M.R.O. 1—50,000—16-10-29.

MADRAS RECORD OFFICE.

Government of Madras.

Revenue **DEPARTMENT.**

G.O. No. 321 Press ~~His.~~

7-8

Dated 18th March 1869.

Not to be folded or roughly handled

No. 6,544.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 14th September 1868.

Read again letter from the Collector of Kurnool, dated 16th December 1867, No. 376, recorded in the Board's Proceedings, dated 9th May 1868, No. 3,445.

Read also the following letter from Captain J. MULLINS, R. E., Consulting Engineer for Irrigation and Canal Company, to the Secretary to the Board of Revenue, dated Madras, 15th May 1868, No. 23:—

1. I have the honour to acknowledge the receipt of the Board's Proceedings, No. 3,445, of the 9th instant, requesting me to state what my views are with regard to the contents of the letter of the 16th December last from the Collector of Kurnool.

2. Mr. Chase reports, that, since the increase of the water-rate on irrigated land from four to six rupees, the area under cultivation has decreased, and he thinks that the ryots have not sufficient confidence in the stability of the supply of water, and that it would be advisable to reduce the water-rate to Rupees 4, and to continue it at that rate for several years.

3. The facts which are available for the formation of an opinion do not appear to me to warrant any alteration of the water-rate. The Company have not, as yet, been in a position to supply any lands, except the narrow strip between the canal and the river in the first twenty-three or twenty-four miles of the former, and consequently the extension of cultivation was very improbable. That the area irrigated in the present Fusly is smaller than that of the previous one is to be regretted; but I am not surprised that some lands not well-fitted, and not properly prepared, for irrigation should have been given up, and there will of necessity be considerable fluctuations in each small tract of country for the first few years after irrigation may be commenced therein.

4. I do not expect that there will be any noticeable increase of cultivation in 1868-69, because the canal is not yet ready, though it is hoped that, during the season, water will be taken down some 70 miles. In 1869-70 there ought, should no accidents occur to the canal this year, to be some considerable increase of irrigated area; but the middle of the year 1870 will be the earliest moment at which it will be possible to form an opinion as to whether the ryots are disinclined to take the water brought within their reach, and perhaps another two years after that will be needed to enable any decision to be come to as to whether the water-rate may have exercised any deterring influence.

5. I have had no reason to alter the views expressed in my letter, No. 18, of the 1st June 1867, to Government, and I should be much disinclined to a reduction of the six rupees water-rate, unless it could be shown, on very clear grounds, that the rate does not leave the ryot a fair margin of profit.

(Procs of M Govt., No. 1,838, 9th June 1867, P.W.D.

6. At the same time I consider that it would be advantageous to make allowance for the difficulties and want of experience of the ryots when first attempting irrigation, and I should, on this account, think it would be good policy for the Company to charge a low rate at first, and to raise it gradually. The rate for the first year might then be four rupees; for the second year five rupees; and for the third year six rupees. There would be no objection to a proposition to this effect being made to the Agent and Manager of the Company.

7. It appears to me very desirable that there should be no question raised of a reduction of the rates, unless it can be shown, on reliable data, that a revision is necessary, or until it shall have been proved, that, whether the existing water-rate be fair or otherwise, the ryots will not take water at the price at which it is offered. The Collector may be able to procure better data than those with which I am acquainted; but I am quite sure that it will be some years before it will be ascertainable from experience whether the present water-rate is, or is not, in any degree prohibitory.

1. Resolved that the foregoing papers be submitted to Government, with reference to paragraph 2 of their Order, dated 22nd May 1867, No. 1,156. In this Order the special attention of the Board was called to the requisition in the latter part of paragraph 5 of the Despatch from the Secretary of State for India, regarding the increase of the ordinary water-rate from Rupees 4 to Rupees 6. The Collector was accordingly directed to address the Board at the end of December last, and the first of the two letters above recorded contains the Collector's report, in which, after giving the results of the wet cultivation for Fuslies 1275, 1276, and 1277, the Collector pointed out that, owing to the anicut having breached in 1866, the ryots have not sufficient confidence in the stability of the supply of water, and accordingly recommended that the rates be again reduced to four rupees per acre, and be so continued for several years to come."

2. The letter above referred to was forwarded to the Consulting Engineer of the Company for his views, and the second letter recorded is his reply. In this letter, Captain Mullins attributes the relinquishments of lands, in Fusly 1277, to the discovery that they were unfit for wet cultivation; and states that, under the present limited operations of the Company, it is scarcely fair to expect that the extent of cultivation should increase, and that such fluctuations must be expected at the outset of any such operations. He finally deprecates any reduction as premature and ill-considered; but considering the novelty of the system of irrigation, and the ignorance of the ryots, he is prepared to recommend a graduated water-rate commencing from four rupees and progressing to six rupees by an annual addition of one rupee.

3. The Board agree with the Consulting Engineer that the period over which experience has yet extended is so limited as to render caution necessary in accepting the results as conclusive.

4. If, as the Collector thinks, relinquishments are to a considerable extent due to the distrust of the efficiency of the works to provide water, an alteration of Rs. 2 in the rate cannot be expected to exercise much influence in checking them.

5. The Board are not disposed to attach the same importance as Mr. Chase does, to the relinquishment of the 305 Acres. Much of this land may have proved unfit for wet cultivation, or, owing to the state of the market, the dry produce may have been more profitable.

6. The Board consider that it might, as Captain Mullins suggests, be good policy on the part of the Company to adopt a progressive rate of charge, the ryot retaining his present privilege of giving up irrigation at the close of any year. In a pecuniary point of view the Company are gainers by the present arrangement. The Company now get (1,080 × 6 =) 6,480 Rs., but the 1,385 Acres irrigated in Fusly 1276 would, at four rupees per acre, have yielded Rupees 5,540, the gain to the Company being Rupees 940, notwithstanding the decrease in the area irrigated.

7. With the above figures before them, the Company should themselves decide the adoption or rejection of Captain Mullins's proposal.

(A true Copy and Extract.)

Acting Secretary.

To the Acting Secretary to Government, R. D.,
with copy of Board's Procs., dated 9th May 1868, No. 3,445.

Copy to the Collector of Kurnool.
,, to the Consulting Engineer for the Irrigation and Canal Company.

Exd. J. Wright.

Dated 14th September 1868.

No. 6,544.

Submitting to Government with remarks correspondence relative to advisability or otherwise of reducing wet assessment charged for water received from Irrigation Company's Canal in Kurnool district from 6 to 4 Rupees per acre.

Per 1868. Department.

No. 3634.

PROCEEDINGS OF THE BOARD OF REVENUE,

No. 3,445.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 9th May 1868.

Read the following letter from T. A. N. CHASE, Esq., Collector of Kurnool, to the Secretary to the Board of Revenue, dated 16th December 1867, No. 376:—

1. I have the honour, in reply to the Proceedings of the Board of Revenue, No. 3,588, dated 11th June 1867, communicating Government Order, Revenue Department, No. 1,156, dated 22nd [illegible] the [illegible] 4 Rupees to 6 Rupees per acre for water received from the Madras Canal and Irrigation Company.

2. When, in Fusly 1275, the rate was 4 Rupees per acre, 739 Acres, and 58 Cents, assessed at Rupees 2,958-2-7, were cultivated.

3. In Fusly 1276, there was an increase in the cultivation, for Acres 1,385 and 21 Cents were cultivated under the channel, and the assessment was Rupees 8,910-1-5. In this was included penalties for the surreptitious use of water. The rate then was 6 Rupees, but the rate was raised to that sum after lands had been brought into cultivation, and the ryots, rather than lose their produce, continued the use of the water.

4. During the current Fusly 1277, when the ryots were aware before applying for water that the rate would be 6 Rupees per acre, there has been a falling off, and only Acres 1,080-85, the water assessment on which is Rupees 6,550-14-11 including double assessment for water taken without application, have been cultivated. This shows a decrease of Acres 305 below that of the previous Fusly, the water assessment for which would have been 1,820 Rupees.

5. I think the increase of the rate to 6 Rupees per acre was both an injudicious and premature step, for, the irrigation under the canal is in its infancy, and the ryots cultivate, at present, rather as an experiment, to discover whether wet cultivation will really pay better than dry [illegible] would suffer a like calamity this year. They, therefore, have not a sufficient confidence in the stability of the supply of water. This must be the growth of years, and after that confidence has been acquired, and the ryots now unaccustomed to cultivate wet lands have become used to it, then the Company might consider whether it would be advisable to raise the rates to 6 Rupees.

6. Last year the anicut breached, and of course the ryots could not be certain, but that it

7. For the present, I would strongly recommend that the rates be again reduced to 4 Rupees per acre, and so continued for several years to come.

Resolved that the foregoing letter be forwarded to Captain Mullins, who is requested to favour the Board with his views on the subject.

(A true Copy and Extract.)

(Signed) A. MACGREGOR,
Acting Secretary.

To Captain J. Mullins,
Consulting Engineer for Irrigation and Canal Company.

To the Board of Revenue.
,, the Public Works Department.
,, the Chief Engineer for Irrigation.

Enclosure to the Order of the Board of Revenue to the Collector of Kurnool dated 14 September 1868 No 6574.

1868. Department.

Rev. 3034/68.

No.

