

Report of the excise advisory committee  
appointed by the Government of Madras.

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**EXCISE ADVISORY COMMITTEE.**

**Appointed by the Government of Madras, 1924**

*President.*

The Hon'ble Rao Bahadur Sir A. P. Patro Garu, *Kt.*

*Members.*

1. M.R.Ry. A. V. Bhanoji Rao Garu, M.L.C.
2. „ C. V. Venkataramana Ayyangar Avargal, M.L.C.
3. „ Rao Bahadur P. C. Ethirajulu Nayudu Garu, M.L.C.
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10. The Zamindar of Kurupam, M.L.C.
11. M.R.Ry. Rao Sahib R. Srinivasan, M.L.C.

*Secretary.*

E. W. Legh, Esq., O.I.E., I.C.S.

## APPENDIX A.

## REPORT.

The objects of our deputation were to enquire into the temperance measures introduced in Bombay, Bengal and the United Provinces, namely, the surcharge system in Bengal and the United Provinces, the excise licensing boards in the United Provinces and the rationing system in Bombay.

## I.—SURCHARGE SYSTEM.

This is one of the methods adopted for the disposal of the right of retail sale of liquor and drugs. The system hitherto in force throughout the larger part of India was the auction system under which the right of vend was sold in public auction to the highest bidder. Various objections have been taken to the auction system. These were recognised by the Excise Committee of 1905-06 and in their report they suggested the trial of the surcharge system as an alternative to the auction system. The surcharge system as suggested by the Excise Committee was the levy of fees for the privilege of retail vend by fixed extra payments on each gallon of liquor sold in addition to the duty. The Government of India however did not approve of this recommendation of the Excise Committee and as a consequence no general steps were taken towards the abolition of the auction system. The Bombay Government however in 1909 introduced the fixed fee system under which renters were chosen and the right of vend was disposed of in return for an annual payment of a fixed sum. This sum was arrived at on the basis of the sales of previous years. This system called the fixed fee system was in force in Bombay for seven years and was abolished as unsuitable in 1918. Meanwhile an improved surcharge system had been introduced in certain districts of Bengal in 1916-17. According to this system, which will be hereafter referred to as the Bengal system, the fee levied on each gallon of liquor sold is not fixed but is graduated so as to rise with increase in consumption. This Bengal system has received general approval in that province and with effect from the beginning of the present financial year, i.e., from April 1922, has been adopted throughout that Presidency.

2. The essential features of this Bengal system are these:—

Vendors are selected by Collectors on the advice of the Excise department and a scale of monthly licence fees is laid down by the central office in such a way that the fees payable each month vary in proportion with the sales in the shop in the previous month. The method of arriving at this scale of fees is somewhat complicated and must be explained at length.

3. The first step is to fix the retail selling price of each kind of liquor or drug. This is done separately for different localities, the prices being somewhat higher in industrial areas and large cities. The next step is to ascertain the total margin of possible profit to be obtained on each gallon of liquor sold. This is arrived at by deducting from the retail selling price of each gallon the sum of the duty and the cost of supply of each gallon. The third step is to make an estimate of the reasonable profit per gallon which should be obtained by the renter of each shop. This reasonable profit is arrived at from the experience of past years and the general run of traders' profits in the locality. Having arrived at the total margin of profit and the reasonable profit which the renter should obtain per gallon, the profit per gallon is divided between the renter and the Government in such a way that the Government's share of profit increases with increasing consumption.

4. An illustration will perhaps make the above method clear. Let us assume that the retail selling price of country spirit is fixed by Government at Rs. 13-8-0 per gallon: assume too that the duty is Rs. 6-10-0 and the cost of supply from the distillery Rs. 1-4-6. The total cost price of liquor is thus seen to be Rs. 7-14-6 (Rs. 6-10-0 duty plus Rs. 1-4-6 cost of supply). The retail selling price being Rs. 13-8-0, there is left a margin of profit of Rs. 5-9-6 (Rs. 13-8-0 selling price minus Rs. 7-14-6 total cost) or Rs. 5.59 which is to be divided between Government and the seller. For the purpose of arriving at the reasonable profit to which the seller is entitled, it is assumed that a retail shop keeper selling ten gallons a month is reasonably entitled to get a profit of Rs. 40 or Rs. 4 per gallon. In such a case the total margin of profit on the ten gallons is Rs. 55.9. Of this the renter is to get Rs. 40, the balance of Rs. 15.9 going to Government. This is collected by fixing the fee payable for a shop selling ten gallons at a round sum of Rs. 15. Similarly if the shop sells twenty gallons, the total profits will be Rs. 111-8-0. Assuming that the renter should make a profit of Rs. 60 or Rs. 3 per gallon, the balance is Rs. 51-8-0. The fee for a shop selling twenty gallons is therefore fixed at

the round sum of Rs. 51. In fixing the seller's share of the margin of profit, it is taken for granted under this system that the licensee of a big shop selling say, 1,000 gallons of country spirit per month is entitled to get only a smaller proportion of the margin of profit than the licensee of a small shop selling ten gallons per month. On the basis of these assumptions, tables showing the graduated scales of licence fees to be paid by the licensees in each locality are prepared in the central office and supplied to officers in charge of the shops. The licence fees payable on the sales of each month are collected early in the following month. An extract from such a table for one of the United Provinces districts is given below:—

Quantity of liquor sold.				Vendor's profit, per gallon.	Government's profit per gallon.	Licence fee.
GLS.				RS.	RS.	RS.
10	...	...	...	4	1.59	15
20	...	...	...	3	2.59	51
30	...	...	...	2.66	2.93	87
100	...	...	...	1.70	3.89	389
200	...	...	...	1.35	4.24	848
300	...	...	...	1.23	4.36	1,308
500	...	...	...	0.94	4.65	2,325
1,000	...	...	...	0.72	4.87	4,870

A glance at the above table will clearly indicate the fundamental feature of the system, i.e., the Government's share of the profit per gallon increases with increasing consumption while the vendor's profit per gallon decreases.

