

REPORT
OF THE
UNITED PROVINCES EXCISE COMMITTEE
1921.



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CONTENTS.

PARAS.		PAGE.
CHAPTER I.		
INTRODUCTORY.		
1.	Terms of reference	1
2.	Course of procedure	ib.
CHAPTER II.		
FIXED FEE SYSTEMS.		
3.	The views of the Indian Excise Committee	3
4—5.	Subsequent change in circumstances	4
6.	Auction system inadvisable	ib.
7—8.	Different fixed fee systems	5
9.	Their defects re-examined	ib.
10.	Bengal system to be adopted	7
11—12.	Areas suggested for the introduction of the Bengal system	8
CHAPTER III.		
LICENSING BOARDS.		
13.	Existing Advisory Committees to be remodelled in view of altered circumstances	11
14.	Licensing Boards to be established in selected cities	ib.
15.	Constitution	12
16—19.	Functions	13
20.	Meetings	14
21—22.	Jurisdiction	15
23.	Advisory Committees for non-municipal areas	ib.
CHAPTER IV.		
MINIMUM NUMBER OF SHOPS.		
24.	Maxima and minima to be abolished, and the existing number of shops to be reduced largely	16
CHAPTER V.		
HOURS OF SALE.		
25.	Alterations recommended in the existing rules	17
CHAPTER VI.		
INCIDENCE OF DUTIES.		
26.	Existing rules	19
27—28.	The Committee's recommendations	ib.

PARAS.	PAGE.
CHAPTER VII.	
SHOPS AT FAIRS AND FESTIVALS.	
29. The views of the Indian Excise Committee	21
30. Progress in recent years in the United Provinces in curtail- ing the number of these shops	ib.
31. Shops in fairs to be abolished	22
32—33. Shops to be closed on the <i>Holi</i>	ib.
CHAPTER VIII.	
TRIAL OF EXCISE OFFENCES.	
34. Excise cases not to be tried by the Excise officer	24
CHAPTER IX.	
STAFF.	
35. The new system will require closer supervision... ..	25
36. The present system involves dual control and is unsatisfactory	ib.
37. Opinions on the departmentalization of excise are divided ...	26
38. The Committee's recommendations	27
39. The number of assistant commissioners to be increased ...	ib.
40—41. Excise to be a close service	ib.
42. Excise inspectors	28
43. Comparison with other provinces	29
CHAPTER X.	
MISCELLANEOUS.	
44. Policy—Local option—Instruction in schools—Counter attractions—Sale of <i>ganja</i> and <i>charas</i> —Drinking in shops— <i>Majum</i> sweets—Clubs	30
45. Amendments suggested in the Excise Act	31
46. Amendments suggested in the rules	32
47. Conclusion	33

REPORT
OF THE
UNITED PROVINCES EXCISE COMMITTEE.

CHAPTER I.

INTRODUCTORY.

THE Committee was appointed by United Provinces Government resolution no. 238/XIII—14, dated the 22nd March, 1921. The subjects which it was to enquire into and report on are:—

Terms of reference.

- (1) Whether the fixed fee system for the sale of country liquor should be substituted for the auction system, and, if so, in what areas;
- (2) Whether in any cities the Excise Advisory Committees should be converted into Licensing Boards, with power to determine the number and situation of shops for the sale of excisable commodities, and, if so, in which cities and with what changes in the constitution of the Committees should this experiment be introduced;
- (3) Whether it is necessary to fix a minimum number of liquor and drug shops as is the practice at present;
- (4) Whether there should be any change in the hours of sale of liquor and drugs;
- (5) Whether any variations should be made in the incidence of the duties levied upon excisable commodities to give effect to the policy of raising the maximum of revenue, while limiting consumption to a minimum;
- (6) Generally, whether any and what amendments should be made in the United Provinces Excise Act and the rules made thereunder.

Subsequently the following additional questions were also referred to the Committee:—

- (a) The opening of liquor shops at fairs and festivals.
- (b) The strength of the establishment, including the necessity for retaining the post of assistant commissioner.
- (c) The trial of excise offences by excise officers.

2. The Committee held a preliminary discussion on these subjects at its first meeting, and as a result of the discussion a list of questions was drawn up and circulated among officers of Government, Municipal and District Boards and Temperance Associations. The general public of the provinces was invited through the Press to express its views on these subjects.

Course of procedure.

Enquiries were also made from other provinces, more especially from Bengal where the surcharge system and Licensing Boards have been at work for some years. One of our members (Mr. Gibb) went to Calcutta to study the working of their system on the spot; and the Government of Bengal very kindly permitted Rai Bahadur S. K. Raha, Deputy Commissioner of Excise, to appear before the Committee.

Owing to the time of year the number of witnesses was not as large as it would have been at a more convenient season; but the written opinions received are, we think, fairly representative of the views of the educated classes of the province.

On the conclusion of the evidence, the Committee discussed the results fully with the Excise Commissioner, and (on certain points) with the Senior Member of the Board of Revenue and the Chief Secretary to Government.

Our special acknowledgements are due to Rai Bahadur S. K. Raha for the help given by him from his wide experience. We are also indebted to the Rev. Herbert Anderson of Calcutta for supplying us with several valuable notes on the subject of excise administration in Bengal.

(3)

CHAPTER II.

FIXED FEE SYSTEMS.

3. The first question referred to the Committee is that of the substitution of the fixed fee system for the auction system. The question is not a new one; the advantages and disadvantages of the latter system are given fully on paragraphs 193-4 of the report of the Indian Excise Committee, 1905-6, and may be usefully reproduced:—

The views of the Indian
Excise Committee.

193. As a system of disposal in combination with a fixed duty the advantages claimed for sale by auction are, first, that it throws competition open to all vendors approved by the Collector and avoids favouritism and jobbery; second, that it prevents the creation of vested interests; third, that it provides an automatic way of ascertaining and securing to the public purse the monopoly value of the privilege sold, while enabling taxation to adjust itself to local and temporary variations; and fourth, that by means of the comparison of shop rents and issues it affords an indication of the prevalence of illicit practices.

194. The disadvantages which its critics find in the system are, first, that it is not worth the while of a man who can make a living otherwise to enter the business if his interest may be terminated at the end of a year by circumstances beyond his control; that in many cases the vend rates have reached a point at which an honest profit is not possible, and that in consequence the competition is restricted to persons who are prepared to make dishonest gains; that blackmailing of respectable competitors through threats of outbidding them is not uncommon both before and at the auction; that the system involves loss of dignity to Government, more particularly when the auctioning officer attempts to induce rivalry by the introduction of outside competition or is reduced to haggling with an individual who has secured a hold over a particular locality; and that it throws a steadily increasing amount of unpleasant work upon the Collectors and the officers of their staff.

In respect of the second of the advantages claimed it is urged that, while it is true that the system avoids the creation of vested interests, it goes much too far in the opposite direction; that it renders fixity of tenure impossible and removes all encouragement to respectable management; that it throws the liquor traffic into the hands of a set of shifting licensees who frequently have no other interests in the localities in which they have their shops and are forced to look to the liquor trade for their sole livelihood; that it put obstacles in the way of necessary changes of sites of shops, structural alterations and sanitary arrangements; and that there are less objectionable means of securing the end in view.

With regard to the third advantage it is the exception, rather than the rule, for the value of a shop ascertained by auction to be a fair value. At the best it is a speculative value depending on the sales of the past year and hopes of the future. To this element of uncertainty are usually added others much more serious. Rivalry, not unfrequently stimulated by unwise subordinates, a spirit of gambling, the excitement of an auction, reluctance to quit a shop in which the holder or his family have been interested, the loss of outstanding debts, the fact that a hereditary drink-seller must hold a shop of some sort or be unable to ply his calling, all tend to inflate the prices. On the other hand, frequent combinations and rings or the absence in the case of small shops of any real competition tend to reduce them to a minimum. The net result is that, instead of country spirit paying a known and definite rate of taxation, it pays one which varies largely through causes over which Government has no control, while the total of it sometimes exceeds the total taxation on foreign spirit.