PROCEEDINGS OF THE BOARD OF REVENUE,

Dated 9th May 1868.

Received 1st March 1869 L 2 18.

No. 3,445.

Forwarding to Consulting Engineer for Irrigation and Canal Company for his views on the subject, letter from Collector of Kurnool recommending the reduction to former rate of 4 Rupees per acre for water supplied by the Company's works.

No. 8,779.

PROCEEDINGS OF THE BOARD OF REVENUE, dated 15th December 1868.

Read the following letters:—

From J. R. ARBUTHNOTT, Esq., Acting Collector of South Arcot, to the Acting Secretary to the Board of Revenue, dated Cuddalore, 12th November 1868, No. 262:—

I HAVE the honor to acknowledge the receipt of a copy of Board's Proceedings, dated 3rd instant. The subject of drawbacks therein discussed is one of considerable importance, and I have, therefore, thought it expedient to submit a brief report on the subject for the information of the Board.

2. I find on inquiry that the average monthly drawback, paid here on account of Piece-goods received at Pondicherry, amounts to about Rupees 2,300, and if we assume that the transactions are *bona fide*, we must estimate the annual consumption of land carried English Piece-goods in French territory at a value of about 4,00,000 Rupees.

3. The annual value of the exports by land of these goods from Pondicherry, as shown by our Custom-house Returns, is only 15,000 Rupees. My letter, No. 264, of the 11th instant will show that there is abundant room for fraud with respect to the importation of these goods from Pondicherry.

4. With regard to the drawback system the facilities for fraud are considerable, and the fact that such a quantity of goods are ostensibly conveyed by land, when the transport by sea would probably be much cheaper and easier, but where the duty can only be evaded by land, clearly leads to the inference that there must be some concealed reason for conduct which would otherwise seem unaccountable.

5. I myself am of opinion that the great bulk of the goods, on which drawback is paid, either remain in our own territory, or return to be sold in it without paying the legitimate duty. I do not see that French goods received in the Madras port, and reshipped direct for Pondicherry, would be liable to the payment of any duty; nor do I see why the Pondicherry merchants, whose transactions appear to be on so large a scale, should not import their Piece-goods direct from Europe.

6. The merchants at Pondicherry, who deal in Piece-goods, are chiefly natives, and I see nothing to prevent them from keeping a small stock of goods in hand for the purpose of being produced periodically before the Consular Agent, in order to obtain his signature to the drawback certificates which they would receive from Madras. So long as the goods sent corresponded with the entry in the certificate, I think there would be great difficulty in discovering or putting a stop to such a practice.

7. The most simple way of putting a stop to the evils of the drawback system would be to refuse to grant drawbacks on Piece-goods conveyed to Pondicherry by land. This course would, I am persuaded, entail no hardship on honest people, for they could easily obtain their supplies by sea.

8. As the question with regard to the best means of levying Duty on English goods, entering and leaving the French Settlement of Pondicherry, is of considerable importance, and as I consider the present system susceptible of amendment, I have thought it my duty to furnish these few remarks for the information of the Board.

From J. H. BLAIR, Esq., Collector of Sea Customs, to the Acting Secretary to the Board of Revenue, dated Madras, 19th November 1868, No. 1,228.

WITH reference to paragraph 4 of my letter to the Board, No. 1,159, of the 20th instant, I have the honor to send a full report on the same subject.

2. Drawback on goods reexported by land to Pondicherry was first allowed in 1859 on the requisition of the Governor of Pondicherry, for reasons given in the papers marginally quoted, and was confined to goods imported by *Mail Steamers* to Madras.

Board's Proceedings, No. 1,283, 12th April 1859.
To Board, No. 176, 13th April 1859.
From Board to Government, No 1,585, 4th May 1859.
Board's Proceedings, No 1,981, 31st May 1859.

3. In 1862, the same privilege was further extended to goods brought out by *sailing vessels.*

Board's Proceedings, No. 3,171, 16th May 1862.
Order of Government, ,, 1,228, 4th June ,,

The correspondence on the subject shows no special reasons why such further privilege was granted. The French Government did not apply for it; nor does it appear that the Chamber of Commerce was previously consulted on a point of considerable importance to the trade of Madras. The principal hardship originally complained of by the French Government, namely, that European goods for Pondicherry, brought out by the P. and O. Steamers, had to pay Duty at Madras, unless sent to Pondicherry by sea, could be obviated by their being imported in the Steamers of the Messageries Imperials, and the concession might, I think, have been withdrawn when their Steamers began running, as the chief cause of complaint had ceased.

Government Order, May 27th, 1859, No 713, paragraph 2.

4. The privilege was first granted in 1859 on the understanding "it was to be done without danger to the revenue." On this point, I beg to state that, in March 1864, I began to suspect that a considerable portion of the goods, reexported to Pondicherry under Drawback Rules, was smuggled again into British Territory, as the large quantities sent to Pondicherry could not possibly have been consumed in the French Settlements. Since that time, I have been in constant correspondence with the Collector of South Arcot and the Board on the subject.

Letter to Collector of South Arcot, 9th March 1864, No 270.
Do. do. 14th May 1864
From Do. do. 16th ,,
Board's Proceedings, No. 535, 24th January 1867.
Do. ,, 2,359, 13th April ,,
Do. ,, 3,414, 4th June ,,
Do. ,, 251, 14th January 1868.
Do. ,, 312, 16th ,, ,,
Do. ,, 2,377, 31st March ,, ,,

5. The result was, that on one or two occasions of such correspondence, there was a marvellously sudden and great decrease in the number and value of applications for Drawback. As soon, however, as it was discovered that no alterations or changes were made in the rules or system, the trade sprang up again.

6. During 1867-68 the letters were more frequent, and one of the Members of the Board of Revenue made a thorough searching personal inquiry into the whole system at Cuddalore and on the frontier. The result was that the Drawback paid in 1867-68 amounted to only Rs. 18,368-2-8, a good deal less than had been paid in the two previous years. The amount paid from April to October 15, 1868, six-and-a-half months, has again risen to Rupees 15,981-9-2. The reason is, I consider, because the system has not been altered in consequence of all the inquiries and correspondence.

	Rs.	A.	P.
1865-66	24,510	8	9
1866-67	31,183	1	8

* Vide Enclosure A.

† Drawback thereon Rupees 640-8-2.

‡ Sent herewith.

7. On the 16th October last Messrs. Yagambera Chetty & Co. obtained a Drawback* Certificate for twenty-eight cases† yellow metal sheets to be reexported by land to Pondicherry. The "Notice" on the back of the Certificate‡ shows the precautions which should be taken to ensure the actual arrival of the goods at Pondicherry.

8. On the 16th October, the day the Drawback Certificate was granted, information was given to me that the twenty-eight cases yellow metal sheets were being broken up by Yagambera Chetty & Co., at their godowns in Thumbo Chetty Street, and the contents being stowed in a godown, that the metal would be sold in the Madras market, and not one pound of it ever be sent to Pondicherry at all. The Certificate would, however, be sent to the frontier, the signature of the Ameen at the Chowkey procured by a bribe, and the countersignature of the British Consul at Pondicherry, by some fraudulent means, after which the amount (Rupees 640-8-2) would be drawn from the South Arcot Treasury at Cuddalore, and the fraud on Government completed.

9. My informant further stated that a regular trade in this description of smuggling was carried on by Yagambera Chetty & Co., and that if I made proper arrangements, the fraud would be detected. A detective was immediately sent to see if the cases were being broken up, who reported on his return, he had seen some cases broken, and the contents taken into the godown, and some unbroken outside in the street: unfortunately the informer also spoke to one or two officers in the Custom-house, and I am afraid suspicion was roused by too many questions being asked, and too open a watch being kept.

10. The following day the informer was most anxious that the goods should be seized, but this I declined doing, and after considering the matter fully I wrote demi-officially* to the British Consul at Pondicherry, informing him of what had occurred, and requesting him personally to examine carefully any cases [illegible] cherry, when the certificate was presented for countersignature, if indeed any cases were brought at all, which I told him would probably not be done on this occasion.

* Dated 17th October 1868.
Vide Enclosure B.

11. Mr. Norfor's reply† to my letter is enclosed. There is little doubt, from its general tenor, that advantage has been taken of the lax system under which Mr. Norfor's countersignature has been so easily obtained. My belief is that the Government Ameen was bribed on every occasion on which Mr. Norfor did not see the cases, and it is likely enough that on many occasions, when the cases have been inspected, that they contained sand or straw, instead of metal, Piece-goods, and twist, as they were never opened.

† Vide Enclosure C.

12. On the 19th I consulted the Government Solicitor, not having been able to see him on the 16th or 17th, and frequently during the following week, took advice from him as to the best mode of detecting the smugglers.

13. Late on Saturday, the 24th October, Thaperoomal (Yagambera Chetty's Agent,) called at the Custom-house, and asked the Accountant (who keeps the Drawback Accounts, and happened to have remained) to get the Certificate cancelled, as the goods were not to be sent to Pondicherry. He was told to call on Monday for the Collector's orders, but did not come. As his request showed that the smugglers had become aware of their dangerous position, on the advice of the Government Solicitor a search was made in Yagambera Chetty's godowns by Mr Fox, the Custom-house Manager, to discover whether any of the broken cases could be found. No pieces were discovered with marks or numbers, but the Clerks admitted that the cases had been broken up. On the following day October 27, Thaperoomal made a statement at the Custom-house that orders had been received from Pondicherry on the 19th not to send the goods, and that the *next day** he had come to the Custom-house, and applied to have the Certificate cancelled; he also produced a letter† from Pondicherry, dated 19th, ordering the goods not to be sent. The truth is, the letter was received on the 20th and Thaperoomall was afraid to come to ask for the cancelment of the Certificate, as no such application had ever been made, since the institution of the system of Land Drawback.