The advantages claimed for the surcharge system are:

- (1) It eliminates the gambling element from the trade and makes the vendors' profit more definite and less subject to risk.
- (2) It therefore tends to secure a better class of licensees.
- (3) It lessens the motives for malpractices.
- (4) It enables Government to keep a close control over consumption.
- (5) It facilitates the framing of the budget.
- (6) It secures the maximum revenue to Government.

5. We propose now to examine briefly these claims on behalf of the Bengal surcharge system:—

*Item No. 1.*—Under the auction system the renter has no means of knowing the sales exactly. He may be forced to bid too high for a shop and may thus incur serious loss; whereas under the surcharge system he need venture no capital at all but makes his definite profit per gallon of liquor sold while he runs no risk of losing any substantial sum. From the renter's point of view, no doubt it is true that it subjects him to no risk whatever and ensures to him a certain amount of profit though the average profit may be reduced as the sales increase in his shop. Intrinsically considered, we do not see any serious objection to the existence of a certain amount of risk in the liquor trade as in all other trades. Under the auction system the bidder, like any other businessman, has to take a certain amount of risk and there is no reason to suppose that the licensee under that system bids in the auction without taking into account the risk incidental to the trade and making due allowance for such risks. He, like any other businessman, is naturally expected to know the nature of the transaction into which he enters.

*Item No. 2.*—With regard to the second point, it seems to be true in Bengal that a better class of licensees is now being obtained at least in the opium shops. In two shops which we visited in Calcutta, the vendors were graduates. In one shop in the United Provinces the vendor was a retired tahsildar and graduate, while in another he was a respectable Muhammadan of some education. The Bengal surcharge system, as it does not require the possession of a large capital, has enabled such men as these to enter the trade. They could not have done so under the auction system, for they would have had to bind themselves to pay large rentals without there being any good security that they would recover their outlay. Still, with the exception of these stray cases, there does not seem to have been any great change in the class of renters. As a rule those who held shops under the auction system still continue to be the licensees under the Bengal surcharge system.

*Item No. 3.*—We agree that there is some force in the contention that the Bengal system lessens the motive for malpractices. Take the case of sales after hours. If a man has secured a shop under the auction system at a fixed rent, the profits from sales he effects after hours go entirely into his own pocket, whereas under the Bengal system his profits per gallon decrease as his sales increase, and he therefore does not gain so large a profit on additional sales as he does under the auction system. But we hold that the surcharge system by no means eliminates the danger of malpractices. They may occur under any system if the shops are not properly supervised.

*Item No. 4.*—Government's control over consumption under the Bengal system is exercised by the power which they reserve to themselves to increase the selling price and the duty at any time throughout the year. If in the course of the year the Commissioner discovers that consumption in any locality is increasing, he can immediately issue orders that the selling price and duty in that area should be raised. Now Government possess exactly similar powers under the auction system in that they can automatically put prices up by increasing the duty. But the difference is that that power can only be exercised prior to the commencement of the lease, i.e., once a year, whereas under the surcharge system it can be exercised at any time throughout the year. We were informed in Calcutta that the power of raising retail prices has already been exercised no less than five times: for instance, in the districts of Howrah and Hooghli it was exercised twice in the course of the first year in which the Bengal system was in operation.

*Item No. 5.*—With regard to the fifth point, it is alleged that, under the auction system, Government have no means of foretelling the revenue accurately as it depends on the bids which may be received at auction, whereas under the Bengal system Government will know definitely what revenue they will obtain from any given consumption and therefore are able to forecast their budget with greater certainty. We would point out, however, that under any scientific system, the revenue ought to depend more on the duty levied on the liquor than on the fees collected for the right of vend. The income from duty must necessarily depend on the quantity consumed which in its turn naturally depends on varying seasons of prosperity. We are therefore of opinion that while the Bengal system eliminates any uncertainty due to combination among bidders at the auction, it cannot eliminate the primal uncertainty due to variations in the quantity consumed.

*Item No. 6.*—As regards the last point, namely, that the Bengal system secures the maximum revenue to Government, it is true that since the introduction of the surcharge system the Excise revenue of Bengal has tended to increase. The total Provincial revenue from Excise is shown in the statement below:—

YEAR.	RS.	YEAR.	RS.
1912-13	1,37,59,157	1917-18	1,56,25,391
1913-14	1,53,88,017	1918-19	1,76,38,246
1914-15	1,53,59,916	1919-20	1,81,08,448
1915-16	1,51,30,570	1920-21	1,96,23,317
1916-17	1,44,07,658	1921-22	1,83,48,896

But this increase may well be due to other causes, for instance, the breakdown of the monopolistic combinations which were a prominent feature of the auction system in Bengal and which were in no small measure responsible for depriving Government of their due share of the profits from the trade. The increase in revenue may also be due to increased incidence of taxation. It may be noted here that even with the recent increase of duty in Bengal the incidence of taxation in that province is lower than in Madras, being for the year 1920-21 Rs. 11-11-9 per proof gallon in Bengal as against Rs. 13-5-5 in Madras. Or again the increase in the staff in recent years may have contributed to this increase in revenue. We are therefore inclined to believe that, without having recourse to any arbitrary method of dividing the marginal profit between Government and the vendor, the action of the law of supply and demand, if left to itself, will in the end secure to each party—the Government and the vendors—their due share of the profit.