To the last of the arguments in favour of the system it is replied that the auction purchaser, by reason of his having to pay a high competitive price for his privilege of vend, is directly impelled to make money out of his temporary possession of the right by every means in his power, licit or illicit, in other words that the system induces the very malpractices of which it is expected to give an indication; and from more than one province instances are cited in which extensive sale of illicit liquor appears to be the only explanation for shopkeepers being able to continue buying shops at high prices year after year. It is further objected that the high price paid forms the strongest possible stimulus to push sales to the utmost extent in order that the vendor may cover his expenses and make profit before he has again to fight for the privilege, and possibly lose it; and that instead of making the shopkeeper an aid to the establishment the system throws him into direct opposition to Government.

4. In the fifteen years that have elapsed since the report of the Indian Excise Committee was written, public opinion on this subject has advanced a great deal and has found expression in no uncertain voice. Much greater emphasis is now laid on the defects of the auction system; and the connection of Government officers with such auctions is felt to be more of an anachronism now than it was fifteen years ago. The system has in the meantime itself undergone certain modifications and excise auctions have recently tended to become excise settlements as the highest bids have frequently not been accepted. These changes have mitigated some of the evils connected with the auction system, but have at the same time reduced its importance as an automatic test of the monopoly value of the industry and as an indication of the existence of malpractices.

The fear of establishing vested interests, which have been such an obstacle to temperance reform in England, has been the main reason for the retention of the auction system; but the province of Bombay experimented on a large scale with a fixed fee system from 1912 to 1917 and in Bengal a surcharge system has been introduced in eleven districts from 1917. From 1918 Bombay returned to a system of triennial auctions; but Bengal has been encouraged by the results of its experiment to extend the surcharge system to the whole of the province.

5. A new factor of great importance has been introduced by the constitutional changes which have converted excise into a "transferred subject" under the full control of the Legislative Council and made it essential that the system of excise administration should conform to the general policy laid down by the Legislature.

6. The Committee believes that recent experience, taken as a whole, has confirmed the opinion of the Indian Excise Committee of 1906 which was definitely adverse to the retention of the auction system. Its defects are inherent and are realized more and more fully, while its advantages tend to diminish. We believe that its further retention is undesirable and that some system must be substituted for it which would permit of the control of consumption in accordance with whatever policy is laid down by the Legislature. That control can only be exercised by controlling prices and it cannot be combined with any system of auctions. It is, on the other hand, quite compatible with a fixed fee or surcharge

(5)

system, and the Committee believes that the drawbacks to those systems which have hindered their introduction can be adequately guarded against. In short, the Committee is of opinion that the auction system should be abolished and that its task is reduced to considering which of the alternative systems should be introduced.

7. In a fixed fee (or a surcharge system) the right of vend is not leased out to the highest bidder at an auction. Different fixed fee systems. A respectable vendor is chosen, and he is allowed to sell, paying to Government either a fixed fee for the year irrespective of the consumption, or a fee on each gallon or seer sold. Under the surcharge system, this fee may be constant, regardless of the total consumption, or it may be graduated so as to be heavier as the consumption increases. In the latter case, if the price of retail sale is fixed at the same time it is obvious that a limit is reached where increased consumption not only does not bring further profit to the vendor but causes an actual loss. This is the system now in force in eleven districts of Bengal and which is going to be extended to the whole of that province from the 1st October, 1921. It appears to be equally approved of by the Excise department and by the chief temperance organizations in the province.

A surcharge system with a fixed fee per gallon has been tried in Muzaffarnagar from 1916. But the prices of retail sale have not been fixed and there has been no graduation except that different rates of surcharge were fixed for urban and rural shops respectively. This system has been extended to six other districts of the United Provinces from the 1st April, 1921.

8. The system experimented on by Bombay and the Central Provinces and rejected by them after some years' experience was a genuine fixed fee system. The fee charged was not per gallon or seer of issue, but was based upon an estimate of the probable sales for the year at a particular shop. The general criticism of such a system is that it involves making an estimate of the real value of each shop which, in fact, cannot be estimated with any accuracy. The Committee accepts this criticism as valid and believes that a workable system can only be found by abandoning the attempt to estimate the real annual value of shops and by substituting for the licence fee of the auction system a system of surcharges on each gallon or seer issued to the shops, assuring to the vendor the possession of his shop from year to year, provided he has carried on his business in full accordance with the rules framed for his guidance. Retail prices and surcharges can be so regulated as both to control consumption in the interests of the public and to assure to the vendor a fair profit and to the State a full share of the monopoly value.

9. The Committee is aware that a fixed fee or surcharge system Their defects re-ex- amined. has met with severe criticism, more especially as the result of the experience of the working of the fixed fee systems in Bombay and the Central Provinces. The principal defects alleged are four in number :—

(a) That it does not bring the same revenue to Government as the auction system.

- (b) That it is in fact impossible to control prices.
- (c) That by giving continuity of tenure to a licensee it tends to the creation of undesirable vested interests.
- (d) That it results in the corruption of subordinates by licensees in a much larger degree, as they have more money to bribe with, and the subordinates have a much greater voice in the decision of the question whether the licensee shall remain or go.

The Committee has considered these points carefully, but it believes that with proper regulations these defects can be avoided or mitigated and that the fourth defect, which is the most serious of all, attaches equally, or in an even greater degree, to the auction system—

- (a) First, as regards the *loss of revenue*—by raising the still-head duty and the surcharge, and by fixing suitable retail prices it should not, in the opinion of the Committee, be difficult to secure to the public purse a full and equitable share of the monopoly profits. This view is supported by the experience of Bengal. The graduated system of surcharge fees, as worked out in Bengal, does not, we are assured, result in any loss of revenue, and we are of opinion that by carefully working out the rates there should be no fear of the State not getting its fair share of the monopoly profits.
- (b) As regards the *control of prices*—the Committee fully recognizes the difficulties of the problem, more especially in rural areas. The problem is however largely an urban one even in these predominantly agricultural provinces. Almost exactly half the total consumption of country liquor and of opium is in towns of a population of over ten thousand, although their total population is only 7·7 per cent. of the total for the provinces; and with the growth of industries this tendency is likely to become even more marked. The Committee believes that in urban areas, at any rate, the control of retail prices is quite possible; and even in rural areas the evasions need not be extensive, if the Excise department is adequately manned and carefully controlled. Some evasion is probable but it need not be serious and control of prices is essential to the control of consumption and to the realization by the State of its full share of the monopoly profits.
- (c) Next as to *vested interests*—the Committee recognizes that the danger exists; but at the same time we think it possible to provide against it, by making a definite legal provision that no licensee has any interest in the vend beyond one year's right to sell. The licence would be non-transferable. Contracts would be given definitely for one year only and would be resumable at the end of the year. On the other hand, we propose that with these safeguards, a respectable licensee should have continuity of tenure assured to him so long as he carries

(7)

out his part of the bargain faithfully and no malpractices are proved against him. The advantage of this provision is that a licensee who has no certainty of continuing in his shop in the following year is indifferent about building up a respectable business, but is eager to extract as much money out of it as possible before his term comes to an end, and does not care what methods he employs to secure this end.

(d) As regards the *effect on the excise staff*—in our opinion it is not easy to eliminate malpractices whatever system is adopted; but the danger is if anything greater under the auction system than under one which secures a fair but not an excessive profit to the licensee. The desire to sell after hours, or to forbidden persons, or at a high rate of profit in order to pay for the annual bid (which may be an impossibly high one) probably leads vendors to more malpractices under the auction system than are likely to occur under the other system.

It has been alleged that a surcharge system encourages illicit sales because payments to Government depend directly on the amount issued to the shop from the bonded warehouse; but under the auction system a similar incentive may be afforded by the hope of getting the shop next year at a lower price. On the other hand, by fixing the rate of retail sale at such a figure as to ensure to the vendor fair wages for his services the temptation to resort to dishonest methods is minimized.

The possibility of continuity of tenure may tend to increase the temptation to bribe the staff, but against this should be set the facts that much less capital is at stake and that the staff would not be faced with cases in which they know that the licensee cannot fulfil his contract without resorting to dishonest means. Moreover, there will be fewer changes and it may be expected that the higher officials will have greater personal knowledge of the licensees and will therefore depend less upon the subordinate staff.

10. The Committee has accordingly come to the unanimous conclusion that the auction system should be abolished and that a system analogous to that of Bengal should be gradually introduced in the United Provinces. We think that this would ensure a cleaner trade. With fair profits and continuity of tenure assured, there would be an incentive to traders to go straight. There will be no shifting set of licensees to deal with each year; none of the unseemly incidents which are connected with the annual sales. The change would also tend to improve the morale of excise officials. Consumption would be controlled better than is possible under the auction system, because, as explained already, the rate of profit made will diminish steadily as consumption increases till a limit will be reached to go beyond which will cause an actual loss to the licensee. The control of consumption may thus be said to be almost automatic. Also the rate of the duty can be changed at any time if consumption increases unduly in any area.