* This is false; he never came till 24.
† Translation sent—Vide Enclosure D.

14. On the 29th I received from the Government Solicitor the case‡ submitted by him to the Advocate General on the 22nd (before I knew that the parties wished to have the Certificate cancelled) with the Advocate General's Opinion thereon.

‡ Vide Enclosure E.

15. The opinion shows clearly that the law as regards Land Drawback is at present wholely inefficient to prevent or punish smuggling, unless the smugglers attempt to obtain the counter-signature of the British Consul, or receive the money afterwards; even then the goods are not liable to confiscation, nor do the provisions of Section 143 of the Custom's Act regarding Drawback apply. Smugglers could only be punished under the general provisions of the Act.

16. There is not the slightest doubt that in this case it was only the unfortunate discovery by the smugglers that the Custom-house Officers had information of their proceedings, which prevented their carrying out the usual practice, and fraudulently receiving the Drawback of Rupees 640-8-2

17. I have since discovered that *bona fide* exporters are in the habit of sending off their goods the day they apply for a certificate, and send the certificate afterwards by post to meet the goods at the frontier.

18. The statement in paragraph 6 is strong evidence that smuggling to a large extent must go on, or why is there such a large decrease in the year when inquiries are being made?

19. As one of the Members of the Board has fully inquired into the whole system of Drawback, I have simply reported what has been discovered on the present occasion, and trust my Report, the papers sent therewith, the previous correspondence, and the Advocate General's opinion, will enable the Board to organise a system by which such practices may be put a stop to in future, and the r[illegible] detected.

ENCLOSURE No. 1—A.—Certificate.

ENCLOSURE No. 2.—B.

From J. H. BLAIR, Esq., Collector of Sea Customs, to B. T. NORFOR, Esq., British Consul, Pondicherry.

I BEG to inform you that an organised system of robbery and smuggling is going on *here* through the agency of the Land Drawback system, and will be, in fact is, now being carried out with regard to the goods noted below:—

No.	Date.	Name.	Date of Bill.	No. of Cases.	Quality.	Quantity or Weight.	Value.	Rate	Duty	Drawback.
							RS. A. P.			RS. A. P.
234	Oct. 10th	Yagambera Chetty.	206 Oct. 12th	28 cases. Marks P Y C S. No. 1 to 28	Yellow metal.	Cwt. 232	9,760 2 0	7½	732	640 8 0

2. The goods never leave Madras, but are sold here, and the Drawback Certificate is (I am informed) presented for your signature when the goods are said to have arrived. Of course, I know that you sign these Certificates believing the goods to be in Pondicherry, but in fact they are sold in Madras. Your signature is obtained by some fraud, the Chowkie Officer bribed, and Government cheated out of the duty.

3. I am relating facts, not surmises, and here is a good chance of detecting the smugglers. Mr. Shaw, my Appraiser, discovered these proceedings, but without your assistance, which however I have no doubt you will give, it is difficult to convict the Smugglers.

4. The course I beg you will be good enough to pursue is that, on presentation for signature of the Drawback Bill, for the goods described on first page of this letter, you will ask to *sell* them *yourself*, the Bill will probably be presented in six, nine, or twelve days, but the goods are here, and are being watched, and will as usual remain here.

5. The presenter of the bill will naturally be unable to show the goods, perhaps some others may be shown, but the marks and numbers, contents, weight, etc., will soon prove they are not the ones for which Drawback has been granted.

6. On discovery, pray telegraph result to me ambiguously, say "Plan succeeded admirably, crops will be heavy." I will then immediately take action here, and hope to confiscate all the goods, 9,000 odd Rupees worth, and get the smugglers heavily fined as well.

7. You might also carry out the same system, personal examination for other Certificates afterwards, but let the *big one* be the first.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

ENCLOSURE No. 3.—C.

From B. T. NORFOR, Esq., Consular Agent, to the Collector of Sea Customs, Madras, dated 20th October 1868.

1. Yours of the 18th came *quite safe* to hand, and I shall certainly do all I can to assist you in the matter.

2. I must, however, put you right on one point, which is that the "goods," as a rule, are brought to this Office. But they are not moved from the carts, but we merely count so many "Bales" or "Cases," because the Drawback Bill bears the signature of the "Ameen," to say he has already seen them at "Moorthandy Choultry," so that in some measure we trust to him.

3. It also happens, when I am out, the Writer passes the carts, and sometimes [illegible] to come, and are reprimanded, and on several occasions, I have written to the "Ameen" to say that if he does not order the carts to come to my Office, I will not sign the bills. I have, however, never carried out my threat, because of the "Ameen's" signature on the bill, and in whose honesty the *Collector* seemed to have every confidence. I cannot say, having myself been many years in the Sea Customs "Cuddalore" and "Porto Novo," that I altogether participated in his opinion.

4. Your statement now under notice leaves no doubt on my mind but that there is something wrong.

5. I shall do as you direct, but I do not feel sure these "goods" remain in Madras; may they not be destined for Combaconum? A large quantity of Copper (old) is imported here from Mauritius, and it all goes on to Combaconum; so do not be surprised if it really leaves Madras.

6. In the absence of my Writer at his tiffin, I have made an hurried extract of the quantity of yellow metal passed in here since 1st January 1868; taken in hurry it may not be quite correct; but I can hardly think they consume so much in this place. Besides this, I noticed some consignments, sheet copper.

7. You would do well not to mention this affair to *any one*, for if it gets round to the Ameen or Police Inspector by any means, they might make the seizure; but for all useful purposes there the matter would end.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

Yellow Metal imported by land, since 1st January 1868.

				RS.
January	27,	Cases 5,	Value	4,133
March	3,	,, 1 ,,	... ...	343
Do.	21,	,, 23 ,,	... ...	6,567
April	16,	,, 1 ,,	... ...	328
Do.	20,	,, 22 ,,	... ...	4,672
May	1,	,, 1 ,,	... ...	204
Do.	15,	,, 1 ,,	... ...	212
June	11,	,, 2 ,,	... ...	421
July	8,	,, 2 ,,	... ...	415
Do.	15,	,, 27 ,,	... ...	7,273
Do.	23,	,, 1 ,,	... ...	236
August	1,	,, 6 ,,	... ...	1,793
Do.	29,	,, 13 ,,	... ...	2,781
October	5,	,, 2 ,,	... ...	465
		117		29,843

ENCLOSURE No. 4.—D.

I, A. Vythealinga Chetty, am all right by the blessings of M. R. R., S. Vencatasawmy Naiker. I hope you will let me know your welfare. You would have learnt every thing from a letter of the 4th instant, in which is enclosed a Hoondee for Rupees 2,000 on the name of Thoopaudi Vencataroya Chetty and Kakamana Soobroya Chetty. As a large quantity of brass,* to the extent of 150 Baurums, is imported here from the Mauritius, I don't want you to send any quantity of brass sheets here in future, as they sell very cheap. You will, therefore, try to sell them at Madras only, as the price there is pretty high. You will let me know if money or equivalent has been sent to them forwarded to Nava Canagasaba Chettiar. You will inquire and tell me the details of the [illegible] enable the sale of Long Cloth. I hear they sell from Rupees 7 to 14 a piece. Herein is enclosed a Hoondee for Rupees 2,674-4-11 on Messrs. Lecot & Co. On receipt you will credit to my account, as I hear that a Hoondee for 4,000 Rupees has been sent to Soobroya Mudaly by Annuntha Thandavaroya Mudaly who is here. I request you will let me know if the former has received it, and is still carrying on with his merchandise. I hear that black Pepper is bought at 17½ and sold at 19¾, some portion of which I am told is supplied to bazaarmen here. Let me know the details of this, and for other things write to me.

*Refers to Yellow Metal.—J H B.

Vebava Year, Arpese Month, 6th date, corresponding 20th October 1868.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

ENCLOSURE No. 5.—E.

From H. J. BROCKMAN, Esq., Government Solicitor, Madras, to the Collector of Sea Customs, dated Madras, 28th October 1868, No. 618.

WITH reference to the several interviews I have had with you, and to your several demi-official communications to my address on the subject of frauds on the part of importers of goods, in obtaining Drawback of Customs Duty thereon, on the ground of their reexportation to a Foreign Territory, and in not so reexporting them, I have now the honor to send you a copy of the Case, which I have submitted to the Advocate General on the matter, and of his opinion thereon.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

(CASE.)

HEREWITH are submitted the following papers:—

1. Blank form of Certificate for Drawback of Customs Duty, issued by the Collector of Sea Customs, to importers of goods, who reexport goods to Pondicherry by land.

2. Demi-official letter from the Collector of Sea Customs to the Government Solicitor, dated 19th October 1868.

3. Book containing correspondence and Orders of Government and Proceedings of the Board of Revenue, relating to the introduction of the system of allowance of Drawback of Duty on reexportation of goods to Pondicherry by land, enclosed in letter No. 2.