6. Having examined the advantages claimed for the Bengal system, we shall now indicate what we consider to be some of its prominent defects and limitations.

(1) The surcharge system depends for its efficient working on the rigid enforcement of the fixed selling price. Unless that is done, the fair profits due to the renter and Government cannot be apportioned and consumption cannot be controlled. We are disposed to doubt the claim made by the officials of the United Provinces and Bengal that they have so far succeeded in enforcing sales at prices fixed by them. It is contended that, as the sale price is prominently displayed in every shop and as trial purchases are made periodically on behalf of the department, there is no possibility of a shop-keeper selling drink except at the fixed price. But we would point out that the past experience of all Governments have shown that it is well nigh impossible to enforce with any measure of success the retail selling price of any commodity. During the war Government constantly attempted to control retail selling prices: for instance, in the case of kerosene oil. We believe that the experience was that those prices were never rigidly maintained. The difficulty of enforcing a standard price is enhanced in the case of liquor by the facility which it affords for the resort to dilution and the use of short measures, and the shopkeepers' success in adopting those devices will depend on the strength of the demand.

(2) The Bengal system involves the *selection* of the renters by the agency of officials as in Bengal or of a non-official body as in the United Provinces. It thus loses the great advantage of the auction system under which the renters are selected automatically in a public auction leaving no room for imputation of favouritism or corruption. In Bengal the vendors have hitherto been selected by the Collector on the advice of the Excise officials. We cannot regard that method as satisfactory. Imputations against the honesty of Excise officials are already only too common and the vesting of the power of selecting renters will only supply an additional motive to the licensees to corrupt these officials. In the United Provinces it is intended that the selection of renters should in future be made by the licensing boards in towns where these have been created. Elsewhere selection is to be made by Collectors. As the licensing boards were not brought into being until after the renters for the current lease had been chosen, their power of selection has hitherto not been exercised. It is therefore not yet possible to draw any conclusion as to the advisability of entrusting to such boards the power of selecting licensees. With regard to Collectors in places where there are no licensing boards, rules are now being drawn up by the Government of the United Provinces laying down the manner in which Collectors shall exercise this power. In general the rule will be that the existing licensee is to be continued unless there is clear evidence that he has proved unsatisfactory. Should there be a vacancy, either through the death of an existing licensee or the closure of some shops, the Excise Commissioner of the United Provinces purposes that the Collector shall be compelled to select from the various applicants by drawing lots in his public office. We cannot but regard this method as the negation of all Governments. One man must be better than another and for Government to choose between these by invoking the hand of fate will amount to an abdication of its legitimate functions.

(3) Thirdly, there can be no doubt that in course of time the Bengal system must give rise to the creation of vested interests which will throw an obstacle in the way of temperance reform. In general the rule that an existing licensee should continue will be enforced. If such a licensee holds a shop for any length of time, it is certain that he will raise objections to its closure on the ground that it is depriving him of his means of livelihood. Such vested interests have not hitherto existed in India and it has been one of the strongest points in Government's favour that they were able to close shops as they saw fit without a hue and cry being raised by the trade. It is contended in Bengal and the United Provinces that the claim to vested interest cannot arise because it is clearly laid down in the licence condition that the privilege of vend is only granted for one year at a time. But we feel certain that this proviso will prove insufficient in a few years. A similar condition has existed in other countries. Yet it has never sufficed to prevent the growth of public sentiment in favour of the continuation of an existing licence. For instance, in Scotland it is clearly laid down that licences will only be attached to a particular building for a period of one year at a time. Yet the Quarter Sessions have in several cases reversed the decision of Magistrates when they deprived a vendor of his licence in the absence of misconduct on his part. We believe that, whatever may be the written law, the sympathy of the public will be on the side of the renter who is threatened with the deprivation of his means of livelihood and a serious obstacle will thereby be placed in the path of temperance reform.

(4) Fourthly, we believe that under the surcharge system Government will lose the powerful aid of the existing shopkeepers as a preventive force. It is well known that offences against the Excise laws are hard to detect because as a rule it is nobody's interest to give information to Government officers. If a robbery or an ordinary crime under the Penal Code is committed, there is usually some individual who suffers and he rushes to lay a complaint against the offender. In Excise matters the only person who suffers is the licensed vendor in the locality. He is the only outsider from whom Government officials can expect to receive any information of the commission of Excise offences. Under the auction system the interest of the local vendor is *at its maximum*. He has paid a fixed price, possibly a high one, for the privilege of retailing liquor in that locality. His profits depend on his sales. If illicit distillation or sale occurs in that locality, his profits are immediately reduced. It is therefore to his interest to see that all the liquor sold in the locality is licit and that it comes from his shop. Under the Bengal system, on the other hand, the renter has not paid any fixed sum for the privilege of sale. He has to pay so much per gallon sold and his profits on each gallon sold decrease as his sales increase. While we admit that he always retains some profit on sales, we contend that as his profits diminish with increasing sales, he is very little interested in ensuring that the sales in his locality are only from his shop. It does not matter so much to him whether illicit liquor is made and consumed near his shop and he has therefore very little inducement to give information to Government. The surcharge system thus is likely to lead to an increase in illicit practices.