Bengal system to be adopted.

11. As regards the areas in which the new system is to be introduced, the Committee recommends that the Bengal system should be introduced gradually throughout the provinces. We do not recommend its adoption in the whole province at once, because the system is more complicated in its initial working out than the auction system, and the present excise staff must be increased and given adequate training before the new system can be worked successfully on any very large scale. At the same time, we recognize that the auction system cannot be even temporarily maintained in conjunction with a surcharge system and that it must be abolished throughout the provinces. We propose therefore certain areas for the introduction of the Bengal system at once, and in the rest of the provinces we recommend, as an intermediary stage, the extension of the Muzaffarnagar system of surcharge duties for liquor, with this modification that the prices for retail sale will be fixed. Our reason for introducing this system as an intermediate stage is twofold—first, it is slightly simpler in its working, though not so scientifically perfect as the Bengal system, and many of the excise officers have experience of working it; secondly, that it will afford an opportunity of seeing the two systems working side by side and of comparing results. This will enable Government to fix with greater precision the sliding scale of surcharges when the Bengal system comes to be introduced generally. We recommend the fixing of prices for retail sale even in areas where the Muzaffarnagar system is introduced, because in our opinion the first essential for the control of consumption is the fixing of prices, which is also necessary to prevent smuggling between areas under different systems.

Areas suggested for the introduction of the Bengal system.

Muzaffarnagar system to be introduced in the rest of the provinces as an intermediary stage.

The suggestion has been made that one system should be applied to cities where the main problems are found and close supervision is possible, and a simpler system in the rural areas. The conditions of the two classes of areas differ in important respects such as for example in the greater danger of illicit distillation in the rural areas and the wider prevalence of other kinds of malpractices in the large cities. The Committee has considered the proposal, but is of opinion that such an arrangement would not be likely to work well in practice. An auction system cannot in any case be retained; different methods of control in the two areas would almost certainly lead to friction; and unless the systems of sale and the scale of prices were approximately the same in both areas the resulting administrative difficulties would outweigh any advantages resulting from a simpler system in the rural areas.

12. In selecting the areas for the immediate introduction of the Bengal system the Committee was guided by the following considerations. The contracts for the sale of drugs (*ganja, charas and bhang*) are given out for three years in each district; and roughly speaking a third of the province is settled each year. The present system is to farm the right of vend throughout a pargana to one contractor. The latter gives sub-leases of individual shops. It has been decided to abolish this system as the contracts fall

Drugs.

(9)

in and to settle each shop separately; and this change of method affords a good opportunity of introducing the new system.

The period of contract of the following 19 districts will expire in March, 1922 :—

(1) Ghazipur.	(10) Agra.
(2) Benares.	(11) Hardoi.
(3) Partabgarh.	(12) Shahjahanpur.
(4) Allahabad.	(13) Muzaffarnagar
(5) Fatehpur.	(14) Bijnor.
(6) Cawnpore.	(15) Moradabad.
(7) Unao.	(16) Mainpuri.
(8) Lucknow.	(17) Bulandshahr.
(9) Etawah.	(18) Basti.

(19) Naini Tal.

The Committee accordingly recommends that these districts should have the Bengal system introduced for drugs from April, 1922, and the remaining districts from 1923 and 1924 as the periods of their contracts expire. From 1st April, 1924, the whole of the province will thus be under the new system so far as drugs are concerned.

In the case of liquor also we propose the eventual introduction of the Bengal system throughout the provinces, but the Excise Commissioner does not consider that such a large area can be dealt with at once by the existing staff and the Committee agrees with this view. It is necessary therefore to select the districts with which to begin. Obviously it would be advantageous from an administrative point of view to have areas in which the new system may be introduced completely, i.e. in respect of all excisable articles; and this would involve fixing on all or some of the 19 districts named above in the case of drugs. They lie, however, scattered over the province—a circumstance which would make the work of administration difficult, more especially the prevention of smuggling—and it is necessary to make the area as compact as possible. Further, the problem being so largely an urban one the bigger cities should be included. The Committee suggests the area including the following districts as satisfying these conditions:—

(1) Ghazipur.	(6) Cawnpore.
(2) Benares.	(7) Unao.
(3) Allahabad.	(8) Lucknow.
(4) Partabgarh.	(9) Etawah.
(5) Fatehpur.	(10) Agra.

In all these districts the Bengal system should be introduced from 1st April, 1922 :—

The Committee has considered whether a similar system of control should be introduced for foreign liquor. This has not as yet been attempted in Bengal, the principal difficulty being that of the control of the sources of supply. The possibility of introducing such a system should not be left out of consideration, but the Committee does not consider that it can be attempted at present.

With reference to *tari*, the Committee understands that the present position is that a tree-tax system has been introduced in two tahsils of the Gorakhpur district, combined with a shop to shop settlement under the auction system. In that area a surcharge system can be introduced by imposing a surcharge per tree but in the rest of the provinces there is no basis on which a surcharge can be calculated. The possible alternatives appear to be the extension of the tree-tax system, combined with a surcharge per tree; and the introduction of some form of fixed fees based on previous payments. The former would be more in accordance with the general proposals of the Committee but would involve a considerable increase in the subordinate staff.

Opium goes naturally with drugs in the case of which the Committee has proposed to introduce the Bengal system as soon as the period of the present contract expires in each district. The opium contracts will expire all over the province in March, 1922. We recommend that the Bengal system be introduced throughout from 1st April, 1922.

CHAPTER III.

LICENSING BOARDS.

13. The next important question referred to the Committee for enquiry is that relating to the establishment of Licensing Boards in place of the existing Advisory Committees. The rules governing the latter are contained in articles 93, 94 and 94A of the Excise Manual. They exist only in municipal areas and consist of four members elected by the Municipal Board and two appointed by the Collector. Their principal duty is to recommend every three years the maximum and minimum figures for excise shops and to express their opinion about the location of shops. From the opinions given before the Committee it appears that the work of the Advisory Committees varies considerably from district to district in the provinces but on the whole they have not been a success. The reason given is that their power is limited to recommendations which may or may not be carried into effect. It is said that under these conditions the members lose all interest and feel they are wasting time.

These provinces have no experience of Licensing Boards ; but we have had the advantage of discussing the matter with Rai Bahadur S. K. Raha, Deputy Commissioner of Excise in Bengal, where a Licensing Board has existed from some years for the city of Calcutta. That Board consists of four officials and three non-officials and deals only with the questions of the number and location of shops. A similar Board was constituted in Madras in the year 1918.

14. The Committee recognizes that excise is now a transferred subject and will thus be increasingly under popular control and with popular responsibility. It considers that, in recognition of this very important change of principle, Licensing Boards of a predominately non-official character and with wide powers and a corresponding degree of responsibility should be constituted in the larger cities of the provinces. In the other municipalities, Advisory Committees should remain as at present. Further, we recommend that the same principle should be extended to rural areas by forming separate Advisory Committees for them.

Advisory Committees should be established for rural areas also.

Licensing Boards cannot, for obvious reasons, and in the absence of any local experience, be extended to the whole of the provinces, or even to all towns at once, but we consider that they should be tried on a scale which will provide a full and fair test of their working in the larger cities. The Committee has therefore selected the following cities for the experiment :—

Licensing Boards to be established in selected cities.

- (1) Allahabad.
- (2) Cawnpore.
- (3) Benares.
- (4) Lucknow.

- (5) Agra.
- (6) Meerut.
- (7) Bareilly.
- (8) Moradabad.

It will be seen that these include all the larger divisional headquarters, together with Cawnpore and Moradabad, both of which, though not divisional headquarters, are large and populous towns. We wish to make it clear that in excluding other places we do not imply their unfitness for Licensing Boards, but merely that it is necessary in introducing a new experiment (as yet untried on the lines proposed by us anywhere in India) to proceed with caution while at the same time assuring a full trial.

15. As regards the constitution of such boards, the Committee proposes a radical difference from Calcutta, in so far as we recommend that the Boards should be almost wholly non-official. This is, in our opinion, a necessary consequence of the new constitutional principles which have been applied to excise and it also makes for the proper training of the public in the exercise of a more effective control over the excise administration. All the cities above named have strong Municipal Boards with non-official chairmen.

