors shall be allowed any margin between the minimum and maximum prices, and, perhaps, it may be found advisable to fix absolutely the selling rates in particular localities before calling for future tenders, but no doubt these and other questions which will doubtless arise as further experience is gained of the working of the new system, will be fully considered by the Board of Revenue before the expiration of the present contracts.

16. At the same time I feel sure that I am only expressing the opinion of my colleagues of the Board when I state that they would obtain the very greatest assistance in dealing with all such questions, if the Government would be pleased to reconsider their determination adverse to the employment of a special officer in connection with the abkari. The Board when proposing the new arrangements, urged the permanent appointment of an officer on a salary of Rs. 1,500, to be called "Superintendent of Excise," but it would probably be sufficient if such an officer were placed temporarily at the disposal of the Board, say for eighteen months, from the 1st of January next. The excise revenue has more than doubled itself during the past sixteen years, and may, I believe, if carefully developed and regulated, so as to bring about some sort of uniformity of excise duty both on arrack and toddy, be moulded into an equally convenient engine of taxation as the salt

tax, being raised or depressed in accordance with the State necessities. The recent improvements of system are all tending to this desirable result, but I feel confident that these changes will not have a fair trial unless, for a time at least, they are carefully watched by a special officer, who will be able to visit every district of the Presidency, to discuss matters with the district officers, and to explain to them the importance of certain details of excise management, to which unfortunately it has become the habit of the revenue officer to pay but scant attention. My recent tour has quite confirmed all my previous convictions on this point, for I found that in every district many of the instructions of the Board had not been carried into effect, and that several of the conditions of the new excise licenses were, as a rule, not enforced.

SECTION VII.—THE TODDY REVENUE.

17. As I understood before starting upon my tour that the Government were desirous that I should make some enquiries regarding the toddy revenue, and the results of the recent separation of the toddy and arrack farms, I have obtained such information on the subject as was available in the different districts which I visited, the details of which will be found recorded in the Appendices to this report. I have already expressed my opinion that the separation of the two farms has been an unqualified benefit to the revenue, and I have every reason to believe that it has been an equal advantage to the people, who are now, as a rule, plentifully supplied with a natural and exhilarating beverage, of which formerly they were to a great extent deprived by the native abkarry contractors, in the hope of forcing them to the consumption of the much more deleterious drink—native spirits. A reference to the statements appended to para. 4 above will show that the separation of the two farms resulted in a largely increased revenue in those districts in which the former revenue from toddy

* The excise revenue of the town of Madras is about 11½ lacs, of which about 2 lacs is derived from toddy.

was accurately known, and in the elicitation of the fact that of a gross mofussil excise revenue* of about 52½ lacs of rupees, about 19½ lacs, or a good deal over one-third, is derived from the tax upon this hitherto much neglected article of consumption. As this revenue is let in farm, talukwar, in every district, it is impossible, without very much more detailed enquiries than I have been able to undertake, to ascertain either the mode in which the different farms are managed, the quantity of toddy consumed in each, or the excise duty, per gallon, which is paid in the shape of the farm rentals. Supposing, however, that the average net profit, per gallon, is three annas, which is said to be the rate in the town of Madras and in the district of Chingleput, the consumption throughout the Presidency must amount to at least twelve million gallons to admit of the present revenue being paid, and a small profit being obtained by the renters. This quantity would represent a consumption of about two-fifths of a gallon per head, per annum, throughout the whole population of the Presidency. It will be seen from the details given in the Appendices that in several farms the net receipts, per gallon, are a good deal in excess of three annas, consequently if any uniform system of management could be devised, it would probably be found feasible to raise the average receipts beyond this figure, and so to increase the revenue by a very considerable sum. Even under the present system of triennial farms, however, there is every reason to suppose that the present revenue under this head will be very considerably augmented at the close of the present contracts, for the enormous profits which have been made in many of the farms cannot fail to become generally known, and will have the effect of largely raising the rents at the next auction.

18. Such details as I have been able to obtain of these profits, as well as of the consumption and net receipts, per gallon, in each locality which

I visited, are given in full in the Appendices, together with the calculations upon which my estimates are based. The marginal statement shows these particulars for some of the taluks of four districts, and it will be seen that if my calculations are at all correct, the renters' profits are everywhere very considerable, and in the Tanjore district especially so. This, however, was to be expected, as the purchaser of the rents of seven taluks was an old abkarry renter of the district of great wealth and influence, and he no doubt succeeded, to some extent, in checking competition for the farms, and thus securing to himself an unduly large profit from his undertaking. It will also be noticed that the consumption, per head, seems to vary very largely in every locality, and that the renters' net receipts, per gallon, are by no means uniform.

Taluk.	Toddy Rental.	Payments made to Renter or Sub-Renter by Under-renters or Shop-keepers.	Profits.	Net Receipts per gallon.	Consumption per head per annum.
	Rs.	Rs.	Rs.	a. p.	Gallons.
Coimbatore.					
Coimbatore	81,050	45,000	10,250	3 9	281
Erode	16,150	28,000	11,550	4 0	297
Caroor	3,050	8,000	5,000	2 6	291
Dharaparam	4,060	9,000	4,940	3 0	251
Bhowani	8,020	3,500	480	1 0	277
Sattiamangalam	14,000	23,000	9,000	2 0	276
Polladam	5,700	9,150	3,450	3 0	253
Pollachy	3,000	8,000	5,000	3 0	285
North Arcot.					
Gudiatum	20,110	19,965	...	...	...
Vellore	15,910	19,221	4,611	...	...
Wallajah	14,500	19,815	5,315	...	...
Arcot	10,990	16,665	4,675	...	...
Wandewash	3,110	9,504	6,394	...	...
Polur	4,510	4,552	342	...	...
Tanjore.					
Seven Taluks	2,71,000	4,15,000	1,44,000	6 0	763
Tirupundi	19,000	27,453	8,453	2 3	136
Trichinopoly.					
Trichinopoly	55,050	49,400	14,350	3 0	669
Miseri	1,550	7,174	5,524	4 0	112
Kulitellai	2,930	5,011	2,981	3 6	101

19. It remains to be ascertained whether there are any special reasons for these variations, and whether it would not be feasible to take some uniform sum as tax upon the liquor, both to the benefit of the revenue, and of the consumers. Such a course would not of course be possible under the present system of management, which leaves it to the renters to charge such retail rates, in excess of the minimum, as they please; but it may be worthy of consideration whether the plan of leaving the farms in the hands of a single monopolist, on payment of ten per cent. of his net receipts, which has worked with such marked success in the Chingleput district, might not with advantage be still further extended at the close of the present contracts. In any case, the first step to be taken is to ascertain with some sort of accuracy what is the actual consumption of every locality, and what are the retail prices charged to the public. Under the present licenses the shopkeepers are required to keep accounts showing these details, but, inasmuch as most of them are very illiterate persons, generally unable to read or write, and quite unable to keep any sort of accounts, this condition of the license is practically a dead-letter; but the same result might be attained if the Board of Revenue issued a rule under clause 6 of the Toddy Licenses, requiring all renters and sub-renters to submit a monthly account giving the information required for each shop in their rent or sub-rent, as the case might be. The renters and sub-renters would have no difficulty in complying with the rule, as the accounts which they now keep with their shopkeepers would supply the necessary materials. In connection with the subject of the local officers regarding the present rule prohibiting the use of toddy tax-free for domestic consumption. The general opinion seems to be that no great hardship is caused by the rule, and that any relaxation of it would lead to a general system of smuggling which could not but prove disastrous to the revenue. There is no more cogent reason why the owner of land growing toddy-yielding trees should be allowed to use tax-free liquor than that the owner of land growing opium should be exempt from the Government duty

on the drug, supposing the exigencies of the State to require the imposition of the tax in both cases.

SECTION VIII.—COUNTRY BEER AND BRITISH SPIRITS.

20. In conclusion, I would desire to draw the attention of Government to the manufacture of country beer, and to the importation of British spirits of inferior quality, as no doubt the abkarry revenue is already to some extent affected thereby. It is acknowledged under the fiscal systems of most European countries that the duty upon wholesome beer should be more favorably rated than the duty upon spirits, in order that the consumption of the less injurious beverage may be encouraged. Hence it is found that the duties charged are not in proportion to the alcoholic strength of beer, as compared with spirits. The same course has been followed in India as regards import customs duties, for beer is charged at the rate of one anna per gallon, against proof spirits at the rate of Rs.4, per gallon, though the beer usually imported contains about 7 to 8 per cent. of alcohol. A reference to even the lowest rates of duty charged upon country spirits in the several districts, will also show that European beer is everywhere admitted into the market at a specially favorable rate with reference to its alcoholic strength. I confess that it appears to me that the policy which has been hitherto adopted in this matter is correct, and that it would be a mistake to raise the duty upon imported fermented liquors in the interests of our abkari revenue from spirits, but the case of inferior European spirits is altogether different, and the effect of their importation upon our local spirit revenue should be carefully watched. I am disposed to think, however, that the reasons in favor of imposing a light duty upon imported beer apply with equal, if not greater force, to the case of country-made beer, especially at the present juncture, when the state of the exchange with Europe, renders it in the highest degree desirable that all local manufactures of any article of general consumption should be liberally encouraged. I understand that the recent orders raising the duty on country-made beer from one to four annas, per gallon, have had a disastrous effect upon the manufacture, and after a perusal of the correspondence which has taken place upon the subject, I hardly think that it has been sufficiently clearly established that the beer brewed upon the Hills "is not worthy of encouragement as a wholesome or genuine beverage." Some years back, I ascertained from the Financial Commissioner of the Punjab that no duty was charged upon the beer brewed by the Murree Brewery Company, as it was the wish of that Government to give every encouragement to the new enterprise, and I observe it stated in the correspondence that no duty beyond the license fee is charged upon country beer in the Bombay Presidency. The Murree Brewery now supplies to the Commissariat a considerable proportion of the beer consumed by the European troops in the Punjab, and I believe that the climate of the Neilgherries affords special facilities for brewing, which, if properly developed, might secure an equally satisfactory result in this Presidency. Nearly thirty years ago the late Colonel Ouchterlony drew attention to the subject of brewing on the Neilgherries, and reported that he had himself brewed several casks of excellent beer, without a single failure, and that it had been highly approved of by many persons who had tasted it. He, at the same time, explained that the barley grown on the Hills was of such inferior quality that the malt made from it yielded but a very small proportion of saccharine matter, and that it therefore became necessary to add raw sugar to the malt, in order to produce a wort of the proper strength. No doubt many of the alleged defects of the beer now brewed on the Hills is owing to the brewers allowing too large an admixture of sugar with the malt, but there seems to be no valid reason why what was successfully accomplished by Colonel Ouchterlony in 1848 should not be carried out with equal success at the present time. The late increase of the duty on the beer by 75 per cent, however, is certainly not calculated to forward such a result, and I think that the former rate might well be reverted to, provided