7. To sum up, we regard the surcharge system as a clever and useful administrative measure. It is an attempt at the scientific application of the law of diminishing returns to the renters' profits, but the point at which the diminishing return actually operates is never reached in practice, for in all the scales hitherto applied the renter still retains some amount of profit on every gallon sold. It is impossible yet to say what effect it has had in the United Provinces, as it has only been in general operation there for six months. But the impression we gathered was that there is a considerable amount of illicit distillation in that province. The staff seems to be quite insufficient to cope with Excise crime. In Bengal, however, there is undoubtedly a general consensus of opinion in favour of the surcharge system, both among officials of the department, licensees and temperance reformers, and it seems to be certain that the Excise administration in that province has improved enormously in the course of the last few years. But we are inclined to think that this improvement is very largely due to the more effective control exercised by a greatly increased staff. Before 1915 the staff consisted of a Commissioner, one Assistant Commissioner, eight Special Excise Deputy Collectors, one gazetted superintendent, two non-gazetted superintendents, 27 inspectors, 151 sub-inspectors, 41 petty officers and 563 peons. The existing staff consists of a Commissioner, three Deputy Commissioners, 30 superintendents, 58 permanent and 4 temporary inspectors, 257 sub-inspectors and 123 permanent and 22 temporary petty officers and 950 permanent and 16 temporary peons. There can be no doubt that this large increase in staff has made for more efficient administration and that many of the benefits claimed for the surcharge system are really due to this improved administration. We do not regard the surcharge system as a strong measure of temperance reform. From the purely temperance point of view, it seems to differ very little from the Madras system. Under both systems the consumption is sought to be controlled by forcing up prices through the steady pressure of taxation. Indeed even under the auction system, as was pointed above, the incidence of taxation in Madras has already reached a higher level than in Bengal. The only advantage the surcharge system possesses from the temperance point of view is that it enables Government to exercise a tighter hold over consumption. For if consumption rises in the course of the year it can be checked within a short space of time by raising the duty and the retail selling price. In Madras once the shops have been sold in auction, the duty cannot be raised nor any other restrictions imposed until the close of the year, while under the surcharge system this can be done at any point in the course of the year. But on the whole we do not consider that this comparatively slight advantage compensates for the dangers of creating vested interests and of putting the power of selecting vendors in the hands either of officials or of a non-official body. Our opinion is that the surcharge system need not be introduced in Madras until signs are clear that the auction system is breaking up. There appears to be no doubt that its introduction in Bengal and the United Provinces was due to the breakdown of the auction system there. In Bengal the monopolistic combinations among renters appear in some places to have obtained enormous power, while in others auctions had got out of control and led to constant reckless bidding and the consequent ruination of many renters and great loss to Government. In the United Provinces the surcharge system seems to have been the direct aftermath of the non-co-operation movement which had in that province attained great strength and put auctions out of the question. The Excise officials were convinced that if they had attempted to hold auctions about January and February 1922, they would have failed to secure any bids at all. In short we regard the Bengal system more as a fiscal than a temperance measure and therefore, until there are signs of disruption of the auction system in Madras, we see no sufficient reason for its introduction in this Presidency.

## II.—EXCISE LICENSING BOARDS.

Besides adopting the Bengal surcharge system, the Government of the United Provinces have in their Resolution No. C. 1383/XIII-65, dated the 10th March 1922, created Excise Licensing Boards in all Municipalities which are divisional headquarters or have a population of 50,000 or over. These Licensing Boards are entirely non-official in character with the exception of the local Excise Assistant Commissioner as Secretary. They consist of two members elected by the Municipal Board—one member elected by the principals of colleges and headmasters of high schools in the city, such colleges and high schools being recognized by a University established by law or by an Educational department of Government; one member nominated by temperance societies registered under the law in the city: if the societies nominate more than one person the district officers should choose one from among them: if the societies fail to nominate a representative or if there is no registered temperance society in the city, the district officer should appoint a person to represent the interests of temperance, one member from the labouring classes to be appointed by the Collector and one member representing the excise trade elected by the local excise licensees. The Board is to elect its own Chairman. It holds office for a period of three years. Its functions are



in the main the same as those of the advisory committees in Madras, i.e., to fix the number and location of shops, with the important change that the Board's decisions are final except that Government may cancel them on the motion of the Excise Commissioner. As regards the power to reduce the number of shops, the Board's discretion is limited by the rule that it may not during its term of three years' office reduce the number of shops existing on the day when it came into office by more than one-third of each kind of shop and 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 constituted. In addition to these powers, the Licensing Boards have one more important power which the Madras Excise Advisory Committees do not possess at all, namely, the power to select licensees. Government have left this power entirely at the discretion of the Board but they have suggested that in the absence of proved misconduct, the Board should adopt the practice of continuing the existing licensees. The right of appeal to the Excise Commissioner against the decision of the Board is given to an existing licensee whose licence has not been renewed. If the Excise Commissioner differs from the view held by the Board, he may refer the matter to Government. If he agrees with the Board, the licensee has no further appeal. This right of appeal only applies in the case of ejected licensees. An unsuccessful applicant for a new shop has no appeal whatever.