The suggestion has been made that Municipal Boards should appoint a sub-committee to act as the Licensing Board, but, although Municipal Boards should be adequately represented on a Licensing Board, we consider that it is necessary to assure from the start that other interests deeply concerned in excise matters should also be represented on the board. We accordingly recommend an independent board constituted as follows:—

- 1 non-official chairman of the Municipal Board, to be chairman of the Licensing Board.
- 2 other members elected by the Municipal Board.
- 1 member elected by the principals or headmasters of colleges and high schools in the city, such colleges and high schools being recognized by a University established by law, or by the Education department of Government.
- 1 member nominated by Temperance Societies (registered under the law) in the city. If the societies nominate more than one person, the district officer should choose one from among them. If the societies fail to nominate any representative or if there is no such registered society in the city, the district officer should appoint a person to represent the interest of temperance.
- 1 member from the labouring classes, to be appointed by the Collector.
- 1 member representing the excise trade, to be nominated by the local excise licensees.
- 1 Assistant Excise Commissioner for the area, to be a member and secretary of the board.

Total 8

The board so constituted should hold office for a period of three years only. As the board is (with the exception of the secretary)

(13)

entirely non-official, it is necessary to have a considerable number of members in order to secure a wide representation, but the Committee considers that a board of eight members should not be unwieldy in working. The Calcutta Licensing Board has seven members.

16. As regards the functions of the board also we are prepared to recommend an important change as compared with Calcutta or Madras. In those cities the board deals only with the question of the number and location of shops. We propose, in addition, to give to the board the power of selecting the licensees, so making it, as its name implies, a real Licensing Board. The actual selection of licensees may not be directly connected with the interests of temperance but the Committee considers that it is advisable to give this power in order to make the members feel that they have a real power over the excise administration of the city and thus to stimulate their interest in the working of the board, and save it from the fate which has overtaken many of the old Advisory Committees.

It is necessary to discuss in detail our proposals in respect of each of these three functions of the board.

17. First, as regards the number of shops—we observe on the one hand that the number of excise shops in these provinces is proportionately larger than in Bengal and is capable of reduction. While not accepting the principle on which the present minimum standards were fixed and although prepared for a large reduction in the number of shops, we recognize on the other hand that no board ought to have the power of forcing total, or even almost total, prohibition without the full consent, expressly given, of the local inhabitants. Although therefore we propose later on the abolition of a fixed minimum number of shops for any area; we feel it necessary to provide some safeguard for the judicious exercise of their powers in this respect by such boards. It is proposed, therefore, that a board shall not, during its term of three years of office, reduce the number of the several classes of excise shops existing on the day when it came into office by more than one-third of each kind of shop (liquor, drugs or opium); subject to the further limitation that the number shall not be reducible by any succeeding Licensing Board to a lower figure than one-third of the number existing when such boards were first constituted.

A power to reduce the existing number of shops to one-third is obviously a great advance from the point of view of the worker for temperance. The fact however that this reduction of two-thirds will only be possible in seven years and then only if three successive Licensing Boards decide to exercise their power of reduction in full seems to provide an adequate safeguard against any unduly extreme measures.

The proposals of the Committee relate to the powers of Licensing Boards only. They would be subject to the provisions of any legal measure of local option which might be enacted during the term of office of any Licensing Board. A further consideration of this subject will be found in paragraph 41(2) of this report.

18. Next as regards the location of shops, we propose to give ^{Full power to fix sites of shops.} ~~absolute powers to Licensing-Boards~~ subject to the general rules on the subject laid down in the Excise Manual and to the restrictions explained below. This power would enable the board to locate shops in conformity with sound principles and also, if this was considered advisable, to establish "dry" areas, that is to say, to demarcate areas where no excisable articles would be sold at all, e.g. in the neighbourhood of important educational institutions. It is however advisable to provide a safeguard against any possible misuse of this power and we therefore propose to give the Excise Commissioner a right to appeal to Government against the decisions of the board as regards the location of shops.

19. The selection of licensees is a most important matter under ^{Selection of licensees.} the proposed system, for its success largely depends on the kind of person chosen. Ability to supervise shops personally and honesty are the principal requisites in the licensees. Education alone is not sufficient; nor does the possession of a large capital make a man a suitable vendor. In fact capitalists, who leave the actual work to managers and salesmen, should be sparingly licensed though they need not be altogether excluded; and as far as possible no licensee should be given more than one shop. It is necessary, therefore, at the outset to select carefully from the existing licensees persons whose conduct has been thoroughly satisfactory and who may be trusted to supervise their shops personally. As fair profits are assured any persons found guilty of malpractices should be at once got rid of. But having once secured a satisfactory set of licensees we should allow them continuity of tenure from year to year, taking adequate precautions against the creation of vested interests. In order to secure continuity to licensees with a good record, we suggest that an existing licensee who is refused renewal of his licence by a Licensing Board should have a right of appeal to the Excise Commissioner, whose decision should be final if he agrees with the Licensing Board. If he disagrees, the case should be referred to Government for orders. It is, however, to be understood that this right of appeal is only given to the existing licensee whose licence has not been renewed and not to any other applicant for a vacant shop whose application may be rejected by the board. In cases where a shop is abolished altogether, the licensee will have no right of appeal.

It has been suggested that in allotting licences a board should draw up a list of approved men and select from among them by drawing lots. Licensing Boards should be at liberty to adopt this procedure if they so desire; but the discretion of the board should not be fettered by any hard and fast rules in this regard.

20. The board will presumably meet several times in the year to ^{Meetings.} transact such business as may have arisen. But no fixed period for its meetings need be prescribed, except that it must meet at least once a year to determine the number and location of shops and the licensees for the following year. This meeting ought to be well in advance of the beginning of the excise year to enable appeals, if any, from its orders being disposed of in time. In

(15)

our opinion this meeting should be held early in January every year and the decisions should be communicated to the Collector by the 1st of February. If the decisions of the board are not received by the Collector by this date, he should carry out the necessary functions of the board.

The Committee recommends that a quorum of five should be prescribed. All adjourned meetings may however, as customary, transact business without a quorum provided that decisions taken at a meeting at which no quorum was present should be subject to confirmation by the Collector.

21. The existing rules (article 99 of the Excise Manual) prescribe that no excise shops shall be opened in military cantonments without the knowledge and consent of the Commanding Officer. For facility of administration, we propose that in such areas the Licensing Boards should not have jurisdiction, but that the shops be regulated as heretofore by Collectors in consultation with the Commanding Officer.

22. Licensing Boards, where constituted, should have full power over all kinds of excise shops, whether for drugs, opium, country liquor or foreign liquor. We would however exempt the following from their jurisdiction:—

Hotels; restaurants; railway refreshment rooms; dining cars; canteens; theatre bars; and occasional licences.

23. We recommend the establishment of an Advisory Committee for each district, having jurisdiction in the whole of the district excluding municipal areas and cantonments. The powers and duties of these committees will be the same as those of the municipal Advisory Committees mentioned in article 93 of the Excise Manual. Their membership may be as follows:—

Three members elected by the District Board.

Two members nominated by the Collector for the purpose of representing other interests, more especially education and temperance.

Further, to ensure similarity of treatment we recommend that rule 93 be amended by adding the words "for the purpose of representing other interests, more especially education and temperance."

CHAPTER IV.

MINIMUM NUMBER OF SHOPS.

24. The Committee is asked to report whether the existing rule Maxima and minima to be abolished. about fixing a maximum and minimum number of shops should be continued. It has proposed what in effect is a minimum, but based on different principles from the present minimum, for the cities in which Licensing Boards are to be established, viz. that the Boards shall not reduce the number by more than two-thirds of the number in existence when the Boards were first constituted.

For other areas, the Committee would recommend that a fixed minimum should be abolished and that the number of shops should be regulated solely by the provisions of article 97(a) of the Excise Manual. It is unlikely that there will be any need for a fixed maximum number and we would therefore recommend the abolition of both standards.

Further, the Committee considers that a large reduction can be Existing number of shops to be reduced largely. made in the existing number of liquor and drugs shops, more especially in rural areas. This task will, doubtless, be taken up by Licensing Boards where they are constituted and should be considered by Collectors with the aid of the Advisory Committees in other areas.

(17)

CHAPTER V.

HOURS OF SALE.