that the rules regarding the materials from which the beer shall be manufactured are strictly enforced.

21. While then I would recommend the encouragement of the consumption of a wholesome country-made beer, even though such a course might to some extent affect the revenue from country spirits and toddy, I would strongly urge that early steps be taken against permitting the inferior imported spirits to come into general consumption to the displacement of the improved country spirits which are now being manufactured and sold under the new excise system. It has been stated by Messrs. Parry and Co. that a cheap common spirit of proof strength, made from potatoes, but called brandy, can be purchased in bulk, in bond, at Madras, at from a rupee-and-a-quarter to a rupee-and-a-half per gallon, and that such spirits are every year finding a larger market in India. Spirits of this quality could be sold, including the customs duty of Rs.4 per gallon of proof, at Rs.12 per dozen, with a fair profit, or if reduced to 20° u.p. the price might be reduced to Rs.9-9-9 per dozen, or Rs.4-12-10 per gallon, so that in many districts they might well compete with the country spirits. It has been ascertained that the high prices which the Sudr distillery monopolists in the Province of Coorg have placed upon the consumption of cheap brandy among the Hill population, and similar results may be expected in this Presidency, unless the subject is carefully kept in view by all revenue officers. The number of licenses for the sale of European liquor has, I believe, considerably increased of late years throughout the country, and brandy, gin, and whisky, of inferior quality, is generally consumed to some extent in all large towns, though Madura was the only town I visited, in which such liquors were sold by the dram. The shop license requires that full details of the quantity sold, and the prices charged shall be supplied to the officers of excise, and, for the present, this will probably be a sufficient check, but it will be advisable that Collectors should be directed carefully to scrutinize these returns, to test them by occasional and unexpected visits to shops, and to bring to the notice of the Board any considerable increase in the consumption which may be observed.

APPENDIX A.

COIMBATORE DISTRICT.

ARRACK REVENUE.

The Coimbatore District was not included by the Board of Revenue in the list of those recommended for the introduction of the improved excise system, because it was known that it had for many years been managed throughout on the sub-renting system, which involved the possession of a Still by almost every shopkeeper, a state of matters which would necessarily have rendered it highly probable that illicit distillation would take place under the new system, which requires all spirits to be manufactured at a central distillery.

2. In consequence, however, of an application having been received to that effect, tenders were, under the orders of Government, invited for a three-years' contract, under the new system, some time after the toddy farms had been sold. The duty on spirits, 30° u.p. was fixed at Rs.1-12-0 per gallon, which had been settled as the rate of duty in the adjoining districts of Salem and Trichinopoly, and the minimum price per gallon was placed at Rs.2-12-0, the maximum being Rs.3-12-0. Five tenders were received guaranteeing, at this rate of duty, a minimum payment to Government. The lowest offer was Rs.1,70,000 representing an estimated sale of 27,142 gallons; and the highest Rs.3,05,000 representing an estimated sale of 1,74,285 gallons. In view, however, to the character and competency of the tenderers, the Board of Revenue accepted the offer of Messrs. Leet and Saravanamuttu Pillay, guaranteed by Messrs. Arbuthnot and Co., which amounted to Rs.2,70,000, representing a sale of 154,285 gallons, and which was the highest tender save one.

3. The contractors entered upon their undertaking on the 1st July 1875, and after six weeks' experience, obtained permission to issue a certain quantity of their liquor at 20° u.p. at the proportionate duty of Rs.2-0-0 per gallon, and to sell it at from Rs.3-0-0 to Rs.4-0-0 per gallon, as they had received frequent complaints from certain quarters that their liquor was inferior, and weaker than that formerly sold. They also desired to be permitted to sell Colombo Arrack at a similar rate of duty, as it was said to be in demand in the town of Coimbatore and other places, but as under the Imperial Customs Act this spirit is liable to an import duty of Rs.4-0-0 per gallon of proof, the Board of Revenue were unable to comply with their request.

4. It has been stated that, in order to fulfil the guarantee it was necessary that the contractors should sell 154,285 gallons of liquor at 30° u.p. per annum, proportionately reduced, of course, by any quantity of liquor which might be sold at 20° u.p. It will be convenient, however, in all future calculations to reduce all sales at the latter strength to the former denomination. This annual quantity represented an average monthly sale of 13,000 gallons, and when, after three months' experience, the contractors found that their sales never reached 8,000 gallons, they complained that their business was interfered with by the numerous toddy shops which had been opened since they entered into their contract, and begged that they might be closed. To this, however, the Collector and Board of Revenue objected as the number of sanctioned toddy shops was still little more than 50 per cent. of the sanctioned arrack shops, and not more than the convenience of the public required. Eventually on a reference to Government, the contractors were allowed the option of cancelling their agreement, at the close of the first year (i.e. on the 30th June 1876), or of paying the duty only on the issues during the first 15 months of the contract, the full guarantee of Rs.2,70,000 per annum being paid for the remaining 18 months. The contractors have accepted the latter alternative, and as their issues during the first year of the contract, ending on 30th June last, amounted to only 66,761 gallons of spirits at 30° u.p., and 17,176 gallons, at 20° u.p., their payments of duty have amounted to only about Rs.1,50,000, instead of Rs.2,70,000, thus resulting in a loss to Government of nearly Rs.1,20,000.

5. The total sales during the past revenue year ending on 30th June 1876, reduced to 20° u.p. amounted to 86,339 gallons, or .049

Sales in 1875-76.					
July.	August.	Sept.	October.	Nov.	Dec.
7,277	7,213	7,275	8,559	7,592	7,791
January.	February.	March.	April.	May.	June.
8,024	6,619	6,230	5,817	6,550	7,091

of a gallon per head. The marginal statements exhibit the monthly sales for the whole district, and the annual sales in each taluk. There were 46 depots for the receipt and issue of liquor in the district, and every portion of it was within a convenient distance of some depot, so that any demand for spirits was fully met. It will be seen that in the Taluks of Coimbatore, Collegal, and Bhewani, the consumption is fair, that it is moderate in Caroor, Sattiamangalam, Pollachy and Oodanupettah, and very low in Erode, Palladam,

APPENDIX A.

and Dharapuram. The Collegal figures show clearly that no advantage would be gained by increasing the number of distilleries. Though it is certainly the most inaccessible taluk in the District in consumption it is only second to Coimbatore.

Taluk.	Sales in gallons reduced to 30° up. in year 1875-76.	Annual consumption per head in gallons.
Coimbatore	27,318	112
Pulladam	5,889	24
Pollachy	7,828	32
Erode	6,657	28
Bhowani	5,086	21
Caroor	8,520	34
Dharapuram	4,520	19
Sattiamangalam	7,808	32
Oodumulpettah	4,989	20
Collegal	7,989	33

6. The retail price to the public was invariably the maximum permitted by the contract, i.e., Rs.3-12-0 per gallon for spirits 30° up, and Rs.4-0-0 per gallon for spirits 20° up. The contractors have not yet supplied accurate details of their expenses during the year, but from the figures submitted, it appears that the cost of the liquor was as shown in margin, but to this has to be added upwards of 8as. per gallon for cost of office and taluk establishment, and a further charge of about 1a. 4p. per gallon, for sundries. The gross cost is thus raised to nearly Rs.1-5-9½ per gallon, and allowing a further sum of each gallon to the contractor may be put down at Rs.1-9-9½, but inasmuch as one-fifth of the spirits to which these figures refer were 20° up, the cost of liquor 30° up may be estimated at Rs.1-9-0. If to this be added Rs.1-12-0, the Government excise duty, it will be seen that 7as. remain out of the retail price as the contractor's profit, which, at this rate, would amount to a sum of Rs.37,795 on the consumption of the year 1875-76. The cost of manufacture, distribution, and management, amounted in 1874-75 to 14as. 8p. in the Chingleput District, and to Rs.1-3-0 in the North Arcot District, but as this latter figure refers to liquor 20° up, it should be reduced to Rs.1-1-5 for the lower strength of 30° up. There seems to be no reason why these charges should be higher in Coimbatore than in North Arcot, the population and area of the two districts being very similar, so that the contractors in the former district should have realised 10½as. per gallon, which would have brought their profits up to upwards of Rs.56,000.