2. These Boards have only been in existence for six months and it is not yet possible to express any definite opinion as regards their working. Many of them have only held one or two meetings since their creation. The important power of selecting licensees was not exercised at all in the case of the numerous country liquor, drug and opium shops, as the licensees had already been selected by the revenue officers for the current lease prior to the creation of the Boards. But this power has been exercised in the case of toddy shops granted under the new lease which began on 1st October. As already explained the Government's instructions require that the existing licensees should be continued in the absence of good cause to the contrary. These instructions have been carried out by the Boards in the majority of cases though we were informed that there had been numerous appeals against the decisions of the Board by displaced toddy renters. Final orders on most of these appeals have not yet been passed. In the majority of cases the Commissioner had upheld the decision of the Boards but he mentioned one important case in which one Licensing Board appeared to have been dominated by the representative of the licensees, who seems to have used his power to eject two of his rivals from their shops and to confer the licences upon a discharged departmental peon who was a farm servant under the non-official President of the Board. In the case of this Board too an attempt was made to deprive the ejected licensees of the right of appeal to the Commissioner by postponing the date of meeting until a short time prior to the commencement of the lease. This Board, however, appears to have been a particularly bad example and the Commissioner was careful to assure us that its proceedings should not be taken as typical. Nevertheless it points to a possible danger in the working of such Boards. The only other criticism of the working of the Boards which came to our notice was the lack of interest displayed by members: for many of the meetings have had to be postponed for want of a quorum. This may of course be due to the fact that the Boards have not yet been exercising the power of selecting licensees, a power which was given to them with the specific object of removing that lack of interest which has often been urged as a disadvantage of the advisory committees.

3. This concludes our report on the working of the surcharge system in Bengal and the United Provinces and of the Licensing Boards in the latter province. We regret we have not been able to arrive at an agreement with regard to the rationing system in Bombay. Separate minutes are therefore appended dealing with it. We now conclude our joint report with an expression of our indebtedness to the officers of the provinces we visited for the time they spent in instructing us on the working of their systems. We desire especially to acknowledge our gratitude to Mr. T. Gibb, Acting Excise Commissioner of the United Provinces, and to Rai Bahadur S. K. Raha, Deputy Commissioner of Excise, Bengal, for the invaluable help they gave us.

D. N. STRATHIE.

11th November 1922.

R. K. SHANMUKHAM CHETTIYAR.

#### RATIONING SYSTEM IN BOMBAY.

*Minute by Mr. D. N. Strathie, I.C.S.*

The essential feature of the rationing system as adopted in Bombay with effect from 1st April 1922 is that the monthly issues of country spirit from the distilleries to each shop is limited to a fixed maximum quantity. This quantity is based on the issues

to the shop in the corresponding month of 1920-21. (1921-22 was excluded as it was an abnormal year owing to the picketing.) From the recorded consumption in 1920-21 ten per cent is deducted in Bombay Town and five per cent elsewhere. To provide for unforeseen shortage, Collectors are authorized to allow a deviation from the monthly ration in very exceptional circumstances only, provided the ration for the whole period is not exceeded.

2. The rationing system was introduced in order to meet the popular demand for a forward policy in temperance matters. Its object is clear, viz., to put a rigid limit to consumption and to bring about total prohibition within a definite period.

3. Now examined first from the theoretical point of view, the system must to anybody acquainted with the working of liquor shops appear radically unsound. Granted that there is such a thing as a legitimate demand for liquor, any excise officer will know that the sales in one month in a particular shop are no reliable guide to the probable sales in the same month in a succeeding year. Consumption in a shop varies with a thousand factors, the state of the season, the occurrence of deaths, marriages, fairs and festivals, the demand for labour, the growth of population, the prevalence of fever or other ailments and even with the personality of the seller. If the influence of some of the factors acts in a shop in a particular month one year and not in the same month in the standard year on which consumption is based, the supplies of liquor in that shop will in that month be insufficient for the ordinary legitimate demand. It will therefore have to shut its doors for part of the months for the shopkeeper will not always be able to put a gradual restriction on his sales by raising his prices. He will not be able to foretell deaths, marriages and fevers. It may be contended that periods will also occur when the ration is excessive and that the shopkeeper can then conserve his stock to meet times when there is a large demand. But liquor shopkeepers never have much storage accommodation in their shops; they are afraid to keep large stocks. They will not trust to selling in the future and will certainly in general dispose of whatever stocks they can sell. Assuming then the existence of a legitimate demand, the rationing system only means that the supplies at some periods are more than is needed to meet that demand and that at other periods they are insufficient. The check on supplies is not exercised gradually and by a steady pressure of taxation as it is under the Madras system but arbitrarily and abruptly. Instead of the would-be drinker gradually reducing his consumption as he finds it beyond his means and eventually giving up drink entirely, he finds supplies abundant at one moment and at the next cut off entirely. Surely the results can only be that he will drink more in the early part of the month in the fear that a time will come when he cannot drink at all and that when that time comes he, being suddenly deprived of the drink he desires, will immediately resort to illicit liquor.

4. But it may be argued that there is no such thing as legitimate demand, that Government must enforce some reduction in consumption and that the rationing system is a sure method of seeing that consumption is gradually reduced. Granted that some reduction in consumption must be effected, would it not be better for Government, or some other intelligent agency, to select the times when and the places where consumption is to be reduced, instead of leaving it to blind chance? That is the great objection to the rationing system. There is no reason behind the temporary local prohibition that it enforces. It is based on nothing except a determination to check consumption regardless of consequences. All other temperance measures hitherto proposed have had some justification behind them. Prohibition goes the whole hog and stamps out sale, transport and even possession of all classes of liquors at all times and at all places; local option stamps out sale in the localities in which such prohibition is the people's wish; the Gothenberg system eliminates private profit and thus removes incentive to malpractices and excessive sale, the rationing system on the other hand involves a confession that total prohibition is impossible and in effect says there will be local prohibition at such a time and such a place. But it leaves the time and place to be chosen by accident. It hardly justifies the title of system at all and seems to be merely a political expedient disguised as a temperance measure.