25. The Indian Excise Committee of 1905-6 was of opinion that as a general rule the closing hour should be 9 p.m., though it recognized that in some cases earlier closure was desirable. The hours fixed at the present time in these provinces for the sale of country liquor and drugs shops are from sunrise to 9 p.m. with the following exceptions:—

Alterations recom-
mended in the existing
rules.

- (a) Country spirit shops open at 8 a.m.
 (b) In six cities country spirit shops close at 8 p.m. from 16th October to 15th March and at 9 p.m. during the rest of the year.
 (c) For foreign liquor the hours of sale vary with different kinds of shops—

Hotels and railway refreshment rooms	...	all hours.
Restaurants	... ..	noon to 11 p.m.
"On" shop licences	... ..	noon to 9 p.m.
"Off" shop licences and auctioneers	... ..	sunrise to 9 p.m.
Canteen	... ..	such hours as are fixed by the Military authorities.
"Occasional"	... ..	such hours as may be fixed by the Collector.
Theatre bar	... ..	During and half an hour after a performance.

In Bengal rural shops close at sunset and urban shops at 8 p.m. throughout the province.

In coming to a decision the Committee has been guided by the following considerations:—

- (1) There is no real demand for liquor before noon.
- (2) A restriction of the hours of sale would mean a saving in expenses of management to the licensee.
- (3) Excessive drinking and undesirable features are generally found after dark, more especially in the later hours.
- (4) In rural areas the population, which is mainly agricultural, keeps early hours and an indisputable hour like "sunset" would be more easily understood than an hour by the clock which hardly any village possesses.

Taking these facts into consideration our proposals are as follows for all exciseable commodities, opium, drugs, foreign liquor and, country liquor:—

	Opening hour.	Closing hour.
(1) Municipal areas	...	7 p.m., 16th October to 15th March. 8 p.m., rest of the year.
(2) Notified areas	...	
(3) Act II of 1914, Town areas.	...	
(4) Cantonments	...	
Rest of the provinces	Noon	Sunset.

There will be three exceptions :—

- (1) No restriction is desirable as regards the hours of sale to persons holding a prescription signed by a registered medical practitioner.
- (2) The Committee proposes no change in the rules relating to hotels, restaurants, canteens, theatre bars, railway refreshment rooms and dining cars except that they consider that theatre bars should not be permitted to make sales after midnight.
- (3) The tapping of *tari* palms is done in the early morning and the least harmful form of that liquor is fresh or sweet *tari* drunk soon after it is drawn (paragraph 165, report of Indian Excise Committee). In districts, therefore, such as Gorakhpur, where the consumption of fresh *tari* is prevalent, the opening hour for *tari* shops may continue to be at sunrise as at present. This concession should not apply to shops in which other intoxicants are also sold.

CHAPTER VI.

INCIDENCE OF DUTIES.

26. The question referred to the Committee is whether any variations should be made in the incidence of the duties levied upon excisable commodities to give effect to the policy of raising the maximum of revenue while limiting consumption to a minimum. The policy which has been followed up to the present time will be seen from the following figures:—

Existing rules.

Country spirit.—In 1891 the maximum duty was Rs. 2 per L.P. gallon; 1899, Rs. 2-8-0; 1901, Rs. 3; 1909, Rs. 3-8-0; 1907, Rs. 4; 1913; Rs. 4-8-0; 1915, Rs. 5; 1918, Rs. 6; 1919, Rs. 7-8-0; 1921, Rs. 10.

Opium.—In 1891 the maximum treasury price was Rs. 18 per seer; 1910, Rs. 22; 1915, Rs. 25; 1916, Rs. 27-8-0; 1918, Rs. 32-8-0; 1919, Rs. 40; 1920, Rs. 45; 1921, Rs. 55.

Ganja.—In 1896 a duty of Rs. 9 (maximum) per seer was introduced; 1906, Rs. 11; 1914, Rs. 12; 1916, Rs. 16; 1919, Rs. 20; 1921, Rs. 30.

Charas.—In 1896 a duty of Rs. 2-8-0 (maximum) per seer was introduced; 1899, Rs. 4; 1903, Rs. 6; 1906, Rs. 8; 1912, Rs. 12; 1916, Rs. 18; 1919, Rs. 25; 1921, Rs. 35.

Bhang.—In 1906 a duty of Rs. 4 per maund was introduced; 1916, Rs. 10; 1919, Rs. 12-8-0; 1921, Rs. 20.

Foreign Spirit.—In 1891, Rs. 4 per L. P. gallon; 1906, Rs. 7; 1910, Rs. 9-6-0; 1916, Rs. 11-4-0; 1921, Rs. 18-12-0.

27. It will be seen that the duties on all excisable articles have been heavily enhanced from the 1st April, 1921. After careful consideration the Committee is of opinion that no change should be made in the duty on *country liquor* until the results of the experience of the new system are available. As regards *drugs* the duties can probably bear a further enhancement; the Committee would however recommend that it should take effect from the 1st April, 1924, i.e. when drugs come under the Bengal system throughout the provinces. The scale of licence fees for the vend of *foreign liquor* appears to the Committee to be unequal and generally low. It is understood that the Excise Commissioner sent up proposals recently suggesting an enhancement of these fees, but the consideration of these proposals has been postponed. We would recommend that they be accepted and given effect to at once, i.e. from the 1st April, 1922, notwithstanding the enhanced duties. The fee for occasional licences might be raised to Rs. 10.

Again, no transport duty is charged at present on *bhang* collected in districts where it grows spontaneously, for sale in these districts. The Committee sees no reason for continuing this exemption. It is true that evasion of the duty may occur in these districts; with adequate

supervision by the preventive staff this should not, however, be very common, and the change will, at any rate, bring to the public revenue some money which there is no justification for giving up. We accordingly recommend that transport duty should be charged for *bhang* collected and sold in the districts where it grows spontaneously. This change should be introduced as the present farming system gives place to the shop to shop system.

28. The Committee notices also from appendix (A) of the Excise Manual that the rate of duty on the various excisable commodities varies in different areas. While recognizing that local conditions and geographical considerations make it desirable to have a certain number of different rates, we would recommend that there should be as few rates as possible.

(21)

CHAPTER VII.

SHOPS AT FAIRS AND FESTIVALS.

29. The Committee has been asked to report on the question of the closing of liquor shops on occasions of fairs and festivals. "Objections are taken to these licences on the ground that they are unnecessary and spread the habit of drinking among persons who come together for a religious or holiday purpose and who would not drink liquor if it were not put in their way. There is no-doubt that this may result if the grant of licences is unrestricted. At a religious fair in a Native State as many as 13 liquor dealers have been found selling in a single compound. On the other hand, where permanent shops and private possession are as rigidly kept down as they are in some provinces, there is an equal danger in allowing large numbers of habitual or occasional consumers to come together where they have no means of licitly gratifying their appetite." (Report of Indian Excise Committee of 1906, paragraph 235.)

In the North-West Frontier Province no sales are allowed except at permanent shops. In the Punjab the number of those special shops has been reduced, very considerably. In the United Provinces there are two kinds of special shops to consider :—

- (1) Special, i.e. entirely new shops opened on the occasion of fairs.
- (2) Branch shops, i.e. where a permanent shop is allowed to open a branch at a neighbouring fair, sometimes closing the main shop and sometimes keeping both open.

30. The rules governing the issue of these licences are given in article 98 of the Excise Manual. There are restrictions based upon the duration of the fair, the number of people who attend the fair and the distance of the fair from the nearest permanent shop. The policy in these provinces has been one of gradual restriction of the number of those shops. The question was raised in the Local Council in October, 1917, by the Hon'ble Mr. Chintamani, when it was pointed out by Government that the number of these licences for the sale of *liquor*, which was 20 special and 74 branch shops up to 1913, had been reduced to 8 and 12. The Government stated that of the eight special fair licences they proposed to cancel four, the remaining four being in the Kheri district where, on account of the fact that the fairs were held in the heart of the forest and that there was serious danger of illicit distillation and smuggling from Nepal, it was considered inadvisable to discontinue them. As regards *drug* shops it was pointed out that drugs were used in various forms as medicine; and, considering the possible conditions of bad weather and sickness under which the crowd who attended these fairs may have to live temporarily, it would be hard to deprive them of the possibility of obtaining forms of medicine which they valued.

Progress in recent years in the United Provinces in curtailing the number of these shops.