Per Gallon.
Jaggery, Bark, Firewood, and Distillery establishment
Carriage
Govt. Excise establishment and Government of stores and machinery
Total Rs. 0 12 54

7. In order to have paid up their guarantee, the contractors must have sold during the year 154,285 gallons or .092 of a gallon per head. In the original estimate, which appears in my General Report, I put the arrack consumption of the district at 135,000 gallons, at an average retail price of Rs.3 per gallon, but I arrived at this figure on the supposition that only one-sixth of the old rent appertained to toddy. It would appear from the late separate sales of the toddy rents that probably one-fourth would have been a more proper deduction on this account, and in such case the estimated consumption of arrack would have been reduced to 110,000 gallons. At the commencement of their contract, the present contractors obtained engagements, or dowlas, for the sale of spirits in the several taluks, to the amounts noted in the margin, but none of the dowladars, except those of the Collegal Taluk, fulfilled their engagements, and the contractors were compelled to reduce the quantities agreed for. The third column of the marginal statement gives an estimate of what Saravanamuttu Pillay, who is now joint-contractor with Messrs. Arbuthnot and Co., considers to be the normal consumption of the District in an average season. It will be noticed, that it is just 5,000 gallons beyond what I have shown above should have been the original estimated consumption, and would represent .064 of a gallon per head, which is almost precisely the same as the present consumption in the North Arcot District.

Taluk.	Dowle in Gallons.	Actual Sales.	Estimated normal consumption by Saravanamuttu Pillay.
Coimbatore	33,870	27,318	30,000
Pollachy	9,000	7,828	10,000
Oodumulpettah	9,000	4,989	7,500
Dharapuram	8,280	4,520	6,500
Palladam	16,000	5,889	12,000
Sattiamangalam	16,200	7,808	12,000
Collegal	7,200	7,989	9,000
Erode	11,100	6,657	12,000
Caroor	9,756	8,520	9,000
Bhowani	9,000	5,086	7,000
TOTAL	120,406	86,390	115,000

8. It remains to consider why the consumption of the past revenue year should have been only 86,390 gallons. Undoubtedly the main reason for the decrease has been the increase of the retail price from an average of Rs.3 to Rs.3-12-0, per gallon, being a rise of no less than 25 per cent. The season too has not been a prosperous one, and the development of the toddy traffic by the separation of the arrack and toddy farms, has also no doubt operated to some slight extent in the same direction. It is also probable that dilution of the liquor takes place to some extent, (though it was at the full strength at all shops examined by me), for it is hardly likely that in former years an equally pure and strong spirit was sold, and there would therefore be a strong temptation to the shopkeepers to dilute and so increase their profits, and moreover though very few cases of smuggling or illicit distillation have been discovered, it is hardly possible to suppose that the shopkeepers do not supplement the liquor supplied by the contractor from the Stills which they had in use during the previous year.

APPENDIX A.

TODDY REVENUE.

9. The toddy farms of the District, though estimated to be worth something less than Rs.60,000, realized, when sold by auction for a three years' contract, Rs.90,900 per annum, as shown in the margin. From information obtained too, it seems that even this sum is very much below their proper value. It is asserted that the Coimbatore Taluk farm has been sublet for Rs.42,000, and that the sub-renters realize no less than Rs.50,000. On the other hand, the Tahsildar reports that the Renter retains 18 out of 78 shops which are opened in the taluk in his own hands, and that he rents the remaining 60 at about Rs.500 per mensem. Of those retained in his own management, 50 are in the hands of shopkeepers, who undertake to dispose of 7,100 gallons of toddy per mensem, and to pay the renter an average of 4as. 8p. on every gallon sold. Supposing 6as. 6p. of this to be clear profit, the renter's receipts from these 60 shops would be about Rs.2,000 per mensem. His receipts, exclusive of the 18 shops in his own hands, are much the best in the District, the estimate of Rs.50,000 as total receipts is not probably very excessive. As toddy is sold on the average at 4½as. per gallon and as the charges may be put down at 1a. per gallon, this figure would represent a consumption of 213,000 gallons of toddy per annum, being about .870 of a gallon per head.

Taluk.	Toddy Rental.	Consumption in Gallons as estimated below.	Annual consumption per head in gallons.
Coimbatore	34,050	213,000	.876
Pollachy	3,000	48,000	.285
Oodumulpettah	200	5,000	.043
Dharapuram	4,000	80,000	.333
Palladam	5,700	20,000	.176
Sattiamangalam	14,000	20,000	.176
Collegal	7,500	20,000	.176
Erode	16,150	20,000	.176
Caroor	8,050	20,000	.176
Bhowani	3,620	20,000	.176
TOTAL	90,900		

10. The toddy renter of the Erode Taluk is said to have sub-rented the farm at Rs.23,000, or at a profit of Rs.6,500 per annum, and the sub-renter is stated to have under-rented it for no less than Rs.33,000. The amount of the sub-rent is corroborated by the Tahsildar's report, and as the rented shops (102 out of 115 open) realize according to the sub-renter, Rs.18,000, it is probable that the fourteen which he keeps in his own hands, and which are the most profitable in the taluk, bring him in sufficient at any rate to raise his receipts to say Rs.28,000. As toddy sells at 5as. per gallon, 4as. may be viewed as net receipts, which, at the above figure, would give an annual consumption of 22,000 gallons, or .331 of a gallon per head of population.

11. The Caroor taluk is said to have been sub-rented for Rs.6,000, and the Tahsildar puts the figure at Rs.5,800. The sub-renter, however, reports that he only succeeded in realizing Rs.3,612 for 1875-76, but for the next two years he has agreed with under-renters for 20 shops at an annual payment of Rs.6,483, and has retained in his own hands three shops in Caroor town, and three others, so that his receipts may well be estimated at Rs.6,000. As toddy is sold on the average for 2½as. per gallon, and 1a. may be estimated for costs and charges, the balance 2½as. would give a consumption of 51,000 gallons in the taluk, or .289 of a gallon per head.

12. The Dharapuram taluk was said to be sub-rented for Rs.6,300, and this is fully corroborated by the Tahsildar. So far as is known the sub-renters have let 46 shops for an annual rent of Rs.3,773, and supposing the remaining 70 shops to be disposed of at similar rates, their receipts would reach about Rs.9,000 per annum, representing an annual consumption of 51,000 gallons, (or .218 of a gallon per head) as toddy is sold at an average of 4as. per gallon, of which 3as. may be viewed as net receipts.

13. In the Bhowani Taluk the contract does not appear to have been sub-rented. The Tahsildar states that the renter has disposed of all the shops of the Taluk to the shopkeepers, for a gross payment of Rs.2,971, but has retained two shops in Bhowani Town under his own management. Supposing him to derive from them Rs.520, his gross receipts would be Rs.3,500 or about Rs.430 beyond his rent, and would represent a consumption of 50,000 gallons, or .312 a gallon per head as toddy is sold at 2as. per gallon, of which 1a. must be deducted for expenses.

14. The Palladam renter has sub-rented 50 shops at Rs.7,031 per annum, and retains six in his own hands. In these six shops he sold about 17,000 gallons in 1875-76, at a net profit of 2as. per gallon, so that his receipts must have been Rs.9,156, against a rent to Government of Rs.5,700, leaving him a net profit of Rs.3,456 per annum. The consumption of the taluk may be roughly estimated from these figures at 80,000 gallons per annum, and retains 27 in his own hands, so that his total receipts may well be estimated at Rs.8,000, against a rental of Rs.3,000 per annum. As toddy appears to be sold in this Taluk at four annas per gallon, three annas will be net receipts, which divided into, say, Rs.3,000 (allowing Rs.1,000 for sub-renters' profits), would give a consumption of 48,000 gallons, or .285 per head per annum.

15. The sub-rents of the Sattiamangalam taluk are said to amount to Rs.18,000, against a rent of Rs.14,000, and the sub-renters are reported to realize Rs.23,000, which would represent a consumption, at a net profit of two annas a gallon, of 20,999 gallons, or only .176 per head. In the Oodumulpettah taluk, it is reported that Rs.3,500 have been realized on a rent of Rs.320, but this is not corroborated by the Tahsildar. No information has been received in regard to the Collegal taluk.

APPENDIX B.

SALEM DISTRICT.

ARRACK REVENUE.

1. The Salem district was selected by the Board of Revenue as a suitable one for the introduction of the improved excise system, as it was known that under the old farming system most of the taluks had been managed on a somewhat similar plan by former renters, inasmuch as they had manufactured nearly all the spirits required for each taluk at a central distillery, under their own superintendence, and had supplied them to the vendors on the dowie system, i.e., the vendor who undertook to sell the largest quantity of liquor per mensem, was given the license for any particular locality, and he paid for the liquor to the renter, as soon as he received it, recouping himself as he sold it to his customers. Tenders for the monopoly of the sale of arrack for three years on the new system were invited early in 1875, and the duty on spirits was fixed at Rs.1-12-0 per gallon for 30° u.p., and Rs.1-0-0 per gallon for 60° u.p., and the maximum and minimum prices were to be Rs.3-12-0 and Rs.2-12-0 per gallon for the former spirit, and Rs.2-4-0 and Rs.1-8-0, per gallon for the latter. Seven tenders were received, ranging from Rs.2,80,000 to Rs.3,01,500 per annum, and an eighth from Messrs. Wilson and Co., for Rs.3,41,000, which was accepted.