5. The results of rationing in Bombay bear out the above conclusions. It is true that licit consumption has decreased. Indeed so far the licit consumption in the current year is actually less than in the previous year, when picketing and other objectionable restrictions on sale were rife. The reason is that owing to the changes in demand already referred to some shops are not consuming their full ration, while others are unable to meet the demand. Attempts are being made by the Bombay Excise Department to get over the resulting difficulties and to modify the original orders. Thus the ration of a shop was originally fixed on the issues to the shops. It has recently been ordered that the stock in hand at the beginning of April 1920 may be taken into account. Again,

it has been found that the year 1920-21, on which the ration was based, was by no means a normal one. In that year the supplies to shops were interfered with, partly by the failure of the mhowra crop, transport difficulties and changes in distilleries. Supplies to shops were therefore irregular and give no indication of normal consumption. This difficulty of course would not have occurred had the average of a series of years been adopted as the basis instead of one particular year and this will probably be done for the next lease and may result in a substantial increase in the ration. Further, in order to meet the constant difficulties through temporary shortage, the Bombay Government have in their Resolution No. 5782, dated 22nd August 1922, issued orders that Collectors are to give a liberal interpretation to the rules allowing deviation from the monthly rations, i.e., Collectors are now permitted to issue excess supplies fairly freely, subject to the old condition that the annual ration is not to be exceeded. The difficulty will obviously become acute as the year draws to a close. It is easy enough now to grant increased ration in the hope that the demand will slacken off at the end, but the probability is that the demand will not slacken and that in the closing months of the year Collectors will be faced with a rude clamour for more liquor and no supplies with which to meet it. Indeed this point has already been reached in the case of some shops and Government in their Order No. 5498, dated 31st July 1922, have already permitted the transfer of one shop's ration to another, provided always that the district ration is not exceeded. Such cases are, we were told, becoming more frequent and are a clear indication of the impracticability of the rationing system.

6. Apart from these mere administrative difficulties, rationing in Bombay has had the following direct results:—

(1) There are clear indications of an increase in illicit practices. In the last three months there have been 100 cases in one district in places where illicit distillation was formerly unknown. The recent raid which led to the discovery of the presence of illicit stills in 11 houses out of 18 was made in a village in which there were two shops and is attributed entirely to the restriction of supplies brought about by rationing. In the first six months of the current year 522 illicit distillation cases have been detected in the Central Division against 606 in the twelve months of 1920-21 and 376 in the whole of 1921-22.

(2) There has been a noticeable increase in the consumption of foreign liquor. In Bombay there is not a great difference now between the prices of equal quantities of strong country spirit and of the cheap brands of foreign liquor and all observers agree that people are resorting more freely to foreign liquor shops. The actual recorded figures of sales are:—

April and September.						Beer.	Wines.	Spirits.
1921	...	...	...	...	...	101,607	14,728	66,656
1922	...	...	...	...	...	104,734	16,035	82,048

The consumption is however said to be higher than the recorded figures represent, for the retailers of foreign liquor are concealing their sales to prevent the levy of higher fees.

7. My conclusion is that rationing is unsound in theory and that it is already becoming unworkable in practice in Bombay. I have no hesitation in holding that it will never be carried out to its logical conclusion, that it does nothing to solve the temperance problem and brings prohibition no nearer. I strongly advise against the introduction of such a fantastic and impracticable system in this province.

D. N. STRATHIE.

*Minute by Mr. R. K. Shanmukham Chettiya.*

1. I regret I have not been able to agree with my colleague, Mr. Strathie, in his views on the rationing system in Bombay. I have, therefore, appended a separate minute in which I have expressed my view on the working of the system in Bombay.

2. With effect from the 1st April 1922 the Government of Bombay have introduced certain substantial changes in their excise administration, the chief of which relevant to the purpose of our inquiry are (1) a reduction in the strength of country spirit and (2) rationing of country liquor shops.

3. The strength of country spirit in Bombay was 30° under-proof until 1st April 1922. With effect from the 1st April of this year the strength of 30° under-proof country spirits was reduced to 40° under-proof except in certain areas and in shops bordering on Native States.

4. Under the rationing system the quantity of country spirit which each shop is to draw from the warehouse or distillery is fixed by Government. The quantity of liquor allowed to each shop is arrived at as follows:—The year 1920-21 is taken as a normal year in the consumption of country spirits and all the shops are valued on the basis of consumption for that year. From that consumption reduced to proof gallons, ten per cent is deducted in the cases of shops in Bombay City and five per cent for shops in other areas to arrive at the ration for the current year. And it is proposed that in each succeeding year the ration allowed to each shop will be ten per cent or five per cent less than the quantity allowed in the next preceding year. The obvious result of such a system will, therefore, be to bring about a complete prohibition of country liquor within ten years or five years as the case may be. The maximum quantity of ration that each shop will thus be entitled to draw in each month of the year is published at the time of auction, so that the bidders may know exactly what quantity they will be entitled to sell in each shop. The quota which each shop is entitled to draw from the warehouse or distillery is fixed monthly and it is the amount (in proof gallons) supplied to that shop in the corresponding period of 1920-21 as shown in the warehouse or distillery accounts *minus* ten or five per cent, as mentioned above. In areas where there are country spirit warehouses, weekly supplies are given to the shops and in the other places the supply is monthly. The licensees are allowed to vary their weekly demand according to their requirements, provided the monthly ration is not exceeded. In order to provide for an unforeseen shortage, Collectors are authorized to allow a deviation from the monthly ration in *very exceptional circumstances only*, provided the ration for the whole period is not exceeded. It will thus be seen that for the purpose of fixing the ration, each shop is taken as a unit and the ration is fixed on the basis of consumption in that shop independent of the quantity of liquor consumed in the locality.