4. Draft copy of a letter from the Collector of Sea Customs to the British Consul at Pondi- [illegible] may be known, but the 18th October 1868.

5. Answer of the British Consul, dated 20th October 1868.

The Advocate General's attention is requested to Section 143 of the Sea Customs Act VI. of 1863, which, it will be seen, contemplates an allowance of Drawback on goods reexported to any Foreign Port. The rules of the Customs Office passed under Section 4 of the Act (to which attention is also requested) provide for the mode and conditions in and upon which the Drawback is allowed on goods reexported *by land* to Pondicherry.

The letter No. 4 above referred to points out fully how these rules are set at nought in many instances, and a fraud created upon the revenue to a very large amount, which is increasing every year.

I. In a case where an importer of goods at Madras has applied for, and obtained a Certificate for Drawback of Duty, in the Form No. 1 above referred to, and keeps the goods in Madras, and obtains the amount of Drawback, the Advocate General is requested to advise—

(1.) Whether the goods, in respect of which the Drawback Certificate is granted can be confiscated.

(2.) Whether the person, to whom such Certificate is granted, or any other persons, and if any other, what persons can be prosecuted, and if they can be, then under what Act or Acts.

II. In a case like the above, where the Collector has received intimation that the goods for which the Certificate has been granted, remain in Madras, that the cases which contained them have been broken up, and that other acts have been done indicating an intention on the part of the person, to whom the Drawback Certificate has been granted, to dispose of the goods in British Territory and not to reexport them to Foreign Territory, the Advocate General will be pleased to advise—

(1.) Whether the goods can be confiscated before the Drawback has actually been paid by the Treasury Officer at Cuddalore.

(2.) Whether the person obtaining the Certificate for Drawback can be prosecuted under any, and if any, under what Act or Acts. And generally to advise the Collector of Sea Customs as to the steps which he, on behalf of the Government, should take to prevent the recurrence of frauds upon the revenue of the kind abovementioned, and to punish the offenders in instances which have already come to his knowledge, under the two classes above stated.

22nd October 1868.

OPINION.

I THINK the goods are not liable to confiscation. I do not think any of the Sections relating to "Drawback" in Act VI. of 1863 apply to the circumstances of this case. They are all [illegible] by Section 137 which relates in express terms to reexport by *sea*. Here the goods are declared for reexportation by *land*, under the rules made by the Government for sanctioning remission of Duty on goods reexported *by land* to Pondicherry, under Section 19 of the Act.

2. If the Drawback Sections were applicable to this case, I do not think confiscation would be legal *before* the Drawback had been actually paid.

3. I advise that the plan suggested by the Collector of Sea Custom to the British Consul be carried out. Of course no Drawback will be paid in this case.

4. I consider that the present is a *Casus Omissus* in the Act; had the words of Section 137 been "upon the reexport by sea *or land*" the whole of the Drawback Sections would have applied to the present circumstances; but I do not think that mere action under Section 19 can import into reexport by land, Sections expressly confined to reexport by sea.

5. I think that the party who is now concealing the goods here upon receipt of telegram from the British Consul that an application has been made for his endorsement, will be liable to prosecution under Section 194.

6. Mr. Norfor ought to search the packages which are brought before him to represent the goods, and make a careful note at the time, with the view of refreshing his memory, if his evidence is required.

7. I think also that the party signing the application on which the Collector of Sea Custom issued his Certificate, is liable to prosecution under Section 216 of the Sea Customs Act.

8. I further think that he is liable to be convicted of cheating under Sections 415 and 417 of the Indian Penal Code. But I do not think both proceedings should be taken against him. If he is prosecuted under the Customs Act, probably he will be fined 2,000 Rupees. If under the Penal Code, he may be fined or imprisoned for a year or both.

9. It becomes a question whether the concession made to the French Government should be continued. In one view, the loss to the revenue appears to me to have been occasioned by the fraud of the British Government Ameen, and the laxity of the British Consul, who according to the Certificate, was in every instance bound to see the goods. Sometimes, as I gather from his letter, relying on the Ameen, whom however he does not seem to have a very high opinion of, he endorsed the Certificates, on seeing the Ameen's signature, without the goods being produced, and it is to be surmised that in other instances, cases full of stones or other materials must have been made to do Duty for the "goods" which ought to have been inspected, at least so far as to identify them.

10. But independently of any fraud or laxity, the concession appears to me to have led to a very considerable loss to the revenues. When once the goods have reached Pondicherry, it [illegible] very difficult, if not impossible, to trace them. The quantity reexported to Pondicherry appears *prima facie* to be out of all proportion to the local necessities of the place, whence it is to be inferred that much of it leaves Pondicherry, and is sold in British Territory.

11. Reexport by sea might place a check on this reexport, but this is a matter not of a legal nature, on which I should not have touched, if I had not been requested to write generally on the case.

(Signed) JOHN BRUCE NORTON,
Advocate General.

23rd October 1868.

(True Copy.)

(Signed) H. J. BROCKMAN,
Government Solicitor.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

From J. H. BLAIR, Esq., Collector of Sea Customs, to the Acting Secretary to the Board of Revenue, dated Madras, 26th November 1868, No. 1,241.

In reference to your domi-official letter of the 24th, I have the honor to forward telegram just received from Calcutta in answer to my telegram:—

"Is Drawback allowed at Calcutta on goods reexported by land or inland water carriage to "Chandernagore, and if so, under what rules."

2. In continuation of my letter, No. 1,228, of the 19th instant, paragraph 6, I beg to state that Messrs. Yagambera Chetty & Co., have received, since August 1862, Rupees 21,063 for Drawback on goods alleged to have been sent by land to Pondicherry.

ENCLOSURE No. 1.

Telegram from Collector Sea Customs, Calcutta, to Collector Sea Customs, Madras, dated 25th November 1868.

No Drawback is allowed on goods sent from this port to Chandernagore.

FROM the above letters from the Collector of Sea Customs it appears that on the 16th October 1868, the Native Firm of Yagambera Chetty & Co., of Madras, obtained the usual Drawback Certificate for twenty-eight cases of yellow metal to be reexported by land to Pondicherry. On the same day the Collector obtained information that the packages were being broken up and the metal [illegible] transferred to the godowns with a view to sale in Madras. These facts were verified by an officer of the Customs-house. The cases of goods for which a Drawback Certificate had been taken out, had been or were in the course of being broken up and the goods transferred to the godowns of Yagambera Chetty & Co

2. On the 24th idem, application was made by Yagambera Chetty & Co. to cancel the Drawback Certificate, and a letter received from Pondicherry on the 20th, countermanding the transmission was produced. It was found on examination of the premises that no trace even of the cases existed.

3. The facts leave no doubt of the fraudulent intention of the parties; but unfortunately they had been warned through the want of due precaution on the part of the informer.

4. The Board observe that this one firm has received upwards of 21,000 Rupees Drawback Duty on goods alleged to have been reexported to Pondicherry since 1862.

5. The Law Officer of Government has now given an opinion that as the law stands, parties committing frauds of this description cannot be prosecuted, save under the Penal Code, and further that the provisions of the Customs Act VI. of 1863 do not apply to reexports by *land*; that the matter is a *casus omissus* which mere action of Government under Section 19 fails to bring within the protection of the Law.

6. It becomes, therefore, a question to consider whether the system of [illegible] Board goods exported by land to Pondicherry shall be continued, and it is necessary therefore to refer to the circumstances under which it was initiated.

7. In 1859 the Governor of the French Settlements in India represented that the European inhabitants of Pondicherry frequently received various goods intended for that place by the P. and O. Steamers, and that these goods when sent thither from Madras by land received no remissions of the original Import Duty levied on their importation into Madras. Whereas if they were sent thither by sea, seven-eighths of that Duty were refunded. His Excellency requested that the latter principle might be applied also to goods sent by land.

Extract Minutes of Consultation, 7th April 1859, Revenue Department, No. 482.

8. The Board pointed out that "as the law then stood Drawback could not be granted on "reexports by land, but that payment of Duty "might be specially remitted under Section 17 "of Act VI. of 1844," and in this restricted sense it was complied with under certain precautions to guard the Customs revenue.

4th May 1859, No. 8,585.
Government Order, 27th May 1859, Revenue Department, No. 713.

In 1862 at the instance of the Collector of Sea Customs, Mr. Shubrick, and on the recommendation of the Board of Revenue, [illegible] sion was extended by Government to goods brought out by all vessels, under the same precautions, Government remarking that they accepted Mr. Shubrick's recommendation "as evidence "that the previous concession has not been abused."

Government Order, 4th June 1862, Revenue Department, No. 1,223.

Under the operation of these Orders, Drawback on goods reexported by land to Pondicherry has ever since obtained. The privilege is not sanctioned by law, is not stipulated for by any Treaty engagement, and was sought and conceded as an act of grace.

The procedure adopted has been for parties wishing to reexport goods to apply to the Collector of Sea Customs at Madras, who furnished them with a Certificate showing—

(1.) The "number and nature of packages."
(2.) The "sorts of goods."
(3.) Their quantity and value.
(4.) The Duty paid, the one-eighth reserved and the seven-eighth payable as Drawback by the Collector of South Arcot.