2. This firm thereupon made an offer to take the toddy rents of the district at the upset annual price of Rs.64,000, but their offer was declined, and these farms afterwards fetched at auction an annual rent of nearly Rs.1,40,000, though owing to the failure of the purchaser of the Salem taluk farm this sum has now been reduced to Rs.1,27,730. The contractors then requested that they might be permitted to sell all spirits at 20° u.p. instead of 30° u.p., and to pay the duty of Rs.2-8-0 per gallon, as they feared that they would be unable to make up the guarantee at a duty of Rs.1-12-0 on spirits 30° u.p., as they anticipated that the consumption of the district would be considerably below the estimate, and that the competition of the toddy sellers, who had paid such high prices for their farms, would still further reduce the sales. The Board consented to their proposal, and fixed the minimum and maximum prices to be charged for spirits of 20° u.p. at Rs.3-8-0 and Rs.5-0-0.

3. Messrs. Wilson & Co. entered upon their undertaking at the beginning of July 1875, and early in August they complained of the large increase in the number of toddy shops, which had taken place since they made their tender. It appeared on enquiry, however, that the number had been increased in two taluks only, and that even there they were only sufficient to meet the requirements of the public, so that Messrs. Wilson & Co.'s request that the number of shops might be reduced was eventually rejected. In order to fulfil their guarantee, it was necessary that Messrs. Wilson and Co. should sell upwards of 11,000 gallons of spirits per mensem, and when, at the expiration of the tenth month, they found that their sales had averaged considerably less than 9,000 gallons per mensem, they again petitioned the Collector upon the subject of the toddy traffic, to competition with which they ascribed their reduced sales.

4. On reference to the Board of Revenue, they observed that the question had been already disposed of, and that moreover although 1,593 toddy shops had been sanctioned, only 760 had been opened, a number not in excess of those in existence in previous years. The Board nevertheless submitted the case to Government, as special relief had already been given to the arrack contractors for the Coimbatore district, who held that farm on conditions similar to those of Messrs. Wilson and Co. The Government, under all the circumstances of the case, resolved to accord to Messrs. Wilson and Co. the same terms as those which had been accepted by the contractors of the Coimbatore district, so that they are now required to pay duty on their actual issues only for the first eighteen months of their contract, i.e., up to 31st December 1876, but are bound to pay up the full annual sum guaranteed in their tender for the remaining eighteen months. As Messrs. Wilson and Co., deducting wastage, are only liable for the duty on 100,025 gallons during the revenue year ending 30th June, 1876, their payments will amount to Rs.2,50,062 only, instead of Rs.3,40,000 the sum guaranteed by them, so that the Government will be a loser by about Rs.90,000.

5. The marginal statements show the monthly issues for the whole district during 1875-76, and the annual sales in each taluk of the district, with the consumption, per head, compared with that arrived at after my detailed enquiries in the district in 1872. There are forty-five depots in the district, and every taluk is fully supplied with spirits. It will be observed that Messrs. Wilson and Co. have been specially unsuccessful in Trichengode and Namkul, but this was to be expected as the sub-renting system had been in force in those taluks under the old contract, and every shopkeeper had distilled his own liquor. Though the consumption given in my former report was

Sales in each Month.

July.	August.	Sept.	October.	Nov.	Dec.
16,116.	8,334.	9,016.	9,053.	7,033.	9,379.
Jany.	Feby.	March.	April.	May.	June.
8,663.	8,741.	6,630.	7,391.	6,747.	8,211.

based generally on estimate, in the Tripatur taluk the actual sales during the old contract had been at an average of 20,000 gallons, per year, of 35° u.p. spirits, as ascertained by me from actual accounts, and there seems to be no good reason why they should have fallen to 9,000 gallons of 20° u.p. In Oosoor, too, the sales have not been at all equal to the estimate, and the consumption is little more than half that of the adjoining taluks of the Bangalore District. Nearly half the total quantity of spirits sold in the district during the year was retailed at the very high price of Rs.5 per gallon. About 27,000 gallons were sold at this rate in Salem, upwards of 6,000 gallons in Darampoory, and upwards of 4,000 in Tripatur, and smaller quantities in the other taluks. A little over 46,000 gallons were sold at Rs.4 per gallon, and only 3,400 gallons at Rs.3-12-0. On half the entire quantity sold a commission of two annas per gallon was allowed to the shopkeepers, and only one anna per gallon on two-thirds of the remainder, but in some places three annas, four annas, and six annas was allowed on small quantities, so that the average commission on the whole is raised to two annas per gallon.

6. So far as can be gathered from the figures supplied to me by Messrs. Wilson

Cost of production ...	As.12	1
Establishment, interest on capital, wear and tear, etc. ...	"	5 3
Taluk establishment, and cost of distribution (average) ...	"	2 8
	Rs.1	4 0
Shopkeepers' commission ...	"	0 2 0
Government duty ...	"	2 8 0
	Rs.3	14 0

48,715 gallons at ...	Rs.1-2	Rs.51,804	6 0
46,428 " ...	As.2	"	5,803 8 0
		"	60,607 14 0
Deduct 3,400 gallons at 2 annas ...		"	425 0 0
Net Profit...		"	60,182 14 0

and Co.'s Agent at Salem, their costs and charges per gallon amount to the sum shown in the margin. The sales were 48,715 gallons at Rs.5, 46,428 gallons at Rs.4, and 3,400 gallons at Rs.3-12, so that Messrs. Wilson and Co.'s profits have been Rs.1-2 per gallon on the first-named quality, two annas per gallon on the second, and they have lost two annas per gallon on the third, as noted in the margin, leaving their net profit on the year at Rs.60,182-14. In their return of Receipts and Disbursements for the year, submitted to the Collector, Messrs. Wilson and Co. have put their net profits at only Rs.36,929, but in their statement of disbursements several items are entered which cannot be admitted,—for instance, two sums of Rs.14,090 and Rs.11,684, amounting together to about four annas per gallon on their issues, are charged for depreciation of buildings and stores, and as interest on capital employed. A sum of Rs.2,50,062 is also entered as duty paid to Government, and no corresponding entry is shown on the credit side for the balance of some 5,000 and odd gallons, the duty on which is included in this sum, but which have not yet been sold to the public, and for which Messrs. Wilson and Co. will receive from Rs.20,000 to Rs.25,000 without incurring any further charge, except two annas for commission to shopkeepers. I should suppose too that a capital of Rs.20,000 was ample to work a business of this kind with such rapid returns, and that 15 per cent. would be sufficient to allow for depreciation of buildings and stores, so that about Rs.7,000 per annum should cover both charges, or one anna per gallon instead of four annas. On the whole, I consider that my estimate of Rs.60,000 as the contractors' profits during the past year is decidedly within the mark.

7. In order to have paid their guarantee, Messrs. Wilson and Co. should have sold 136,000 gallons, giving a consumption of .069 per head, instead of 98,544 gallons, which gives a consumption of only .049 per head. In my detailed report on this district, I estimated the consumption at 187,000 gallons of the inferior liquor which I then found in use, or at 141,875 gallons of liquor 20° u.p., as shown in the statement attached to para. 5 above. In the early part of their contract, Messrs. Wilson & Co. succeeded in securing agreements from the shopkeepers in about two-thirds of the district, guaranteeing a sale of 111,125 gallons in the year, which would have brought up the total sales of the district to the figure just named, but unfortunately every one of the dowladars failed in their undertaking, and the actual sales made by them amounted to only 63,095 gallons. I see no reason whatever to doubt that the main reason why the full quantity was not sold during the present contract was the considerable increase of price which has everywhere taken place, though no doubt, as in Coimbatore, the bad season and the development of the toddy traffic have also affected consumption to some extent. If, however, the contractors had been satisfied with a profit of two annas per gallon, which they could have obtained by fixing the price at Rs.4 throughout the district, there is every reason to suppose that the consumption would have retained very nearly its former proportions, and that the Government revenue as guaranteed by Messrs. Wilson and Co. would have been fully paid, but under such circumstances their own profits would have been reduced from about Rs.5,000 to about Rs.1,500 per mensem, but this item might have been considerably improved by more economical management, and even with the present expensive establishment the rate of cost per gallon when divided among 140,000 gallons instead of 98,000 gallons would, of course, be considerably diminished, and the net profits proportionately increased.

TODDY REVENUE.

8. The Toddy revenue of the district is derived from the several toddy farms noted in the margin, and column 2 of the statement exhibits the consumption in four taluks as reported by the renters. It will be seen that the rate of consumption, per head, varies from something over a quarter to one-tenth of a gallon per annum. If the consumption of the whole district be calculated at the former rate, it will reach about 500,000 gallons, so that in order to pay the rent and allow a minimum profit to the renters, the liquor must realize at least 4½ annas per gallon net profit. Though toddy is reported to be sold at from three to eight annas per gallon, and to realize a net profit of from two to six annas, I am disposed to think that the consumption is a good deal beyond 500,000 gallons, and that the average net profit is not in excess of three annas and four pice per gallon. Even at this rate the renters of the taluks, for which particulars of consumption have been given, must realize very handsome profits, as shown in the margin. The renter of Tripatur was the only one who furnished detailed accounts when I visited the district. He stated that 54,000 gallons had been sold at an average rate of six annas per gallon, of which two annas and eight pice were absorbed for supply, vend, and management, leaving three annas and four pice as his net receipts on each gallon. According, however, to his detailed cash account which had been only made up for nine months of the year 1875-76, he had expended Rs.7,522-15-4, and had collected Rs.15,349-15-7. Deducting three-fourths of the rent Rs.6,000, this left him a net profit on the nine months of Rs.1,876.