5. *Working of the system—Practical difficulties.*—This new experiment of rationing has been in force in Bombay for only seven months beginning from the 1st April 1922 and this fact has to be borne in mind in arriving at any definite conclusions as to the merits and demerits of the system. The period of its working has not been sufficiently long to warrant the pronouncement of any judgment with absolute certainty as to whether the system is an unqualified success or failure. But there are certain outstanding features of the system both in its principle and its working from which fairly definite conclusions may be drawn.

6. *Difficulties.*—The chief difficulties which the rationing system has given rise to so far may be classified under three heads—

- (1) the inadequacy of the ration in certain shops and its superfluity in others,
- (2) increase in the sale of foreign liquor, and
- (3) illicit practices.

An attempt will now be made to examine the nature of these difficulties. Apart from these specific difficulties there are also certain other incidental difficulties about which mention will be made later on.

7. *Inadequacy and superfluity.*—During our inquiry we found that the main difficulty in the working of the system was that certain shops had sold out their ration before the expiry of the month while in certain other shops the whole ration had not been sold. In two of the shops that we visited in the Bombay City, we found that the shopkeepers had no liquor left during the last week of certain months and even in the previous week when the ration was running short, the shopkeeper was said to have closed his shop at 6-30 p.m. instead of 9-30 p.m. In certain other shops we found a considerable balance left unsold at the end of the month. This difficulty is attributed to the fact that the basis on which the ration for a particular month is fixed is not a sound one. As was pointed above, the ration for a particular month is the quantity supplied to that shop in the corresponding month of 1920-21 *minus* 10 or 5 per cent as the case may be. It is contended by the officials whom we interviewed that the demands at various shops vary greatly owing to temporary shifting of population or similar causes, so that some shops are not using their whole ration, while at others the demand is much greater than the ration. It is also urged that the consumption in a shop during a particular month in one year cannot be a sound basis to determine the possible quantity required in the corresponding month of another year for the reason that the consumption depends upon such varying factors as marriages, births, deaths and festivals which do not always fall in the same months and dates of each year.

8. While it cannot be denied that there is a very great force in the argument set forth above, it seems to me that one of the main factors which has contributed to the creation of the difficulty is the basis on which the ration was arrived at. In fixing the ration for a particular month, the *quantity* issued from the warehouse or distillery in the corresponding month of 1920-21 was taken into account and not the actual *quantity consumed* in that month. I am inclined to think that if the ration was based on the

quantity consumed in the particular month, a great deal of the difficulty that the system had given rise to might have been obviated. To take an illustration: If a licensee had a balance of 100 gallons on hand on the 1st April 1920, it is likely that he might not have drawn a fresh supply of liquor from the warehouse in that month in 1920-21. So his ration for April 1922 would be nil. But if he happens to have a very small stock, say 20 gallons as the opening balance in April 1922 he would naturally want more liquor in that month and he cannot have it. The meagre stock is sold out before the expiry of the month and he is obliged to close his shop for some days and applies to the Collector for an increase of the ration. If on the other hand the ration is fixed on the basis of the actual quantity consumed in April 1920, i.e., 100 gallons, he would be entitled to draw in April 1922 90 or 95 gallons as the case may be and the complaint about insufficiency of the ration would disappear to a great extent. So it appears to me that the main difficulty that the system has given rise to would have been considerably minimized if the actual quantities consumed in the months of 1920-21 had been adopted as the basis for determining the ration in the corresponding months of 1922-23. This would be an easy matter if, as is being done at Madras, records are kept of the monthly consumption in every shop.

9. Apart from this initial mistake that was committed in determining the ration, there is another factor which seems to have contributed in no small degree to the creation of the difficulty about the inequality of the ration. The year 1920-21 was adopted as the basis for calculation on the ground that it was a normal year in the consumption of liquor. The year 1921-22 was the year in which the picketing activities of the non-co-operators were at their height, and therefore could not indicate the normal demand. So the year 1920-21 was taken as a fairly normal one. But from the information given to us, it appears that 1920-21 was by no means a normal year. For we were informed that in that year the supply of liquor was insufficient and irregular owing to the reorganization of the distilleries undertaken by the Bombay Government and also on account of the fact that the distillery at Nasik which was expected to meet a great part of the demand was not ready till about the end of that year. The result of this inadequate and irregular supply was that the shopkeeper who had ready cash got large stocks and kept them in reserve, while the man who had not the cash at the proper time did not get enough to meet the demand of his shop. This factor would explain the fact that the quantity of liquor drawn by a particular shopkeeper in a particular month in the year 1920-21 offers no indication of the actual demand of that shop in that particular month. So if the year in which conditions were normal or the average of a number of years had been taken as the basis the difficulties might not have arisen.

10. It was pointed out to us that one effect of this insufficiency in the monthly ration was that the shopkeeper who had only a small quantity left at the end of the month puts the prices up. In two of the shops that we visited in the Bombay City in which the ration was insufficient during some months, we inquired whether the retail selling price was raised and the answer was in the negative. Perhaps the shopkeepers were not ready to take us into their confidence. But even if the price was actually raised it is a result which the temperance reformer would welcome as an important factor in putting a check on consumption.