There was also the further consideration that at many religious fairs a large number of *sadhus* congregated who were accustomed to the use of various kinds of drugs and any attempt to restrict their use by them would probably be resented. As a result of the enquiry promised by the Government in the 1917 debate, the number of special liquor licences was reduced to four (all in the Kheri district), and the branch licences from 12 to 3; (1) Garhmukteswar (Meerut district); (2) Dhai (Farrukhabad district); (3) Chaiti (Naini Tal district). The reasons for maintaining these licences were considered to be strong. From 1920 the Garhmukteswar liquor shop has also been closed to meet the wishes of the Meerut District Board who manage this fair. The number of branch licences is thus now reduced to two.

There were only two special *tari* shops in the provinces and they were closed. There were 64 branch and 14 special licences for *hemp* drugs. The Government made the rule about the opening of these shops stricter raising the minimum attendance at the fair to 10,000 instead of 4,000 before a shop could be opened. This had the result of closing 38 branch and one special shop.

There were five *opium* shops, which it was not considered feasible to close.

31. The general trend of the evidence given before us is that it is not necessary to open excise shops at fairs. Shops in fairs to be abolished. Some of the official witnesses thought there might be trouble if *sadhus* were deprived of the facilities for *ganja* and *charas*. But after carefully considering the question we have decided to recommend that these drugs should not be sold at fairs. Some members of the Committee were in favour of provision being made for the sale of *bhanga* and opium for medicinal purposes, but in practice it would be very difficult to make rules for restricting its sale to such purposes. We therefore recommend the removal of all excise shops (special or branch) from fairs; but a travelling dispensary should be sent to fairs in which opium and drugs shops have been abolished.

32. Next, as to festivals. It is obviously not possible to close the Festivals. shops during all the festivals of all religions; for that would include nearly a fourth of the year. [With the exception of the *Holi*, the Committee is unable to see any real principle which would permit of differentiation among the festivals, although the *Dasehra* and *Muharram* are marked by special processions. The problem of dealing with these processions is mainly a magisterial one and provision already exists in section 59 of the Excise Act for the closure of shops, should the District Magistrate consider such action necessary in the interest of peace or order. Similar considerations apply to the local festivals of which there is a very large number in different places. As regards festivals other than the *Holi*, the Committee does not therefore make any recommendation.

33. The case of the *Holi* is a special one. Many people indulge in drinking on these occasions by immemorial custom, Liquor shops to be closed on the Holi. and there are frequent instances of excesses causing annoyance to the general public. The preponderance of the opinion

(23)

of the educated classes is certainly in favour of some restriction. The opinion of the lower classes who will be chiefly affected is difficult to ascertain; but we have been given reasons to believe that the restriction will not be resented even by them to the extent that is some times supposed. We therefore recommend that liquor shops should be closed on one day during the *Holi*, viz. that following the burning of the *Holi*.

The opening of shops for the sale of drugs and opium does not result in annoyance to the public in the same way. No restrictions are therefore suggested in respect of them.

CHAPTER VIII.

TRIAL OF EXCISE OFFENCES.

34. Excise cases are in general tried by district excise officers.

Excise cases not to be tried by the excise officer.

This has been objected to on the ground that the excise officer, being in close touch with the excise inspectors, is likely to be influenced by their private reports; and that he has sometimes investigated the facts and ordered the prosecution himself. Another reason adduced against the practice is that the excise officer is too interested in keeping the licensees satisfied to take a sufficiently serious view of many offences, and passes inadequate sentences.

It is undoubtedly a serious fact that inadequate sentences are often passed for selling drugs and intoxicating liquor to children and for keeping open long after closing hours. These sentences are however by no means confined to excise officers and appear to be the result of a failure to appreciate the gravity of the offence committed or the amount of profit which results from a breach of the rules. If the proposals of the Committee for the reorganization of the staff are adopted this question will not arise as there will no longer be an excise officer on the district staff. But until then, we think it desirable that in order to increase public confidence in the trial, excise cases should not be tried by the excise officer, but by some other magistrate.

To secure uniformity of treatment it will be better to have all cases sent to one magistrate, following the procedure adopted in railway cases and those in which juvenile offenders are involved.

(25)

CHAPTER IX.

STAFF.

35. The satisfactory working of any system must largely depend on the character of the staff who have to carry it out in practice and this general condition applies most emphatically to the working of excise. It has been pointed out that the control of the prices of retail sales is an essential part of the new scheme, as being the only way in which the State can secure its full share of the profits of the business, while keeping at the same time an effective check on consumption. To secure this and to give effect generally to the policy of the Legislature, it will be necessary to maintain a closer supervision over the activities of the trade than heretofore. Moreover the training of the subordinate officers of the department in an entirely new method, which is to replace an old and well-understood one, will entail much extra burden on the supervising staff.

36. The present system is practically one of dual control. The general control in a district is in the hands of the Collector but all the executive work is entrusted to an officer on the district staff who almost invariably has more than full work apart from excise. It is common knowledge that in the circumstances he cannot do justice to himself or to a department the claims of which are getting more and more insistent as it is increasing in technicality and complexity. When the contract system was introduced, eight posts of assistant commissioners were established each in charge of six districts on the average. They were introduced to meet the need for greater technical knowledge and closer supervision and to form a link between the work of inspectors in their circles and the head of the department. They are in special charge of bonded warehouses and are also expected to supervise and guide the work of the excise inspectors, more especially the preventive work, to watch consumption and prices and all indications of smuggling, and to co-ordinate returns of statistics from the various districts. Their work has been hampered by the fact that they have too big a charge; as a result their supervision has been ineffective and lacking in driving power and there has been no real control of inspectors either by them or by the district excise officers. Moreover there are obvious disadvantages inherent in a system of divided control and responsibility. The present system is, in fact, generally admitted to be unsatisfactory and so long as it is maintained no substantial improvement is probable. The new system proposed by the Committee will require stricter supervision than the old and efficiency of administration will yield an immediate return in revenue. It is therefore necessary to come to a definite decision whether the policy which led to the appointment of assistant commissioners should be further followed in the direction accepted by the provinces of Bengal, Madras and Bombay or whether

the whole responsibility should again be thrown on the ordinary staff of a district except possibly the control of bonded warehouses. If the policy of departmental control is to be followed on the example of all Western countries and of the other major provinces of India, excepting the Punjab, then the present district excise officer should be eliminated and the control of inspectors entirely vested in the assistant excise commissioner, under the general control of the Collector. The assistant commissioner would be responsible for the detailed administration of the excise of the district. The system would, in fact, be to a large extent analogous to that recently adopted in the case of the Income-tax department, except that the responsibility of the Collector would be more fully retained. In district headquarters where the assistant commissioner was not resident, the necessary routine work would be carried on by the headquarters inspector and rules would be laid down ensuring that assistant commissioners would give adequate attention to each district in their charge.

37. All officers of the Excise department consulted by us have expressed themselves strongly in favour of this change which is an approach to the systems in force in Bengal, Madras and Bombay. They do not advocate following the Madras precedent by taking away excise from the control of the Collector; and considering the importance of co-ordinating the work of the Excise department with that of other classes of officers, and more especially of the police, the Committee also thinks it essential to maintain the control of the Collector. Any other course would, in fact, involve a very large increase in the excise staff, while the co-operation of the police will become of even greater importance with the probable decrease of facilities for obtaining drink and drugs by lawful methods.

Opinions were also invited from district officers. They are divided in opinion. The majority is against the proposal and thinks that a departmental officer having two or three districts would not be able to look after the executive and the revenue side of excise administration as effectively as a Collector assisted by the district excise officer, more especially in districts away from the headquarters of the assistant commissioner. It is pointed out that the fact of the district excise officer being a magistrate is of considerable value in many ways, such for instance as inducing the police sub-inspector and the excise inspector to work together harmoniously. The departmental officer will not, it is suggested, have the same influence or experience of executive methods.

Apart from these considerations of principle, it is felt by some officers that in the present unsettled condition of the excise revenue it is inadvisable to abandon the present well-established and comparatively cheap system and to substitute for it a new and more expensive experiment.

The district officers consulted could not take into their calculations the fact of the closer degree of supervision, which will be required under the proposed system of administration both of liquor and drugs. The change to a shop to shop settlement of drugs would,

(27)

in itself, result in a considerable increase in the complexity of the work of the department even without the introduction of a new system for liquor.