Taluk.	Rental.	Consumption in gallons as reported.	Per head per annum.
Salem ...	Rs. 40,000	...	...
Trichengode ...	10,100	...	...
Namkul ...	3,500	43,784	161
Kistnagherry ...	4,450	28,555	104
Consoor ...	42,350	...	...
Tripatur ...	8,000	54,000	234
Utangherry ...	3,100	...	...
Ahtoor ...	7,300	...	...
Darampoory ...	1,830	20,654	107
Total...	1,27,730	...	...

gallon. Even at this rate the renters of the taluks, for which particulars of consumption have been given, must realize very handsome profits, as shown in the margin. The renter of Tripatur was the only one who furnished detailed accounts when I visited the district. He stated that 54,000 gallons had been sold at an average rate of six annas per gallon, of which two annas and eight pice were absorbed for supply, vend, and management, leaving three annas and four pice as his net receipts on each gallon. According, however, to his detailed cash account which had been only made up for nine months of the year 1875-76, he had expended Rs.7,522-15-4, and had collected Rs.15,349-15-7. Deducting three-fourths of the rent Rs.6,000, this left him a net profit on the nine months of Rs.1,876.

Tamkul	Rs. 5,255
Kistnagherry	" 1,261
Tripatur	" 2,800
Darampoory	" 2,201

APPENDIX C.

TANJORE DISTRICT.

ARRACK REVENUE.

1. The Tanjore District was not included by the Board of Revenue among those to which it was proposed to extend the improved excise system of Abkari management, as they hesitated to incur the risk in a district where toddy and not arrack was the chief source of excise revenue. In accordance, however, with the desire of Government, tenders for the district for three years, on the new system, were called for after the toddy farms had been disposed of by auction. The excise duty was fixed at Rs.2 per gallon for spirits 30° u.p., and at Rs.1-2 per gallon for spirits 60° u.p., and the minima and maxima prices were fixed at Rs.3 and Rs.4, and at Rs.1-12 and Rs.2-4 respectively. Three tenders were received, the lowest being Rs.1,10,000, and the highest (which was accepted) Rs.1,80,000, representing a consumption of 90,000 gallons of spirits 30° u.p. The old estimate of consumption had been 70,000 gallons, but the tender seems to have been fixed with reference to the old total rental of the district, compared with the sum for which the toddy farms for the present contract had sold. These farms had realized Rs.3,20,000, and the old gross rental for both arrack and toddy had been Rs.4,90,000, so the present arrack contractors thought they were safe in bidding Rs.1,80,000 for arrack alone.

2. They entered upon their contract in July 1875, and during the first year they have only succeeded in disposing of 38,786 gallons of 30° u.p., and 23,775 of 60° u.p., representing in all 52,375 gallons of the former strength, instead of 90,000 gallons. The quantity consumed each month reduced to 30° u.p., and in each taluk, are shown in the statements given in the margin. It will be seen that the consumption was moderate only in the Tanjore, Negapatam, and Combaconum taluks, and that it was unusually small everywhere else, but this is not surprising in a district where toddy is the stimulant generally in use among all classes.

Sales in each month.

July.	August.	September.	October.	November.	December.
4,579.	4,633.	4,084.	5,155.	4,265.	4,161.
January.	February.	March.	April.	May.	June.
4,906.	4,600.	4,841.	3,456.	3,633.	3,984.

Taluk.	Gallons reduced to 30° u.p.	Consumption per Head.
Tanjore	16,586	048
Manargudi	3,373	020
Negapatam	8,658	043
Mayaveram	4,256	019
Combaconum	13,554	039
Tritrapundi	852	005
Sheali	1,560	014
Putnacotta	2,171	009
Nanillam	1,365	006
TOTAL...	52,375	...

3. As the Government have decided upon treating the contractor in the same liberal manner as those of Coimbatore and Salem, there will be a sacrifice of revenue during the first year of the contract, amounting to nearly Rs.80,000. According to the contractor's statement, his realizations have amounted to about Rs.1,82,000, which on 52,375 gallons, gives an average retail price of Rs.3-7-6 per gallon, but the actual rates were Rs.3-3-1 on the average for 30° u.p. spirits, and Rs.2 for 60° u.p., which was consequently the dearer liquor of the two. The renter fixed his cost of manufacture at about Rs.40,000, and his charges for establishment, distribution, and commission, at about Rs.20,000, which represents a sum of Rs.1-2-4 on every gallon of 30° u.p.

4. As on present terms the contractor will only pay the actual duty of Rs.2 per gallon to Government, he will make an average profit of 5a. 2p. per gallon, or in all Rs.16,912-12-2, according to his statements. He himself ascribes the small consumption to smuggling from the French territory, and from the Pooducottah State, which he cannot repress, and also to the competition of the toddy renters.

5. There are 29 depôts from which shops are supplied, and every endeavour seems to have been made to meet any demand. The retail price of spirits has not been materially raised during the contract, and I am therefore disposed to think that the reasons given by the contractor for the depressed consumption are correct. The late arrack and toddy renter of the district a person of great influence, has secured the toddy rents of most of the taluks, and no doubt he has very largely developed the consumption of that liquor. I think, too, that he has succeeded in obtaining the farms at a lower figure than their true value, as will be shown hereafter.

	Rs.	a.	p.
* Cost and charges	...	1	2
Duty	...	2	0
	...	3	2
Average price	...	3	7
Profit...	...	5	2

APPENDIX C.

TODDY REVENUE.

6. The toddy farms of the district were sold separately for three years in April 1875,

Taluka	Gallons of toddy sold per annum.	Retail price to the public.				Cost of toddy, cool-dure, &c.		Renter's profit per gallon.	Total profit.	Consumption per head.
Tanjore	143,363	a.	p.	a.	p.	a.	p.	a.	p.	
Combaconum	243,320	6	6	10	0	2	0	5	6	431
Mayaveram	210,863	7	3	8	6	2	0	5	0	731
Nanillam	188,000	6	9	7	0	2	0	4	9	919
Negapatam	134,000	6	3	7	0	2	0	4	0	912
Manargudi	96,711	7	6	9	3	2	0	5	6	669
Puttaccotta	126,030	5				2	0	4	6	597
Total	1,152,337					2	0	3	0	529
									3,31,240	

and realized a sum of Rs.3,23,000. Thavasamutai Nadan, who has been the abkarry renter of the district for a series of years, secured all the farms, except those of Tritrapundy and Sheali. According to the figures supplied by him, the consumption and profits are shown in the marginal statement.

7. It will be observed, however, that while the renter's net receipts vary from three annas to five annas and six pice, per

gallon, and are said to have amounted to Rs.5,31,240 in the year 1875-76, his profit, per gallon, hardly seems to be in due accordance with the prices charged. For instance, though in Combaconum toddy is sold at rates varying from seven annas and three pice to eight annas and six pice per gallon, and though two annas is invariably the cost and charges, the profit is put down at only five annas; whereas, even if all was sold at the lowest rate, it must have been five annas and three pice. Again, in Mayaveram, though the prices range from six annas and nine pice to seven annas and six pice, and two annas is the invariable rate for cost and charges, the renter's profit is put down at four annas and nine pice only, as though all had been sold at the lower rate. The uniform rate of two annas per gallon, too, for renter's and vendor's costs and charges, is just double what is estimated on this account in some districts. On the whole, I should be disposed to put the renter's average receipts at certainly not less than five annas per gallon, which would raise his gross receipts to Rs.4,60,000. He states that his expenses for establishment amount to Rs.45,000 per annum, and his rental for the seven taluks is Rs.2,71,100, so that his clear profit would be Rs.1,44,000 though, according to his own figures, it is only Rs.15,140.

8. The renter of the Sheali taluk though summoned did not appear, but for Tritrapund

the marginal figures were produced. Besides this consumption of 211,537 gallons, or 1.36 gallons per head, 1.9. gallons were received by the shopkeepers, and not sold. According to the renter's statements, the costs and charges amount to five-eighths of the gross receipts, and his net receipts would therefore be only about Rs.20,000 per annum, from which he would have to pay Rs.19,000 as rent. In his dowles with the shopkeepers, with whom he enters into a regular agreement that they will sell a certain quantity, and from whom he receives security, it is stated that three-fourths of the proceeds are to be paid over to him, and this would agree more nearly with the allowance of one anna per gallon for costs and charges, which is adopted in some other places. But allowing two annas for this purpose, as has been done in regard to the other taluk farms of the district above referred to, the gross charges would amount to Rs.26,412, leaving the renter a sum of Rs.27,458, or a profit of Rs.8,458 after paying his rent.

APPENDIX D.

TRICHINOPOLY DISTRICT.

ARRACK REVENUE.

1. This was one of the districts selected for a trial of the new system. The duty was fixed at Rs.1-12 on liquor 50° *u.p.*, and the maximum and minimum price at Rs.2-12 and Rs.3-12.