On the back of the Certificate is printed a Notice, setting forth that the goods would only be allowed to pass the frontier at Mortandy Choukey, that the Certificate must be shown to the Customs Officer there, and his endorsement obtained, that the goods would be liable to examination [illegible] there, and lastly that the Certificate *with the goods* must afterwards be taken to the British Agent at Pondicherry Town, Mr. Norfor, "*without* whose endorsement, *certifying to their arrival there*" the Drawback would not be paid.

9. It is manifest that the security of the revenue depends entirely on the fidelity and vigilance with which these Officers performed their several parts, and in the nature of things no other really effective security is attainable.

10. For some time past, it has been strongly suspected that frauds were being perpetrated, and that Drawback was being obtained on goods which never entered the French territory, or entered it

only for the purpose of being smuggled back into British territory. The quantity of Piece-goods thus reexported was in particular excessively large, and various other suspicious circumstances occurred. The Collector's attention was repeatedly and urgently drawn to the subject, but without any practical result.

11. The case of attempted fraud now brought to notice by the Collector of Sea Customs shows beyond question that the suspicions entertained by him and the Board have unfortunately been too well founded.

12. The details of the case handed up by Mr. Blair are given at length in paragraphs 1 and 2 above.

Very considered Norfor's letter to Mr. Blair of the 20th October last shows that the chief check relied [illegible] exercised by him in such a perfunctory manner as to be nugatory. He admits that none of the cases brought to him were ever opened; that in his absence his Writer passes the carts; and that "sometimes they neglect to come, and are reprimanded." Mr Norfor adds that on several occasions he wrote to the Ameen at Mortandy to say that if he did not send the carts to him he would not sign the bills, but he never carried out the threat, so that in fact Mr. Norfor not only passed goods without satisfying himself that they were in the cases, but even certified that goods had been brought to him, which in fact had not been brought to him, and for all he knew to the contrary were not even in Pondicherry.

14. And Mr. Norfor's plea of reliance on the Mortandy Ameen is untenable, for though the Collector, Mr. Reade, had, as he believes, every confidence in that official's integrity "he himself did not share in his opinion."

15. It is extraordinary that notwithstanding the frequent representations of the Collector of Sea Customs on the subject, Mr. Reade's local investigations were so superficial that the lax manner in which Mr. Norfor performed the duty entrusted to him never came to his knowledge.

16. It is simply incredible that the quantity of goods of various kinds reexported to Pondicherry of late years by land could really have gone thither. It is, of course, hopeless to expect proof of such frauds; but the simple fact that during the last five years there does not seem to have been a single detection, speaks volumes. Mr. Norfor's laxity must have been notorious, and have encouraged attempt.

17. There is nothing to show how the Ameens at Mortandy discharged their duties; but it does not appear that they ever examined any of the cases which they passed, or that they reported to the Collector the instances in which Mr. Norfor complained that the carts were not brought to his Office at Pondicherry. The Board understand that the present holder of the office is only acting. The Board wish to know his antecedents, and what appointments he previously held. They request the same particulars of the permanent incumbent.

18. The Board are of opinion that the facts elicited show that the drawback system cannot be continued without a danger to the revenue which the requirements of international courtesy and obligations do not warrant.

19. The fact that an Overland Mail service direct to Pondicherry has been recently established disposes, in a great measure, of the cause originally assigned for the concession. Piers too have been erected at both ports since 1859, and there can be no doubt that in the great majority of cases *bona fide* reexporters to Pondicherry of goods landed in Madras will adopt water carriage in preference to land, especially as it is prescribed that the goods must be exported in the same cases in which they were imported.

20. The Board have ascertained that no similar indulgence obtains in respect to Chandernagore. They advocate the abolition of Drawback on goods reexported to Pondicherry by land.

21. The Board have under consideration a report on the subject of Land Custom Administration drawn up by the Acting Third Member, but as this embraces the question of goods exported by land from Pondicherry to Karikal, and of a complete set of rules for the guidance of Officers and legal changes, it will be disposed of separately.

(True Copies and Extract.)

Acting Secretary.

To the Secretary to Government, Revenue Department,
with an Enclosure.

Copy to the Collector of Sea Customs, Madras.
,, to the Collector of South Arcot.

Exd. F. R. Bantleman.

Proceedings of the Madras Government, Revenue Department, 1st March 1869.

No. 7. Read the following Proceedings of the Board of Revenue, dated 15th December 1868, No. 8,779:—

Read the following letters.

From the Acting Collector of South Arcot, to the Acting Secretary to the Board of Revenue, dated Cuddalore, 12th November 1868, No. 262.

1. I have the honor to acknowledge the receipt of a copy of Board's Proceedings, dated 3rd instant. The subject of Drawbacks therein discussed is one of considerable importance, and I have, therefore, thought it expedient to submit a brief report on the subject for the information of the Board.

2. I find on inquiry, that the average monthly Drawback, paid here on account of English Piece-goods received at Pondicherry, amounts to about Rupees 2,300, and if we assume that the transactions are *bona fide*, we must estimate the annual consumption of land carried English Piece-goods in French Territory at a value of [illegible] Rupees.

3. The annual value of the exports by land of these goods from Pondicherry, as shewn by our Custom-house Returns, is only 15,000 Rupees. My letter, No. 264, of the 11th instant, will shew that there is abundant room for fraud with respect to the importation of these goods from Pondicherry.

4. With regard to the Drawback system, the facilities for fraud are considerable, and the fact that such a quantity of goods are ostensibly conveyed by land, when the transport by sea would probably be much cheaper and easier, but where the duty can only be evaded by land, clearly leads to the inference that there must be some concealed reason for conduct which would otherwise seem unaccountable.

5. I myself am of opinion, that the great bulk of the goods, on which Drawback is paid, either remain in our own territory, or return to be sold in it without paying the legitimate duty. I do not see that French goods received in the Madras port, and re-shipped direct for Pondicherry, would be liable to the payment of any duty; nor do I see why the Pondicherry merchants, whose transactions appear to be on so large a scale, should not import their Piece-goods direct from Europe.

6. The merchants at Pondicherry, who deal in Piece-goods, are chiefly natives, and I see nothing to prevent them from keeping a small stock of goods in hand for the purpose of being produced periodically before the Consular Agent, in order to obtain his signature to the Drawback certificates which they would receive from Madras. So long as the goods sent, corresponded with the entry in the certificate, I think there would be great difficulty in discovering or putting a stop to such a practice.

7. The most simple way of putting a stop to the evils of the Drawback system would be, to refuse to grant Drawbacks on Piece-goods conveyed to Pondicherry by land. This course would, I am persuaded, entail no hardship on honest people, for they could easily obtain their supplies by sea.

8. As the question with regard to the best means of levying duty on English goods, entering and leaving the French settlement of Pondicherry, is of considerable importance, and as I consider the present system susceptible of amendment, I have thought it my duty to furnish these few remarks for the information of the Board.

From the Collector of Sea Customs, to the Acting Secretary to the Board of Revenue, dated Madras, 19th November 1868, No. 1,228.

1. With reference to paragraph 4 of my letter to the Board, No. 1,159, of the 29th ultimo, I have the honor to send a full report on the same subject.

2. Drawback on goods re-exported by land to Pondicherry was first allowed in 1859, on the requisition of the Governor of Pondicherry, for reasons given in the papers marginally quoted, and was confined to goods imported by *Mail Steamers* to Madras.

Board's Proceedings, No. 1,288, 12th April 1859.
To Board No. 176 14th April 1,859.
From Board to Government, No. 1,585, 4th May 1859.
Board's Proceedings, No 1,981, 31st May 1859.

3. In 1862, the same privilege was further extended to goods brought out by *sailing vessels*. The correspondence on the subject shews no special reasons why such further privilege was granted. The French Government did not apply for it; nor does it appear that the Chamber of Commerce was previously consulted on a point of considerable importance to the trade of Madras. The principal hardship originally complained of by the French Government, namely, that European goods for Pondicherry, brought out by the P. and O. Steamers, had to pay duty at Madras, unless sent to Pondicherry by sea, could be obviated by their being imported in the Steamers of the Messageries Imperials, and the concession might, I think, have been withdrawn when their Steamers began running, as the chief cause of complaint had been removed.

Board's Proceedings, No. 3,171, 16th May 1862.
Order of Government, ,, 1,228, 4th June ,,

4. The privilege was first granted in 1859, on the understanding "it was to be done without danger to the revenue." On this point, I beg to state that, in March 1864, I began to suspect that a considerable portion of the goods, re-exported to Pondicherry under Drawback Rules, was smuggled again into British Territory, as the large quantities sent to Pondicherry could not possibly have been consumed in the French Settlements. Since that time, I have been in constant correspondence with the Collector of South Arcot and the Board on the subject.

Government Order, May 27th, 1859, No. 713, paragraph 2.

Letter to Collector of South Arcot, 9th March 1864, No. 270.
Do. do. 14th May 1864.
From Do. do. 16th ,, ,,
Board's Proceedings, No. 535, 21th January 1867.
Board's Proceeding's No. 2,359, 13th April 1867.
Do. ,, 3,414, 4th June ,,
Do. ,, 251, 11th Jan. 1868.
Do. ,, 312, 16th ,, ,,
Do. ,, 2,377, 31st March ,,

5. The result was, that on one or two occasions of such correspondence, there was a marvellously sudden and great decrease in the number and value of applications for Drawback. As soon, however, as it was discovered that no alterations or changes were made in the rules or system, the trade sprang up again.