38. While attaching full weight to the arguments put forward by district officers, the Committee believes that the new system could not be successfully administered unless the excise staff is so reorganized as to bring in a real check over inspectors and a definite chain of responsibility, without dual control. It considers this very difficult of attainment under the existing system or by again throwing the whole responsibility on the ordinary district staff. The present district excise officer will be even less able to exercise control in the future than he has been in the past as the need for technical skill and experience increases and closer supervision becomes essential. It recommends, therefore, that the department should be organized on the lines indicated in the latter part of paragraph 36 and that the control of inspectors should be vested in an adequate number of assistant commissioners working under Collectors. The Committee regrets the increase in expenditure but considers it necessary if the new system proposed is to be worked to the greatest general advantage on the lines suggested. Excise must become more departmental in these provinces as every where else.

39. As regards the strength of the cadre of assistant commissioners it is unnecessary and financially impracticable to have one officer for each district.

~~39.~~ The Committee considers that 20 assistant commissioners would be adequate including the personal assistant to the Excise Commissioner. Gorakhpur would give full work for one officer and of the others, nine would have charge of two districts and nine of three districts. Almora and Garhwal might remain under the present system. The general control of the present assistant commissioners is vested in the Excise Commissioner and in one deputy commissioner. It is probable that a second post of deputy commissioner may have to be created in the near future, though the Committee is not prepared to say that this is immediately necessary. When a second post is created, one of the two posts of deputy commissioner should be reserved for a selected assistant commissioner.

40. The next question for consideration is whether the Excise department should be a self-contained service, the assistant commissioners being recruited by promotion from inspectors—possibly with a proportion of direct recruitment—or whether, on the analogy of the Opium department, deputy collectors should be taken over, either permanently or for a term of years. Some officers of great experience advocate the latter course on the grounds that in the first place it would make a reduction in the cadre much easier should this be necessary later on and that it would make for contentment if assistant commissioners knew that they could revert to the regular line.

The Committee has considered the question carefully and is of opinion that on the whole the balance of advantage is decidedly in

favour of a self-contained service. Deputy collectors would only agree to a transfer if they received a special allowance and might then be drawing more pay for the same work than the experienced men from the department itself. Further, if they came for a term of years they would revert just as they began to be useful. This was, in fact, the actual experience of Bengal where this system was in operation.

If deputy collectors came over for long periods, they would be of little use when they reverted and the revenue or judicial departments would probably be unwilling to take them. If they came over for an unlimited period, the best officers would probably try to revert as they saw prospects of promotion in the revenue or judicial department. Either only the more incompetent would remain, or if deputy collectors were kept against their will, they would be more discontented than officers definitely recruited for the department. Finally, unless the larger proportion at any rate of these posts is open to excise inspectors by promotion, the latter will have little inducement to do good and honest work and their morale would be very seriously affected.

The Committee therefore recommends that the Excise department should be a self-contained service and should not be recruited by borrowing officers from other departments. In this conclusion it is supported by the views of the Indian Excise Committee set out in paragraph 289 of their report which deals with a similar problem.

41. Appointments to the post of assistant commissioner should be made by promotion from excise inspectors and by direct recruitment; but not more than one-third of the appointments should be made by direct recruitment. As regards the eleven new posts which would now have to be created, the Excise Commissioner strongly presses the claims of the graduates who were recruited to the department in the years 1906--8 before the grade of inspectors on a pay of Rs. 50 was instituted. It is understood that they include a number of competent men of similar educational qualifications to deputy collectors; and considering the special need of officers with excise experience for the institution of a new system the Committee consider that they have fair claims to these posts. Future candidates for direct recruitment as assistant commissioners should be required to have the same qualifications as deputy collectors.

42. No increase is proposed in the cadre of inspectors but the Committee would advocate measures for the improvement of their morale and for enlisting their interest in the successful working of a system which will, in some ways, make considerably greater demands on them.

When the service was first instituted a large number of graduates joined it, many of them of a good stamp; but with the introduction of the grade of inspectors on Rs. 50 the type of candidates showed a serious decline and has never returned to the early standard even after the abolition of that grade of inspectors. The proposals in respect of assistant commissioners mean a substantial improvement in the prospects of excise inspectors; but this cannot affect more than a proportion of the present cadre, many of them officers with fairly long service. The Committee considers,

(29)

therefore, that further measures of improvement are called for of a wider and more immediate effect before the service can again hope to secure competent men with good educational qualifications. This is needed more especially as it is intended to make the department self-contained and excise inspectors must look to promotion within the department and should not henceforth be eligible for promotion as deputy collectors.

43. The statement attached to this report compares the strength of the staff proposed by the Committee with that of the corresponding staffs in other provinces. As explained in the notes, conditions are not altogether comparable in the different provinces; but the statement is at least an indication that the Committee's proposals are not on an extravagant scale and that it has tried to keep as low as possible the number of subordinate officers whose multiplication always introduces unavoidable evils in its train.

CHAPTER X.

MISCELLANEOUS.

44. Having dealt with all the issues specially referred to us, we now proceed to discuss, and formulate our recommendations on certain other problems connected with excise administration.

(1) *Policy*.—The first of these is the question of the formula expressing the excise policy of the Government. The Committee is in full agreement with the views expressed in article 2 of the Excise Manual. But it has been represented to us that the short formula which is occasionally used, viz. "maximum of revenue from minimum of consumption," is apt to be misunderstood by even educated persons who think that Government insists upon as large a revenue as possible from excise. The Committee considers that it will perhaps tend to remove such misunderstandings if the formula used makes it clear that the policy is "the minimum of consumption, but that the proportion of the profits from that minimum consumption which is to accrue to the State should be as large as possible."

(2) *Local option*.—Paragraph 17 of this report deals with the question of the powers to be assigned to Licensing Boards of regulating the number of excise shops and states that those proposals were subject to the institution of any system of "local option." By "local option" the Committee understands the vesting in a specified electorate of any defined area the power to determine, by the exercise of their votes, questions affecting the local traffic in intoxicating liquors and drugs; and, in particular, the question of the continuance or extent of the retail sale and supply of such articles within that area.

The Committee has received many representations for the institution of such a system but does not consider that it falls within the scope of its terms of reference. We desire however to call attention to the wide interest which this question is exciting and to suggest that a necessary preliminary to such a measure would be the formation of a much wider electorate than any now existing.

(3) *Instruction in schools*.—It has been urged before us that Government ought to take steps more definitely than it has done heretofore for instruction in schools about the injurious effects of intoxicating drink and drugs. The Committee is aware that action on these lines has already been taken by the Education department but mentions the suggestions as an indication of the degree of public interest taken in this question.

(4) *Counter attractions*.—Similarly a number of suggestions have been received as to the necessity of providing counter attractions. The experience of Western countries is not of much assistance towards meeting Indian conditions and the Committee is not prepared to make definite recommendations on this point.

(31)

(5) *Sale of ganja and charas.*—It has also been suggested that *ganja* and *charas* should be dealt with like other injurious drugs in a manner analogous to that prescribed in the “Dangerous Drugs Act of England.” The question is one of grave importance but it is not included in the terms of reference to the Committee. We consider it necessary to mention the proposals as requiring careful consideration; but we would suggest that the problem is one which must be dealt with for India as a whole and not for a single province. Restrictions could only be successfully imposed by checking the import of these drugs at the frontiers of India.

(6) *Drinking liquor in shops.*—Another means suggested to us as working in the interests of temperance is the abolition of “on” licences, i.e. to forbid consumption of liquor in the shops. From the 1st April, 1921, this experiment is being actually tried in Benares where also liquor is now sold only in sealed bottles. The experiment has not been working long enough to permit of any definite conclusions being drawn and as the “sealed bottle” system is also being tested it will be difficult to distinguish the separate results of the double experiment and to say which of the two factors has affected consumption.

Some of the evidence received suggests that the prohibition of consumption in the shop will tend to reduce consumption, especially among the more respectable classes; but on the other hand evasion is easy and there is also the danger of introducing drink to homes where it might not otherwise have gone.

The experiment is, however, one which should be tried and the Committee recommends that it should be introduced, to start with, in two other cities, one large the other small, the results being compared with those in Benares. If these experiments succeed, the restriction could be gradually extended elsewhere. The two cities suggested for the experiment are (1) Lucknow and (2) Etawah.