Taluk.	Sales.	Consumption per head.
Trichinopoly	35,103	114
Museri	7,686	650
Kulitalai	3,636	415
Perambalur	3,754	421
Oodiarpollum	6,158	425
TOTAL	56,339	

Six tenders were received ranging from Rs.85,000, representing a consumption of 51,000 gallons, to Rs.1,10,000, representing a consumption of 66,166 gallons. The highest tender, that of Messrs. Parry and Co., was accepted, and they entered upon their contract in July 1875. They have established twenty-one depots for the issue of liquor in the district, and have passed out a gross quantity of spirit exactly sufficient to pay their guarantee, but according to the accounts, they have only sold 56,339 gallons of spirits during the year 1875-76, as shown in the margin. It will be noticed that the consumption is high only in the Trichinopoly taluk, which is owing to the large quantity consumed in the town, upwards of 30,000 gallons, or 396 of a gallon per head. In none of the taluks is the consumption at all equal to the average of other districts, and it is impossible to suppose that smuggling or illicit distillation does not take place.

Sales in each Month.

July.	August.	Sept.	October.	Nov.	Dec.
5,088.	4,199.	3,949.	5,107.	4,423.	5,121.
Jan.	Feb.	March.	April.	May.	June.
5,413.	4,717.	4,831.	4,289.	4,569.	4,562.

2. The liquor is sold to shopkeepers at Rs.3-6 per gallon, and they retail it to the public everywhere at the maximum price of Rs.3-12 per gallon. No complaints have been made of the increased price, but the *licit* consumption is said to be considerably diminished, owing to the facility for smuggling which is afforded by the close vicinity of the Poodocottah territory. Putting Messrs. Parry and Co.'s expenses at Rs.1-2 per gallon, the rate at which they worked the South Arcot contract in previous years, it will be seen that they have realized a profit of eight annas per gallon, or Rs.28,168-8 on the liquor sold, but that they have manufactured and paid duty upon nearly 10,000 gallons which has not yet been sold.

TODDY REVENUE.

3. The toddy rental of the district amounts to Rs.39,790, as shown in the margin. In the town and taluk of Trichinopoly, the renter agrees with the shopkeepers to sell a certain specified quantity, and receives from them so much per measure. In the town 116,000 gallons were said to have been sold by retail in the year 1875-76 for about six annas per gallon, giving a consumption of nearly two gallons per head, and 68,890 gallons in the taluk at five annas per gallon, giving only quarter of a gallon per head as the consumption. As the renter certainly receives at least four annas in the town, and three annas in the taluk, as his net receipts on each gallon, he collects at least Rs.49,400, from which to pay his rent of Rs.35,050.

4. In the Museri taluk 28,698 gallons were sold, giving a consumption of one-sixth of a gallon per head, at about five-and-a-half annas per gallon. Taking the net profit at four annas, this would give receipts amounting to Rs.7,174-8, from which to pay a rent of Rs.1,650.

5. Similarly in the Kulitalai taluk 22,910 gallons were sold during the year at 4½ annas per gallon, being less than one-tenth of a gallon per head. If 3½ annas per gallon be taken as profit, the renter must have collected Rs.5,011 to pay a rental of Rs.2,030.

6. No details have been obtained of the consumption in the Perambalur and Oodiarpollum taluks, but if it was at all equal to that in Kulitalai, the profits of the renters must have been equally large.

APPENDIX E.

MADURA DISTRICT.

ARRACK REVENUE.

1. This district is managed on the improved farming system, i.e., the renters of taluks are required, as far as possible to distil all their spirits at one distillery, in each farm, under Government inspection, and to keep full details of their manufacture and sale for the information of Government. The old rental of the district was Rs.1,85,050, and of this it was estimated that Rs.23,334 was the toddy revenue. On a separation of the farms last year, however, the arrack farms realized Rs.1,98,250, and the toddy farms Rs.82,450, being an increase of nearly a lac of rupees on the annual rent, and demonstrating clearly that the relative value of the arrack and toddy had been incorrectly estimated. It would now appear that the value of the latter farm is equal to something under one-half that of the former, instead of one-seventh. The revenue for the past year ending 30th June has been punctually paid with the exception of that for the toddy farm of Dindigul. The renter of this taluk failed in his engagement, and the farm was re-sold at an annual loss of Rs.11,000 per annum, thus reducing the annual revenue from toddy for the whole district from Rs.82,450 to Rs.71,450.

2. The Collector had not at the period of my visit to the district, succeeded in obtaining the arrack renters' accounts of their transactions for the whole year 1875-76. I, however, visited the distillery of the renter of the Madura taluk, and ascertained from his accounts that he sold an average of 1,500 gallons in the town, and 550 gallons in the taluk during the month, or, say 24,500 gallons per annum. His expenses are noted in the margin, though he assured me that he had other charges (which he could not explain however) which quite precluded his making any profit out of the business. As the retail price is Rs.3 per gallon, he would apparently make a small profit on these figures, as his receipts would be Rs.73,500 against expenses, at fourteen annas per gallon, Rs.21,437-8, and rent Rs.51,500, leaving a margin of Rs.562-8. On my enquiring why, if he made no profits, he did not raise the price of spirits in the town to Rs.3-4 per gallon, and so realize a further sum of Rs.4,500, he at once replied that the result of such a step would probably be a check to consumption to such an extent as would more than swallow up any such profit.

3. From the returns which had been obtained from the renters of other taluks for the first-half of the year, it would seem that their annual sales have amounted to the quantities given in the margin. Supposing that the sales of the second-six months equalled that of the first, and allowing a sum of one rupee instead of 14s. per gallon, to cover all costs and charges of the renters and vendors, it will be seen that there is an apparent loss in several of the farms. As the consumption when compared with that of other districts does not appear to be under-stated, and as it is unlikely that so many renters would carry on their undertakings at a loss, I am disposed to think that the costs and charges are in reality considerably below one rupee per gallon, and if so, it would be possible for all the renters to make a profit even on these figures.

TODDY REVENUE.

4. The Toddy renter of the Madura taluk made out by his accounts that his annual sales in the town and taluk amounted to about 80,000 gallons of toddy, or about one-third of a gallon per head, on which he obtained a net profit of 4as. per gallon, or Rs.20,000, against a rent of Rs.20,500. The draught of toddy is usually equal to about one ordinary bottle, and is sold by retail in the town at 1a. 2p. or 7as. per gallon, and in villages at 10p. or 5as. per gallon. As 1a. per gallon would probably cover the cost of supply and sale, the renter's receipts are considerably more than 4as. per gallon in the town, and the rent is thus considerably more than realized. I did not succeed in obtaining particulars regarding the toddy consumption of the other taluks of the district, but judging from the rents paid and the rates charged, it would appear to vary from half a gallon per head in the Shevavunga Zemindary, to one-fourteenth gallon per head in the Palni taluk.

Taluk.	Rental.	Estimated consumption for 1875-76 on actuals of 1st six months.	Price per gallon	Realizations less one rupee per gallon.	Profit or Loss.	Consumption per head.
Dindigul	29,200	18,000	3 0 0	36,000	+6,800	056
Tirumangalam	12,000	8,400	2 4 0	10,500	-1,500	034
Malur	16,800	8,600	2 8 0	12,900	-3,700	066
Periacolam	16,050	7,500	3 0 0	15,000	-1,050	034
Palni	21,000	13,500	3 0 0	27,000	+6,000	078
Ramnad	27,500	15,500	2 12 0	27,125	-325	030
Shevavunga	23,200	17,500	2 8 0	26,200	+3,050	040

APPENDIX F.

NORTH ARCOT.

ARRACK REVENUE.

1. This District was managed on the excise system for the three years ending 30th June 1875, and the consumption of spirits in each year is shown in the margin. The average retail price was then Rs.3-14-10 giving the contractors a profit of 8as. 8p. per gallon as noted below:—

Year.	Gallons.	Rs. a. p.
1872-73	1,30,963	1 3 0
1873-74	1,16,621	4 0
1874-75	1,13,756	1 15 2
		3 6 2
		8 8

Rupees... 3 14 10

The Board of Revenue, however, estimate that a capital of Rs.50,000 would be ample to work the business as the returns are received at once, and they allow one-sixth of this amount for depreciation and interest, which would reduce the net annual profits during the late contract to 7½as. per gallon, or to Rs.56,000 per annum, in addition to the toddy receipts which were considerable.

2. The contractors were allowed a further contract for three years from the first of July 1875, on the improved system, under which the toddy was altogether separated from the arrack. The duty was fixed at Rs.2-10 instead of Rs.2 per gallon, of 20° n.p., the maximum and minimum price was fixed at Rs.4-12, and Rs.4, and a minimum revenue of Rs.2,42,000 was guaranteed by the contractors. Owing, apparently to a slight increase of price, and probably also to the development of the toddy traffic (though the contractor is not of opinion that this affects his sales) the consumption of the past revenue year has fallen to 109,835 gallons. This, however, gave a revenue of Rs.2,88,374, or upwards of Rs.46,000 beyond the guarantee. The spirits were sold at a strength of 20° n.p., at retail prices ranging from Rs.4 to Rs.4-12 according to locality, and were supplied from 52 depots, situated throughout the district. Supposing that the liquor has been sold at an average price of Rs.4-6 per gallon, and that the costs and charges of the past year were the same as in the previous one, the contractor's profits would have amounted to 9as. per gallon, or to upwards of Rs. 60,000 during the year.

TODDY REVENUE.