6. During 1867-68 the letters were more frequent, and one of the Members of the Board of Revenue made a thorough searching personal inquiry into the whole system at Cuddalore and on the frontier. The result was, that the Drawback paid

Proceedings of the Madras Government, Revenue Department, 1st March 1869.

in 1867-68 amounted to only Rupees 18,368-2-8, a good deal less than had been paid in the two previous years. The amount paid from April to October 15, 1868, six and a half months, has again risen to Rupees 15,981-9-2. The reason is, I consider, because the system has not been altered in consequence of all the enquiries and correspondence.

	Rs.	A.	P.
1865-66	24,510	8	9
1866-67	31,183	1	8

7. On the 16th October last, Messrs. Yagambera Chetty & Co. obtained a Drawback* certificate for twenty-eight cases† yellow metal sheets to be re-exported by land to Pondicherry. The "Notice" on the back of the certificate‡ shews the precautions which should be taken to ensure the actual arrival of the goods at Pondicherry.

* Vide Enclosure A.

† Drawback thereon Rupees 640-8-2.

‡ Sent herewith.

8. On the 16th October, the day the Drawback certificate was granted, information was given to me that the twenty-eight cases yellow metal sheets were being broken up by Yagambera Chetty & Co., at their godowns in Thumbo Chetty Street, and the contents being stowed in a godown, that the metal would be sold in the Madras market, and not one pound of it ever be sent to Pondicherry at all. The certificate would, however, be sent to the frontier, the signature of the Ameen at the Chowkey procured by a bribe, and the countersignature of the British Consul at Pondicherry, by some fraudulent means, after which the amount (Rupees 640-8-2) would be drawn from the South Arcot Treasury at Cuddalore, and the fraud on Government completed.

9. My informant, further stated, that a regular trade in this description of smuggling was carried on by Yagambera Chetty, & Co., and that if I made proper arrangements, the fraud would be detected. A detective was immediately sent to see if the cases were being broken up, who reported on his return, he had seen some cases broken, and the contents taken into the godown, and some unbroken outside in the street: unfortunately the informer also spoke to one or two Officers in the Custom-house, and I am afraid suspicion was roused by too many questions being asked, and too open a watch being kept.

10. The following day the informer was most anxious that the goods should be seized, but this I declined doing, and after considering the matter fully, I wrote demi-officially§ to the British Consul at Pondicherry, informing him of what had occurred, and requesting him personally to examine carefully any cases brought to Pondicherry, when the certificate was presented for countersignature, if indeed any cases were brought at all, which I told him would probably not be done on this occasion.

§ Dated 17th October 1868. *Vide* Enclosure B.

11. Mr. Norfor's reply‖ to my letter is enclosed. There is little doubt, from its general tenor, that advantage has been taken of the lax system under which Mr. Norfor's countersignature has been so easily obtained. My belief is that the Government Ameen was bribed on every occasion on which Mr. Norfor did not see the cases, and it is likely enough that on many occasions, when the cases have been

‖ *Vide* Enclosure C.

inspected, that they contained, sand or straw, instead of metal, Piece goods, and twist, as they were never opened.

12. On the 19th, I consulted the Government Solicitor, not having been able to see him on the 16th or 17th, and frequently during the following week, took advice from him as to the best mode of detecting the smugglers.

13. Late on Saturday, the 24th October, Thaperoomal (Yagambera Chetty's Agent,) called at the Custom-house, and asked the Accountant (who keeps the Drawback Accounts, and happened to have remained) to get the certificate cancelled, as the goods were not to be sent to Pondicherry. He was told to call on Monday for the Collector's orders, but did not come. As his request shewed that the smugglers had become aware of their dangerous position, on the advice of the Government Solicitor a search was made in Yagambera Chetty's godown by Mr. Fox, the Custom-house Manager, to discover whether any of the broken cases could be found. No pieces were discovered with marks or numbers, but the Clerks admitted that the cases had been broken up. On the following day, October 27, Thaperoomal made a statement at the Custom-house, that orders had been received from Pondicherry on the 19th not to send the goods, and that the *next day** he had come to the Custom-house, and applied to have the certificate cancelled; he also produced a letter† from Pondicherry, dated 19th, ordering the goods not to be sent. The truth is, the letter was received on the 20th, and Thaperoomall was afraid to come to ask for the cancelment of the certificate, as no such application had ever been made, since the institution of the system of Land Drawback.

* This is false; he never came till 24.
† Translation sent—*Vide* Enclosure D.

14. On the 29th I received from the Government Solicitor the case‡ submitted by him to the Advocate General on the 22nd (before I knew that the parties wished to have the certificate cancelled) with the Advocate General's opinion thereon.

‡ *Vide* Enclosure E.

15. The opinion shews clearly, that the law as regards Land Drawback is at present wholely inefficient to prevent or punish smuggling, unless the smugglers attempt to obtain the countersignature of the British Consul, or received the money afterwards; even then, the goods are not liable to confiscation, nor do the provisions of Section 143 of the Custom's Act regarding Drawback apply. Smugglers could only be punished under the general provisions of the Act.

16. There is not the slightest doubt that in this case it was only the unfortunate discovery by the smugglers that the Custom-house Officers had information of their proceedings, which prevented their carrying out the usual practice, and fraudulently receiving the Drawback of Rupees 610-8-2.

17. I have since discovered that *bona fide* exporters are in the habit of sending off their goods the day they apply for a certificate, and send the certificate afterwards by post, to meet the goods at the frontier.

18. The statement in paragraph 6 is strong evidence that smuggling to a large extent must go on, or why is there such a large decrease in the year when inquiries are being made?

Proceedings of the Madras Government, Revenue Department,
1st March 1869.

19. As one of the Members of the Board has fully inquired into the whole system of Drawback, I have simply reported what has been discovered on the present occasion, and trust my Report, the papers sent therewith, the previous correspondence, and the Advocate General's opinion, will enable the Board to organise a system by which such practices may be put a stop to in future, and the revenue protected.

ENCLOSURE No. 1.—A.—Certificate.

ENCLOSURE No. 2.—B.

From the Collector of Sea Customs, to the British Consul, Pondicherry.

1. I beg to inform you that an organised system of robbery and smuggling is going on *here*, through the agency of the Land Drawback system, and will be, in fact is, now being carried out with regard to the goods noted below:—

No.	Date.	Name.	Date of bill.	No. of Cases.	Quality.	Quantity or Weight.	Value.	Rate	Duty	Drawback.
234	Oct. 16th	Yagambera Chetty.	206 Oct. 12th	28 cases. Marks P Y C S. Nos. 1 to 28	Yellow metal.	Cwt. 232	RS. A. P. 9,760 2 0	7½	732	RS. A. P. 640 8 0

2. The goods never leave Madras, but are sold here, and the Drawback certificate is (I am informed) presented for your signature when the goods are said to have arrived. Of course, I know that you sign these certificates believing the goods to be in Pondicherry, but in fact they are sold in Madras. Your signature is obtained by some fraud, the Chowkie Officer bribed, and Government, cheated out of the duty.

3. I am relating facts, not surmises, and here is a good chance of detecting the smugglers. Mr. Shaw, my Appraiser, discovered these proceedings, but without your assistance, which, however, I have no doubt you will give, it is difficult to convict the smugglers.

4. The course I beg you will be good enough to pursue is that, on presentation for signature of the Drawback Bill, for the goods described on first page of this letter, you will ask to *sell* them *yourself*, the Bill will probably be presented in six, nine, or twelve days, but the goods are here, and are being watched, and will as usual remain here.

5. The presenter of the bill will naturally be unable to shew the goods, perhaps some others may be shewn, but the marks and numbers, contents, weight, &c., will soon prove they are not the ones for which Drawback has been granted.

6. On discovery, pray telegraph result to me ambiguously, say "Plan succeeded admirably crops will be heavy." I will then immediately take action here, and hope to confiscate all the goods, 9,000 odd Rupees worth, and get the smugglers heavily fined as well.

7. You might also carry out the same system, personal examination for other certificates afterwards, but let the *big one* be the first.

ENCLOSURE No. 3.—C.

From B. T. NORFOR, Es., Consular Agent, to the Collector of Sea Customs, Madras, dated 20th October 1868.

1. Yours of the 18th came *quite safe* to hand, and I shall certainly do all I can to assist you in the matter.

2. I must, however, put you right on one point, which is that the "goods," as a rule, are brought to this Office. But they are not moved from the carts, but we merely count so many "Bales" or "Cases," because the Drawback Bill bears the signature of the "Ameen," to say he has already seen them at "Moorthandy Choultry," so that in some measure we trust to him.

3. It also happens, when I am out, the Writer passes the carts, and sometimes they neglect to come, and are reprimanded, and on several occasions, I have written to the "Ameen" to say that if he does not order the carts to come to my office, I will not sign the bills. I have, however, never carried out my threat, because of the "Ameen's" signature on the bill, and in whose honesty the *Collector* seemed to have every confidence. I cannot say, having myself been many years in the Sea Customs "Cuddalore" and "Porto Novo," that I altogether participated in his opinion.