(7) *Majum sweets.*—Complaints have been received, more specially from Benares, of the sale of sweets mixed with *bhang* by ordinary sweet vendors. The Committee merely draws attention to the subject because the practice, if it exists, can be dealt with adequately under the existing law.

(8) *Clubs.*—The question of clubs has been raised in several references to the Committee. It has not been shown that bogus clubs for drinking purposes only have spread in these provinces; but there are grounds for considering that some clubs have been very lax in carrying out the rule forbidding sales to non-members and in other evasions of the law. We consider that the question is one which should be dealt with by the Excise department. The department does not appear to have any list of recognized clubs and some form of registration, or in special cases even licensing, may be advisable.

Amendments suggested in the Excise Act.

45. The Committee would recommend the following additions and alterations in the Excise Act:—

(i) *Section 23(1).*—The Committee considers that it is inadvisable to allow persons under 16 years of age to be employed in liquor shops. The present age limit of 14 should therefore be raised to 16.

(ii) *Section 60.*—The maximum imprisonment which can be given under section 60 for offences, other than those relating to cocaine, is three months. It has been urged that this is entirely inadequate to serve as a deterrent in certain cases. As restrictions on the traffic of excisable articles are increased, the necessity for enhanced punishment becomes obvious. The Committee therefore recommends that the maximum imprisonment prescribed should now be one year, and double of that, as provided by section 69, on subsequent convictions. At the same time the Committee feels that the present criticism is directed not so much against the maximum prescribed as against the inadequacy of the punishments generally imposed to which allusion has been made in chapter VIII.

(iii) *Section 74.*—It has been represented that the power of compounding offences now given to excise officers should be curtailed as being liable to lead to unduly light penalties and as being misunderstood by the more ignorant licensees, who are apt to suspect misappropriation of a money fine imposed without a proper trial. While realizing the advantages of a speedy decision the Committee would recommend that in all cases in which excise officers propose to compound an offence the papers should be sent to the magistrate having jurisdiction, and the offer to compound communicated through him.

(iv) Paragraph 9 of this report deals with the question of avoiding the growth of vested interests. As there suggested a section should be added on the lines of section 44A of the Bengal Excise Act.

46. The Committee proposes the following amendments in the rules framed under the Excise Act and given in the Excise Manual:—

Amendments suggested
in the rules.

(i) *Rule 84.*—In view of the greater restrictions we desire to put on the sale of excise articles, the provision for extending the closing hour on the payment of a fee should be abolished.

(ii) *Rule 86 (9) (1)* forbids sales to persons under 16 years of age. The Committee considers that the same rule should be applied to vendors of *tari*. It would go further and in harmony with the principle of the Children Act in England, would prohibit the admission of such persons (except members of the family of the vendor) into an excise shop during the hours of sale. The vendor should be held responsible for a breach of the rule.

(iii) *Rule 86(11)* forbids, *inter alia*, the holding of entertainments. It is in the knowledge of some members of this Committee that *panchayats* are sometimes held in liquor shops. These often hold protracted sittings, and result in heavy drinking and undesirable excesses. The Committee would therefore prohibit the holding of *panchayats* in liquor shops.

(33)

- (iv) *Rule 99* should be so worded as to make it incumbent on the Excise Officer to give notice to the Commanding Officer of the renewal as well as of the original giving of licences.
- (v) *Rule 101(6)*.—The Committee would draw attention to this rule as it is informed that the periodical enquiry enjoined by it has not often been held.
- (vi) *Rule 190(5)*.—The Committee would also draw attention to this rule which requires the district annual report to state in what manner local opinion has been consulted in licensing shops. We would suggest that the provincial annual report should also deal with this subject.
- (vii) *Rule 255*.—In conformity with the general principle of decreasing facilities for drinking, we would recommend that the power given to Collector by rule 255 should be exercised very sparingly. It has been brought to our notice that members of the depressed classes are particularly apt to take advantage of this provision.
- (viii) *Rule 261(2)* should be modified so as to provide that the same fees should be levied on restaurant and hotel bar licences as on shop licences for consumption on and off the premises.
- (ix) *Rule 298(1)*.—Prior to the year 1906 the strength of the liquor sold in these provinces was "Proof Spirit" and "25 U. P." The Indian Excise Committee considered these strengths to be too high, and the sale of Proof Spirit was discontinued and a weaker liquor at 50 U. P. was introduced. We consider that the time has now come when, in the interest of temperance, a further reduction should be made in the strength of the liquor sold, on the lines suggested in paragraph 258 of the report of the Indian Excise Committee. The Committee would recommend a reduction of the 25 U. P. liquor to 35 U. P. Further, we think it would be an administrative convenience to have only one kind of liquor sold in a district. In a very large number of districts there is practically no demand for the 50 U. P. liquor. In these places only the 35 U. P. liquor need be sold. In any district, however, where there is an appreciable demand for the weaker liquor, the 50 U. P. liquor should also be sold, separate shops being provided for the two kinds of liquor.

47. In the resolution on the Excise Administration report for the year 1919-20, His Excellency Sir Harcourt Butler has expressed the hope that the growing desire for a share in general administration will manifest itself in a more active co-operation on the part of the public with officials in matters relating to excise.

The Committee trusts that its proposals for the grant of a real and substantial share in the administration of excise may stimulate public interest in the many problems connected with it and so aid in realizing

(34)

the aim expressed by His Excellency. They would add an expression of their hope that excise officials will welcome any genuine and intelligent co-operation by members of the public in the carrying out of their difficult task.

A. W. PIM.

GOKARAN NATH MISRA.

H. W. GILL.

C. PHILLIPS CAPE.

M. AFZAL.

T. GIBB.

PANNA LALL.

STATEMENT.

Comparison with other Provinces.

Head.	United Provinces.	Bengal.	Madras.	Bombay.
Area in square miles...	105,965	73,562	142,574	76,136
Population (thousands)	46,769	45,317	41,432	16,101
Number of districts...	48	27	26	20
Average area of district (square miles).	2,207	2,724	5,483	3,806
Gross revenue, 1919-20 (lakhs).	172.47	180.23	531.42	353.22
Gross excise charges, 1919-20 (lakhs).	8.00	13.58	22.53	16.00
Net percentage of gross excise charges to gross revenue.	4.6	7.5	4.2	4.5
Salaries and allowances, 1919-20 (lakhs).	4.75	10.34	Not available.	9.23
Central controlling charges.	1.33	1.90	Ditto	Not available.
<i>Number of retail shops.</i>				
Country spirit ...	3,999	1,121	6,046	1,875
Opium ...	1,024	823	669	962
Hemp drugs ...	3,206	1,541	408	569
Turi ...	2,463	2,068	10,741	733
Total ...	10,692	5,553	17,864	4,139
<i>Establishment.</i>				
Superior ...	1 Excise Commissioner.	1 Excise Commissioner.	1 Excise Commissioner.	1 Excise Commissioner.
	1 Deputy Commissioner.	3 Deputy Commissioners	4 Deputy Commissioners.	4 Deputy Commissioners.
	9 Assistant Commissioners.	29 Excise Superintendents,	13 Assistant Commissioners.	17 Excise Superintendents.
	(Proposed 20).	61 Inspectors ...	45 Inspectors. 24 Assistant Inspectors.	...
Subordinate ...	159 Inspectors	258 Sub-Inspectors	604 Sub-Inspectors	405 (in six groups).
	375 Peons ...	123 Petty officers...	25 Petty officers ...	1,473 Peons.
	(Proposed 397).	966 Peons ...	3,037 Peons.	...
	<i>Notes.</i> —Perform excise duties only. One Assistant Commissioner is Personal Assistant to Excise Commissioner.	<i>Notes.</i> —Salt is combined with excise. Salt duties are preventive only. Inspectors are gazetted officers. One Excise Superintendent to each district. The Inspectors are Assistants to Superintendent for control of staff. The Sub-Inspector coincides with Inspector in United Provinces, one Superintendent is Personal Assistant to Commissioner of Excise and Salt.	<i>Notes.</i> —Salt combined with excise. One Assistant Commissioner is Assistant Secretary to Board of Revenue. Assistant Commissioners correspond to the same officers in United Provinces and Excise Superintendent, Bengal. The Inspector and Assistant Inspectors assist in control of staff. The <i>tari</i> tree-tax system, which accounted for 247 lakhs of revenue, explains large staff.	<i>Notes.</i> —Salt combined with excise. Excise Superintendents correspond with Assistant Commissioners, United Provinces.