3. The separation of the toddy farms from the arrack resulted in a large increase of revenue. During the three years of the previous contract, they had realized only Rs.61,000 per annum, but when sold by taluks for three years from 1st July 1875, they realized an annual rent of no less than Rs.120,580. This sum is made up of the taluk rents, shown in the margin, and supposing that the rents represent two annas upon every gallon sold, the consumption would run as shown in the statement, but as it appears that a renter's own net receipts, when shops are retained in his own hands, are rarely more than 2as. per gallon, the consumption is probably a good deal in excess of this estimate, as the profits derived in many of the farms are very considerable.

Taluka.	Rent.	Consumption in Gallons.	Estimated consumption per head.
Chittoor	11,220	89,760	427
Chendorgherry	4,710	37,680	377
Palnathur	9,435	59,480	982
Gudiatnam	20,110	1,60,880	993
Vellore	15,910	1,27,280	713
Polar	4,510	36,080	331
Wandawash	3,110	24,880	168
Arcot	10,990	87,920	566
Wallajah	14,500	1,16,000	641
Karvetnugger	8,720	24,200	185
Kalastri	3,025	24,160	184
Kangandy	52,70	42,160	812
Poonganoor	2,920	23,360	213
Arni	6,150	49,200	635
Total	1,20,580		

per gallon, and 20,050 gallons, at 3 annas per gallon, giving a consumption of upwards of a

gallon per head, in the five towns in which these shops are situated. On these sales, the renter is said to obtain net receipts amounting to three annas and two annas per gallon, or Rs.1,351 and Rs.2,506, so that his gross receipts would be only Rs.19,965, against a rent of Rs.20,110. In the Vellore taluk, he has sub-rented a portion for Rs.6,608. In the town of Vellore and Venugapuram, where he has 15 shops, 21,735 gallons are sold at 4½ annas, and 39,863 gallons at three annas, giving a total consumption of upwards of a gallon and a half per head. On these sales the renter's net receipts at three annas and two annas per gallon are Rs.4,180, and Rs.9,933, bringing up his total receipts for the taluk to Rs.20,921, against a rent of Rs.15,910. But he states that, for the two taluks, he keeps up an establishment at a cost of Rs.1,000 per annum, so that his net profit would be under Rs.4,000.

5. The taluks of Wallajah, Arcot, Wandewash, Polur, and Arni, are rented by another party. In the town of Wallajabad two gallons per head are consumed, on which the renter realizes a net profit of Rs.3,045 at two annas per gallon, and in Raupett 4½ gallons per head are said to be consumed, on which he realizes Rs.1,470, at the same rate. The remainder of the taluk is sub-rented for Rs.15,300, bringing up the renter's total receipts to Rs.19,815, against a rent of Rs.14,509, which leaves him a profit of Rs.5,315. In the town of Arcot he sells three gallons per head, and at two annas per gallon, realizes a net profit of Rs.4,131, and the remainder of the taluk is sub-rented for Rs.11,524, making his gross receipts Rs.15,665, or a profit of Rs.4,665 on the rent of Rs.10,990. In Wandewash and Polur his net receipts are Rs.9,504 and Rs.4,852, against rents of Rs.3,110 and Rs.4,510, so that his profits in these two taluks are Rs.6,494 and Rs.342. In the Arnee farm, however, he is said to have lost Rs.686, so that his profits in all five farms will be reduced to about Rs.16,000.

6. The renter of Palmanair asserts that he has lost Rs.2,111 by his farm, and it is undoubtedly very highly let, as is also that of Guddiattam, on which there is said to have been a loss as shown above. The renters of the other district farms did not appear when I visited the district.

REVENUE DEPARTMENT.

No. 2408

1858
59

From *Prof of the B^d of Rev.*

Dated

4 May

1877.

FOR ORDERS.

I cannot see the
reason for having
reduplicate & distinct
papers was made in
Nov 2 - 0. 7/12/77
The 2/11/77 -
The contingent there
had an other view - of
which they did not know

I am aware that
of discussion - the
papers have passed
me - & dispose of
the subject
The Rev. order pro
vides in the interest

10/5/77

[Signature]

Rev. G. O. 30 May 1877

L. H. Cab-

To wait themselves
they have and we
permitted to do
be speaking from
to give a grade
whether they should
put out up to
the old action
making the demand
clearly unsound
to general question
not affect that the
question the law
of the - B. C. 11/2

Letter No. 1916 + 2116

QCU
19.5.77

Nothing is shown in the
the day of receipt of issue
is sufficient to
of our limited and will
FOR ORDERS.

Connect

17.5.77

Revised to
the Govt. Sir W. R. Davies
to Mr. W. R. Davies
with reference to
H. S. C. note

12.5.77

Re submitted for perusal
of this for the Govt.
together with bundle
containing the Board's
remarks on Mr. Dal
vell's account of
the on the 12th of Oct.

Received 14/5/77
C. 9 May 77. R. 14/5/77 R. 12.5.77

17.5.77
21. March 77, 12.5.77
13. April 77

I do not often conflict
repeated the same
names as appeared in
the present against the
1st alternative of holding
the contractors to their
amended bargain. Mr.
as Mr. H. J. D. D. D. D. D.
has been long position

1838
I have very carefully
considered these papers
from the whole and
opinion is that the
that the best plan
for the future
combination will be
continue the system
of duty pay. on
issues. irrespective
of guarantee. But

with writing of selling
pieces. & the best of
the current lenses. ^{with the greatest}
This is what the ^{old Mr. Allen}
Mr. purpose for in between ^{that of my}
I agree with Mr. ^{any more in}
is thinking that in ^{complex with a revision}
view of the action taken ^{of the price - I}
by the Hunter on Mr. ^{do not object to}
Daly's suggestion. ^{even in that case}
of the present depressed ^{it being a very}
circumstances of the ^{view that the}
country. & of the ^{view in allowing}
the revision of price

before being released
from the present
liability. I pay the
guarantee in full
Bof 2/5

just mentioning
advising the prospects
of that Irish. we
should do well to
treat it by 5 on
the same principle.
The above thing is
most speculative at
present. it is of
great importance to
be in a position to
ascertain reliable
facts. I. if we
press the Hunter
hard will probably
be unascertainable

In B. M. District
I desire the following prices
to be the current
of the District in the
understand that the Gov.
demand will be limited
to the duty on issues

Mr. Dwyer. Do not expect
the Gov. report.

L. D.
The 5th

1852

Salem

I have given
these papers anxious
consideration and come
to the conclusion that
the best plan of dealing
with the Salem Contractors
is to abrogate the
guarantee for the rents
of the lease continue
of duty
payment on issues, and
stipulate that the present
prices - or if necessary
slightly lower prices - be
maintained with a view
to really testing the normal
consumption of the District
during this practically
tentative lease.

I think that we are
really committed to this
course. Although the
communication of
Mr. Dalyell were not
authoritative

authoritative, Messrs
Hobson & Co. have appar-
ently acted on his suggestion
as they were so for more
than half a year at an
enormous sacrifice of
profit which they might
have enjoyed. Under
the circumstances, we
could not possibly en-
force the guarantee
from the 7th January last
and must allow the
existing arrangements
to go on for the half
year now nearly expiring.

As regards the
next 12 months, part
must be passed
under the circumstances
of the ^{existing} terrible season
- with the possibility
of further direct distress
should rain fail - and
certainly of reduced
population and
crippled means among

the whole of the
inhabitants of Salem.
I would therefore extend
the arrangement to the
next year also.

I think that this is
reasonable. Under
any circumstances, the
guarantee is and must
be forgone throughout
the lease. Even under
the proposals of the
Board of the 21st March.

The Board's proposal
would necessitate
the re-imposition of a
very serious enhance-
ment of price at a
time when the physique
and means of the
population are low.

And Stimulant is
needed. And the
profit - between one
and two annas per
gallon - is not excessive

I do not feel
sure of this -
that is all

on a cost price of
about Rs. 1-2-0 per gallon
(Vide Statement Para 22 of
Bds. Prop. of 21st March)
plus a bonus of ^{the} duty
and loss of interest -
but if it be too high,
we might reduce it
to Rs. 3. 8-0 on the
average all round.

I confess that
the elaborate calculation
of the Board (Para 18 to 21)
have in them not a few
elements of uncertainty,
and if the proposals
founded on them be
adopted, I fear the
arrangement may
probably not lead to
a final & peaceful
settlement of the question.

I propose this arrange-
ment under the special
circumstances of the
season & of this tentative
lease.

lease and with a view
to testing the ordinary
consumption of the
District - notwithstanding
my general agreement
with the Board's view that
within certain limits
the principle of our
administration of the
Akavay in respect
to Ardent Spirits should
be the establishment
of reasonably high prices
and levelling up the
duty for revenue purposes.

Coimbatore

As regards
Coimbatore, what I have
recommended for Salem
is what the Board
recommended for this
District, and I would
accept the proposal
and put both Districts
on the same footing as
regards price.

A

As regards
Saugor, I would await
the Collector's report
and desire him to
expedite it

Bd Proc: 7/13 April

W. Dalrymple was deputed for
this enquiry in No. 80. 2nd July 76 - 89/1

RE.D.
Memo for orders

Proceedings of the Bd. of Rev. 21st March
1877
No 1,268

Ditto - 13th April 1877 No

With the former of the Proceedings
above quoted the Bd. submitted
with their remarks the
Hon^{ble} R.A. Dalrymple, read up
in the working of the new
abkari system, with proposals
regarding the adjustment of the
arrack contracts in Salem,
Coimbatore & Tanjore -

With the latter they submit
certain proposals of the
licensors regarding the
unexpired portion of their
contract in Salem, but
adhering to the recommendations
in regard to their contract made
in the former Proceedings.