4. Your statement now under notice leaves no doubt on my mind but that there is something wrong.

5. I shall do as you direct, but I do not feel sure these "goods" remain in Madras; may they not be destined for Combaconum? A large quantity of Copper (old) is imported here from Mauritius, and it all goes on to Combaconum; so do not be surprised if it really leaves Madras.

6. In the absence of my Writer at his tiffin, I have made an hurried extract of the quantity of yellow metal passed in here since 1st January 1868; taken in hurry it may not be quite correct; but I can hardly think they consume so much in this place. Besides this, I noticed some consignments, sheet copper.

7. You would do well not to mention this affair to *any one* for if it gets round to the Ameen or Police Inspector by any means, they might make the seizure; and for all useful purposes there the matter would end.

Yellow Metal imported by land, since 1st January 1868.

				Rs.
January	27,	Cases 5,	Value ...	4,133
March	3,	,, 1	,, ...	343
Do.	21,	,, 23	,, ...	6,567
April	16,	,, 1	,, ...	328
Do.	20,	,, 22	,, ...	4,672
May	1,	,, 1	,, ...	204
Do.	15,	,, 1	,, ...	212
June	11,	,, 2	,, ...	421
July	8,	,, 2	,, ...	415
Do.	15,	,, 27	,, ...	7,273
Do.	23,	,, 1	,, ...	236
August	1,	,, 6	,, ...	1,793
Do.	29,	,, 13	,, ...	2,781
October	5,	,, 2	,, ...	465
		107		29,843

Enclosure No. 4.—D.

I, A. Vythealinga Chetty, am all right by the blessings of M. R. R., S. Venatasawmy Naiker. I hope you will let me know your welfare. You would have learnt every thing from a letter of the 4th instant, in which is enclosed a Hoondee for Rupees 2,000 on the name of Thoopandi Venatarova Chetty and Kakamana Soobroya Chetty. As a large quantity of brass,* to the extent of 150 Baurums, is imported here from the Mauritius, I don't want you to send any quantity of brass sheets here in future, as they sell very cheap. You will, therefore, try to sell them at Madras only, as the price there is pretty high. You will let

* Refers to Yellow Metal.—J. H. B.

me know if money or equivalent has been sent to things forwarded to Nava Canagasaba Chettiar. You will inquire and tell me the details of the price of Long Cloth. I hear they sell from Rupees 7 to 14 a piece. Herein is enclosed a Hoondee for Rupees 2,674-4-11 on Messrs. Lecot & Co. On receipt you will credit to my account, as I hear that a Hoondee for 4,000 Rupees has been sent to Soobraya Mudaly by Annuntha Thandavaroya Mudaly who is here. I request you will let me know if the former has received it, and is still carrying on with his merchandise. I hear that black Pepper is bought at 17½ and sold at 19¾, some portion of which I am told is supplied to bazaar-men here. Let me know the details of this, and for other things write to me.

Vebava Year, Arpese Month, 6th date, corresponding 20th October 1868.

(True Copy)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

Enclosure No. 5.—E.

From the Government Solicitor, Madras, to the Collector of Sea Customs, dated Madras, 28th October 1868, No. 618.

With reference to the several interviews I have had with you, and to your several demi-official communications to my address on the subject of frauds on the part of importers of goods, in obtaining Drawback of Customs Duty thereon, on the ground of their re-exportation to a Foreign Territory, and in not so re-exporting them, I have now the honour to send you a copy of the Case, which I have submitted to the Advocate General on the matter, and of his opinion thereon.

(CASE.)

Herewith are submitted the following papers :—

1. Blank form of certificate for Drawback of Customs Duty, issued by the Collector of Sea Customs, to importers of goods, who re-export goods to Pondicherry by land.

2. Demi-official letter from the Collector of Sea Customs to the Government Solicitor, dated 19th October 1868.

3. Book containing correspondence and Orders of Government and Proceedings of the Board of Revenue, relating to the introduction of the system of allowance of Drawback of Duty on re-exportation of goods to Pondicherry by land, enclosed in letter No. 2.

4. Draft copy of a letter from the Collector of Sea Customs to the British Consul at Pondicherry, dated the 18th October 1868.

5. Answer of the British Consul, dated 20th October 1868.

The Advocate General's attention is requested to Section 143 of the Sea Customs Act VI of 1863, which, it will be seen, contemplates an allowance of Drawback on goods re-exported to any Foreign Port. The rules of the Customs office passed under Section 4 of the Act (to which attention is also requested) provide for the mode and conditions in and upon which the Drawback is allowed on goods re-exported *by land* to Pondicherry.

The letter No. 4 above referred to, points out fully how these rules are set at nought in many instances, and a fraud created upon the revenue to a very large amount, which is increasing every year.

I. In a case where an importer of goods at Madras has applied for, and obtained a certificate for Drawback of Duty, in the Form No. 1 above referred to, and keeps the goods in Madras, and obtains the amount of Drawback, the Advocate General is requested to advise—

(1.) Whether the goods, in respect of which the Drawback certificate is granted can be confiscated.

(2.) Whether the person, to whom such certificate is granted, or any other persons, and if any other, what persons can be prosecuted, and if they can be, then under what Act or Acts.

II. In a case like the above, where the Collector has received intimation that the goods, for which the certificate has been granted, remain in Madras, that the cases which contained them

have been broken up, and that other acts have been done indicating an intention on the part of the person, to whom the Drawback certificate has been granted, to dispose of the goods in British Territory and not to re-export them to Foreign Territory, the Advocate General will be pleased to advise—

(1.) Whether the goods can be confiscated before the Drawback has actually been paid by the Treasury Officer at Cuddalore.

(2.) Whether the person obtaining the certificate for Drawback can be prosecuted under any, and if any, under what Act or Acts. And generally to advise the Collector of Sea Customs as to the steps which he, on behalf of the Government, should take to prevent the recurrence of frauds upon the revenue, of the kind abovementioned and to punish the offenders in instances which have already come to his knowledge, under the two classes above stated.

22*nd October* 1868.

OPINION.

1. I think the goods are not liable to confiscation. I do not think any of the Sections relating to "Drawback" in Act VI. of 1863, apply to the circumstances of this case. They are all governed by Section 137 which relates in express terms to re-export by *sea*. Here the goods are declared for re-exportation by *land*, under the rules made by the Government for sanctioning remission of Duty on goods re-exported *by land* to Pondicherry, under Section 19 of the Act.

2. If the Drawback Sections were applicable to this case, I do not think confiscation would be legal *before* the Drawback had been actually paid.

3. I advise that the plan suggested by the Collector of Sea Customs to the British Consul be carried out. Of course no Drawback will be paid in this case.

4. I consider that the present is a *Casus Omissus* in the Act; had the words of Section 137 been "upon the re-export by sea *or land*" the whole of the Drawback Sections would have applied to the present circumstances; but I do not think that mere action under Section 19 can import into re-export by land, Sections expressly confined to re-export by sea.

5. I think that the party who is now concealing the goods here, upon receipt of telegram from the British Consul, that an application has been made for his endorsement, will be liable to prosecution under Section 194.

6. Mr. Norfor ought to search the packages which are brought before him to represent the goods, and make a careful note at the time, with the view of refreshing his memory, if his evidence is required.

7. I think also that the party signing the application on which the Collector of Sea Custom issued his certificate, is liable to prosecution under Section 216 of the Sea Customs Act.

8. I further think that he is liable to be convicted of cheating under Sections 415 and 417 of the Indian Penal Code. But I do not think both proceedings should be taken against him. If he is prosecuted under the Customs Act, probably he will be fined 2,000 Rupees. If under the Penal Code, he may be fined or imprisoned for a year or both.

9. It becomes a question whether the concession made to the French Government should be continued. In one view, the loss to the revenue appears to me to have been occasioned by the fraud of the British Government Ameen, and the laxity of the British Consul, who according to the certificate was in every instance bound to see the goods. Sometimes, as I gather from his letter, relying on the Ameen, whom however he does not seem to have a very high opinion of, he endorsed the certificates on seeing the Ameen's signature, without the goods being produced, and it is to be surmised that in other instances, cases full of stones or other materials must have been made to do duty for the "goods" which ought to have been inspected, at least so far as to identify them.

10. But independently of any fraud or laxity, the concession appears to me to have led to a very considerable loss to the revenues. When once the goods have reached Pondicherry, it becomes very difficult, if not impossible, to trace them. The quantity re-exported to Pondicherry appears *prima facie* to be out of all proportion to the local necessities of the place, whence it is to be inferred that much of it leaves Pondicherry, and is sold in British Territory.

11. Re-export by sea might place a check on this re-export, but this is a matter not of a legal nature, on which I should not have touched, if I had not been requested to write generally on the case.

(Signed) JOHN BRUCE NORTON,
Advocate General.

23*rd October* 1868.

(True Copy.)

(Signed) H. J. BROCKMAN,
Government Solicitor.

(True Copy.)

(Signed) J. H. BLAIR,
Collector of Sea Customs.

From the Collector of Sea Customs, to the Acting Secretary to the Board of Revenue, dated Madras, 26th November 1868, No. 1,241.

1. With reference to your demi-official letter of the 24th, I have the honor to forward telegram just received from Calcutta in answer to my telegram:—

"Is Drawback allowed at Calcutta on goods re-exported by land or inland "water carriage to Chandernagore, and if so, under what rules."