W. Dalrymple after a few
preliminary remarks - discusses
(1) the results of the new system
(2) the causes of its partial

partial failure (3) the
obvious effect of missions
(4) the alternative course
available (5) the obvious
defects in the new system -
After a few ~~months~~ ^{months} in
the present ~~order~~ ^{order} we are
happy to British Society
& country ^{too} he concludes
his monograph with
detailed notes of his inquiries
in Salem, Cambridge,
Madras, North Arcot,
Tanjore & Madurai.

The results of the new system have on the whole been very satisfactory. The principal drawback ^{in connection with} having the branch farms in Criverton, Salem & Taunton. The separation of the Taddy from the Arnold name has worked well. It has been found that the Taddy name had been much underestimated by the W. Daley & the Pol.

regard the separation as in the
 whole a financial necessity,
 but it is to the Todd Farm
 that the 1st lot is given
 confidence to growth in
 income ~~the~~ The
 last picture of the annual
 arrangements in Salem.
 1. Contribution to the
 medical for each parish
 from the body of W. Dalgill
 report, and it is to his
 view thereon that the 1st
 ably a most searching
 criticism -

W. Dalgell attributes the picture to the following causes
 (1) excessive stimulation of tenderness
 of sympathy (2) the unparallel
 action (3) increase in today's sales
 owing to the separate system (4)
 less administration of the game laws
 (5) the enhancement of the price
 of the water in Salem & Cambridge.

The Bt. admit that all these
 causes have had more
 more or less effect, but entirely
 differ from Dalgell in the
 weight

attached to the last-
named cause - the enhancement
of the present system
prices, and as the municipal
measures proposed by W.
Dalrymple mainly hinge on
the soundness of this
conclusion, they ~~are~~ devoted
to the subject. The major
portion of their remarks -
in para 4, the 13th discuss
the defects noted by
W. Dalrymple in (1) the undue
fluctuation of the market between
maximum & minimum selling
prices (2) difference between the duty
& the minimum price - (3)
the consequent fault, viz - that
contractors choose the maximum
rate to the detriment of revenue
& consumption, preferring
large receipts on limited sales.
The remedy proposed by W. Dalrymple
is the limitation of the price
as nearly as possible to the
duty + 2 1/2 - 4 per gallon,
and to this object the
fixing of a State selling price.
W. Dalrymple sees no reason
for allowing contractors an
ordinary profit on their contracts.

In the first place the 15th point is that Mr. Delzell ~~does~~ seems to be right of the fundamental principle in which all excise revenue should be administered viz - the restriction of consumption - ~~as far as is consistent~~ ^{expression of} the ~~restriction~~ ^{prevention of} illicit manufacture - This definition must open to objection on moral grounds: It is undeniable that a juster definition would be "the restriction of consumption so far as may be consistent with the true wants & wellbeing of the people" - to which follows as a corollary that the excise should not be so high as to produce or promote illicit manufacture & smuggling the tax being for its justification on the expediency on moral grounds of restricting consumption.

The Bill Name that needs
is little evidence in
support of W. Deyle's view
that illicit manufacture
has increased & held that
an endeavor should be
made by direct prevention
of a more strict applica-
tion of the law to the illicit
practices and to reduce
the prices & induce consumers
which they may have been
about to. The Board however
considers the law to
work in its present
form, & let they do
not support the point
in which they think
it should be attended.

Doubting the assumption that
the reduction of the selling
prices will affect consumption
to any great extent, especially
under present conditions
where the spirit manufactured
& Method & intelligent
Contractors is of much
higher strength

and greater purity. The Board
came to the conclusion that
if Contractors profits are to
be curtailed in the interests
of the State & people it
should be brought about
by enhancing the duty
of reducing the
selling price —

they then great doubt
the policy of attempting
to limit profits &
other things that it is
unwisely expedient to
abstract to their benefits
from the intelligent
Education men, especially
Professors —

Attention is especially called
to the Board's remarks in para 16
as to the aim of the present
policy — So soon as this
aim has been accomplished
the equalization of
import & export duties, by

intended that there will
no longer be any tendency for
maximum & minimum
prices.

After these preliminary
discussion, the Bd
proceed to make certain
definite proposals for
the relief of the Contractors
in Salem, Coimbatore &
Tanjore - As regards
the two former Districts
they have time allow to
furnish definite information
gathered from the Collected
Cash Accounts Reports
but they are unable to
do this in the case of
Tanjore, as the Reports
had not come in.

In regard to Salem
attention is called to
Messrs. Wilson's proposal - the
Bd. however adhere
to that made in para 21
& they furnish strong reasons

Early orders are requested
as the Contractors are
bound to pay up the
full amount guaranteed
for the 2nd half of
their contract which
began on the 1st Jan. last.

As regard Coimbatore
orders are requested on the
suggestions made in para
25, & as to Tanjore
in para 26. The
recommendations are
in accordance with the
Contractors' ^{own} petitions,
from

from time to time sent
in while the general
question has been pending.

Attention is drawn
to Mr. Dalzell & the
Board's urgent request
that a special officer
should be appointed
for the superintendence
of the excise revenue.

They believe that the
result of such an
appointment would
be a considerable
increase

increase in revenue.
At present the Law
is weakly administered
& the Rules but
partially enforced.
The present condition
of the administration of
this branch of the
Revenue demand, they
believe, the exclusive
thought & attention of
a single officer.

W. J. 1877

Ja

In consequence of the
in matters respecting the current
farms of Salem, Coimbatore
and Tanjore - temporary
and tentative in their character
have got mixed up in Mr.
Dalgall's report, a considerable
part of the Board's Proceedings also
have been devoted to the arrange-
ments in respect to these Districts
for the rest of the lease

I propose to treat the
proposals respecting Salem
in a separate G.O. on the Pro-
ceedings of the Board of 13th April
so as to eliminate this special
matter from the points of more
general interest contained
in Mr Dalgall's report and to
Board's Pings. of 21st March.
And I would add a rider
disposing of Coimbatore
also. Tanjore may be
treated of separately when the
Collector's report is received

Mr Dalgall's reports and
the Board's Proceedings of the
21st March might then be
reconsidered for more deliberate
consideration with reference
to the general matters of principle
of administration, the proposal
to appoint a special officer
in charge of this branch of
Revenue, to be which are
treated of in 10th. It may
also be desirable to give

Submitted 19/4/77
15/5/77

19/4/77
Dalgall's report
Board's Proceedings
13th April 77
4th May 77

timely direction as to the arrange-
ment & disposal of the separate
farms in all Districts, where
the current lease falls in
they will about this time next
year. The next triennial lease
ought to be put up or tendered
for early in 1878.

My Honble: Colleagues
will perhaps note their views
on this point

17/3/76
I have not yet seen
the above figures
I have not yet seen
as when you see

1858-59 30-5-77
head

13th Proceedings 21st March 77 1268
or 13th April 77 1268
order — 4th May 77 2408

Order

With the print of the Proceedings
above read the 13th submit-
with their remarks the 13th
R. D. Dalgall's recent report
on the working of the new
Atkari system, also all the
proposals regarding the adjustment
of the arable contracts in Salem,
Coimbatore and Tanjore -
in the 13th record they forward
a letter from Mr. Wilson to
the Salem Contractors, making
certain aspects regarding the
unexpended portion of their contract
I with the last a letter
to the Collector of Coimbatore
inquiring whether demands
for pay of the guaranteed
account should be made, or
for pay on issues should be

As sent as attached
of 13th April 77
17/3/76

2. His Grace has sent in Council
 in ~~will not~~ reserves for
~~consideration~~
 the points of view generally
 given to the shelter of ~~principles~~
~~interests connected with~~
~~Mr. Dalzell's report~~ which
 to administration discussed
 in Mr. Dalzell's report
 and the Board's view
 of it, but ^{will} dispose ^{will} immediately
 of the ~~cases~~ ^{will} be personal;
~~in connection~~ in the matter
 of the John C. Smith
 & Co. contracts.

After mature deliberation
his Grace is of opinion that it is
advisable to continue both the
system of duty payment upon
issues irrespective of
guarantee - subject
to the revision of the
selling prices - at
the end of the current
year -

3. This is what the Board have proposed
 2 June 25th of this
 Monday 18th 77

for consultation -
in view of the act
taken by the Legislature
after Mr. [unclear] [unclear]
W. Valzells -
- of the present [unclear]
circumstances of the [unclear]
of the great [unclear]
abundant the prospects
of the next [unclear] - this
space in [unclear] is of
opinion that [unclear]
should [unclear] be
treated in the [unclear]
principles in the [unclear]
[unclear] that it is highly
[unclear] of great
importance that [unclear]
should be in a position
to [unclear] [unclear]
fact, [unclear] of the
[unclear] are [unclear]
[unclear] [unclear] [unclear]
[unclear] [unclear]

4. The Bd. of Res. will
in due course ^{make} the
~~necessary action for~~
~~the benefit of the selling~~
prices.

As regards the
business of the filling
prices, the Board will
~~be very~~ best - adjust-
the value & obtain the
of the Dealers

standing
around
look to

The Board will further
consider the arrangements
that shall be made.

Arrangements proposed
are made for the

disposal of the separated
forms we will discuss

where the current bases
fall in no way to the

last year - The
annual case (1)

be put up to auction or
sold for cash.

1078

Ms. A. 9. 2. 70 to the h^d of December 990-5-77
printed 24-6-77.

Cats. sh.