2. In continuation of my letter, No. 1,228, of the 19th instant, paragraph 6, I beg to state that Messrs. Yagambera Chetty & Co., have received, since August 1862, Rupees 21,063 for Drawback on goods alleged to have been sent by land to Pondicherry.

Telegram from Collector Sea Customs, Calcutta, to Collector Sea Customs, Madras, dated 25th November 1868.

No Drawback is allowed on goods sent from this port to Chandernagore.

From the above letters from the Collector of Sea Customs, it appears, that on the 16th October 1868, the Native Firm of Yagambera Chetty & Co., of Madras, obtained the usual Drawback certificate for twenty-eight cases of yellow metal to be re-exported by land to Pondicherry. On the same day the Collector obtained information that the packages were being broken up and the metal transferred to the godowns with a view to sale in Madras. These facts were verified by an Officer of the Custom House. The cases of goods for which a Drawback certificate had been taken out, had been or were in the course of being broken up and the goods transferred to the godowns of Yagambera Chetty & Co.

2. On the 24th idem, application was made by Yagambera Chetty & Co. to cancel the Drawback certificate, and a letter received from Pondicherry on the 20th, countermanding the transmission was produced. It was found on examination of the premises that no trace even of the cases existed.

3. The facts leave no doubt of the fraudulent intention of the parties; but unfortunately they had been warned through the want of due precaution on the part of the informer.

4. The Board observe that this one firm has received upwards of 21,000 Rupees Drawback Duty on goods alleged to have been re-exported to Pondicherry since 1862.

5. The Law Officer of Government has now given an opinion that as the law stands, parties committing frauds of this description cannot be prosecuted, save under the Penal Code, and further that the provisions of the Customs Act VI. of 1863 do not apply to re-exports by *land*; that the matter is a *Casus Omissus* which mere action of Government under Section 19, fails to bring within the protection of the Law.

6. It becomes, therefore, a question to consider whether the system of granting Drawback on goods exported by land to Pondicherry shall be continued, and it is necessary therefore to refer to the circumstances under which it was initiated.

7. In 1859 the Governor of the French Settlements in India represented that the European inhabitants of Pondicherry frequently received various goods intended for that place by the P. and O. Steamers, and that these goods when sent thither from Madras by land received no remissions of the original Import Duty levied on their importation into Madras. Whereas if they were sent thither by sea, seven-eighths of that Duty were refunded. His Excellency requested that the latter principle might be applied also to goods sent by land.

Extract Minutes of Consultation, 7th April 1859, Revenue Department, No. 482.

8. The Board pointed out that "as the law then stood, Drawback could not "be granted on re-exports by land, but "that payment of Duty might be specially remitted under Section 17 of "Act VI. of 1844," and in this restricted sense it was complied with, under certain precautions to guard the Customs revenue.

4th May 1859, No. 8,585.
Government Order, 27th May 1859, Revenue Department, No. 713.

In 1862 at the instance of the Collector of Sea Customs, Mr. Shubrick, and on the recommendation of the Board of Revenue, the concession was extended by Government to goods brought out by all vessels, under the same precautions, Government remarking that they accepted Mr. Shubrick's recommendation "as evidence that the previous concession has not been abused."

Government Order, 4th June 1862, Revenue Department, No. 1,228.

Under the operation of these Orders, Drawback on goods re-exported by land to Pondicherry has ever since obtained. The privilege is not sanctioned by law, is not stipulated for by any Treaty engagement, and was sought and conceded as an act of grace.

The procedure adopted has been for parties wishing to re-export goods to apply to the Collector of Sea Customs at Madras, who furnished them with a certificate shewing—

(1.) The "number and nature of packages."
(2.) The "sorts of goods."
(3.) Their quantity and value.

(4.) The Duty paid, the one-eighth reserved and the seven-eighth payable as Drawback by the Collector of South Arcot.

On the back of the certificate is printed a Notice, setting forth that the goods would only be allowed to pass the frontier at Mortandy Choukey, that the certificate must be shewn to the Customs Officer there, and his endorsement obtained, that the goods would be liable to examination there, and lastly that the certificate *with the goods* must afterwards be taken to the British Agent at Pondicherry Town, Mr. Norfor, "without whose endorsement, *certifying to their arrival there*" the Drawback would not be paid.

9. It is manifest that the security of the revenue depends entirely on the fidelity and vigilance with which these Officers performed their several parts, and in the nature of things no other really effective security is attainable.

10. For some time past, it has been strongly suspected that frauds were being perpetrated, and that Drawback was being obtained on goods which never entered the French Territory, or entered it only for the purpose of being smuggled back into British Territory. The quantity of Piece-goods thus re-exported was in particular excessively large, and various other suspicious circumstances occurred. The Collector's attention was repeatedly and urgently drawn to the subject, but without any practical result.

11. The case of attempted fraud now brought to notice by the Collector of Sea Customs shews beyond question that the suspicions entertained by him and the Board have unfortunately been too well founded.

12. The details of the case handed up by Mr. Blair are given at length in paragraphs 1 and 2 above.

13. Mr. Norfor's letter to Mr. Blair of the 20th October last shews, that the chief check relied on has been exercised by him in such a perfunctory lax manner as to be nugatory. He admits that none of the cases brought to him were ever opened; that in his absence his Writer passes the carts; and that "sometimes they neglect to come, and are reprimanded." Mr. Norfor adds that on several occasions he wrote to the Ameen at Mortandy to say that if he did not send the carts to him he would not sign the bills, but he never carried out the threat, so that in fact Mr. Norfor not only passed goods without satisfying himself that they were in the cases, but even certified that goods had been brought to him, which in fact had not been brought to him, and for all he knew to the contrary were not even in Pondicherry.

14. And Mr. Norfor's plea of reliance on the Mortandy Ameen is untenable, for though the Collector, Mr. Reade, had, as he believes, every confidence in that Official's integrity "he himself did not share in his opinion."

15. It is extraordinary that notwithstanding the frequent representations of the Collector of Sea Customs on the subject, Mr. Reade's local investigations were so superficial that the lax manner in which Mr. Norfor performed the duty entrusted to him never came to his knowledge.

16. It is simply incredible that the quantity of goods of various kinds re-exported to Pondicherry of late years by land could really have gone thither. It is, of course, hopeless to expect proof of such frauds; but the simple fact that during

the last five years there does not seem to have been a single detection, speaks volumes Mr. Norfor's laxity must have been notorious, and have encouraged attempt.

17. There is nothing to shew how the Aumeens at Mortandy discharged their duties; but it does not appear that they ever examined any of the cases which they passed, or that they reported to the Collector the instances in which Mr. Norfor complained that the carts were not brought to his office at Pondicherry. The Board understand that the present holder of the office is only acting. The Board wish to know his antecedents, and what appointments he previously held. They request the same particulars of the permanent incumbent.

18. The Board are of opinion that the facts elicited shew that the Drawback system cannot be continued without a danger to the revenue which the requirements of international courtesy and obligations do not warrant.

19. The fact that an Overland Mail service direct to Pondicherry has been recently established, disposes, in a great measure, of the cause originally assigned for the concession. Piers too have been erected at both ports since 1800, and there can be no doubt that in the great majority of cases best fit to exporters to Pondicherry of goods landed in Madras will adopt water carriage in preference to land, especially as it is prescribed that the goods must be exported in the same cases in which they were imported.

20. The Board have ascertained that no similar indulgence obtains in respect to Chandernagore, and they advocate the abolition of Drawback on goods exported to Pondicherry by land.

21. The Board have under consideration a report on the subject of Inland Custom Administration drawn up by the Acting Third Member, but as this embraces the question of goods exported by land from Pondicherry to Karikal, and of a complete set of rules for the guidance of Officers and legal changes, it will be disposed of separately.

No. 8. ORDER THEREON, 1st March 1809, No. 521.

Separate Revenue, No. 1.
Customs

The Government have recently received a copy of the Collector of South Arcot's reply to the foregoing Proceedings. Their disposal will accordingly be deferred until the Board's remarks on the Collector's letter are received.

(Signed) R. A. DALYELL,
Acting Secretary to Government.

Revenue 1869 Oct. 44
No. 3964.

BOARD OF REVENUE, MADRAS.

1868.

PROCEEDINGS, 15TH DECEMBER 1868, No. 8,773.

Encl. 1

DECEMBER.
No. 8,773.

Drawback—on goods re-exported by land to Pondicherry,—Abolition of, recommended to Government.

Govt. of {1869} Madras.

REVENUE.

To

THE BOARD OF REVENUE.

Dated March, 1st.

Recd. Encl.

G. O., 1st March 1869, No. 521.

Pro. of the Board of Revenue
23 March 1869 Oct. 3959

MARCH.
Nos. 7-8.

Goods re-exported by land to Pondicherry.—Proposal to abolish drawback to be considered when the Board's remarks on the Collector's letter are received.

Revenue Depart.
P. 521.

Proceedings of the Madras Government under date the 1st March 69.
Read the following

Ro: of the Bd of Revo:
(A.C.: 15th Dec. 1868 No 5779)

The Govt have recently received a copy of the Collector of S. A.'s reply to the foregoing Proceedings. Their decision will accordingly be deferred until the Board's remarks on the Collector's letter are received.

Dict

14 Copies to the Bd of Rev. Dept 2d