11. To obviate this difficulty that has thus arisen in working the new system, it has been suggested by the Collectors of certain divisions that in fixing the ration the district might be taken as a unit instead of individual shops. It is suggested that in such a case the Collector will have the discretion to divert the supply of liquor from shops where they are in excess of the demand to the shops where it is inadequate. But it is obvious that such a system is unsound in principle and unworkable in practice. The result of adopting the suggestion might be to increase drunkenness in particular localities of a district and to induce the shopkeepers to bribe the subordinate excise officials in order to obtain a greater supply. In practice it would be unworkable because it would not be possible for the bidder in an auction to bid for a particular shop if the supply of liquor that he cannot get for his shop is an uncertain quantity liable to extreme variation at the option of the excise officials. There is therefore no doubt that in fixing the ration individual shops must be taken as the unit.

12. Collectors being authorized to allow deviation from the monthly ration only in very exceptional circumstances, many of them are sending representations to the Commissioner about the rigidity of the system and the Collector of West Kandesh in his letter to the Commissioner (No. X.A.D. 102, dated 25th July 1922) points out the practical difficulties and solicited orders on the following points:—

“(a) whether under these circumstances monthly ration may be exceeded not exceptionally but generally,

(b) whether unused balance of previous months should be allowed to a licensee in excess of his monthly ration as a matter of right,

(c) whether the licensee may be allowed to take more ration from the balance of future months as a matter of grace.

In all these three cases, of course, the total ration for the year is never to be exceeded."

13. In commenting on these proposals, the Commissioner of Customs, Salt and Excise (in his Memorandum No. 58/20, dated 3rd August 1922) observes that "the case of West Kandesh is not exceptional but typical. The same difficulty exists everywhere and the Commissioner has come to the conclusion that the rationing rule requires modification". Accordingly he recommended that the rationing rule may be amended so as to stand as follows:—

"All the shops will be rationed on the basis of the sales of 1920-21 (or if that year was abnormal, of the nearest previous normal year.) The annual quota for each shop will be the amount (in proof gallons) supplied to that shop in the year taken as basis, as shown in the warehouse or distillery accounts, reduced by 10 per cent in Bombay and 5 per cent elsewhere. Licensees may vary their weekly or monthly supplies according to requirements as long as not more than one-sixth of the annual quota is supplied in any one month.

"The Collector is authorized to increase the monthly supply to meet the exceptional circumstances provided the annual quota is not exceeded, but to decrease it if there is a danger of the annual quota being exhausted before the last month of the year: He is also authorized to transfer with the consent of both the licensees the unexpended quota of one shop to any other shop in the district".

14. The modifications suggested by the Commissioner will minimize many of the difficulties so far felt and make the system more elastic. Especially the first part of his recommendation removes what cannot but be considered as the fundamental mistakes of the system, i.e., the failure to take the *sales* in each of the months of 1920-21 as the basis of the ration, and also the failure to see whether the year taken as the basis was a normal year. Most of the difficulties so far experienced in the actual working of the system may disappear to a very great extent if the Commissioner's suggested alterations in the rationing rules are adopted. But the Bombay Government, prompted no doubt by the desire to give the existing system a fair trial before further changes are introduced, have declined to act on the Commissioner's suggestion for the present. Their decision is contained in their Resolution No. 5782, Revenue, dated 22nd August 1922, which runs as follows:—

"The Commissioner of Customs, Salt and Excise should be informed that the Government prefer to give the present system a trial during the current licensing period which will expire on 31st December 1922, and introduce changes, if necessary, from the next. Collectors of the districts have already the authority to allow a deviation from the monthly ration, and if they are instructed to interpret the rules liberally, there should be no hardship."

15. *Increase in the sale of foreign liquor.*—The second great defect in the working of the rationing system is the increase in the consumption of foreign spirit consequent on the restricted supply of country spirits. While Government attempt to ration the supply of country spirits the supply of foreign liquor remains unrestricted. The natural consequence of such a state of affairs would be to drive people to foreign liquor when the supply of country spirit is exhausted. This would be all the more so now that there is not very great disparity between the price of equal quantities of strong country spirits and of the cheap brands of foreign spirits. If the rationing of country spirit shops is to be a complete success, it is a condition precedent to the attainment of that success that steps should be taken to prevent the diversion of custom to the foreign liquor merchant. The most effective precaution in this direction would be to raise the duty on foreign liquor with the object of placing the foreign spirit beyond the reach of the poorer classes and to place some restriction on the supply of foreign liquor as well. Local Governments cannot ration the foreign liquor shops as they do not control the supply of imported liquors and to restrict the supply of foreign liquor of Indian manufacture would mean handicapping an Indian product against its foreign competitors. It would at once be proclaimed that these are matters under the control of the Imperial Government. It would be well to point out there in unambiguous words that if all these years the well intentioned measures of Local Governments for promoting temperance have not met with that they would otherwise have attained, it is because of the fact that foreign liquor was held sacrosanct and has been beyond the orbit of any sort of restriction. Without dilating on this obvious point, it might at once be observed that if one of the evil results of the rationing system is to increase the consumption of foreign liquor, it is not because of any inherent defect in the rationing system, but because of the fallacious and futile policy of attempting to restrict the consumption of one particular variety of the same commodity to go about unrestricted and uncontrolled.

16. Though the Local Government does not control the sources of supply of foreign liquor and therefore cannot ration the same, and though the duty levied on foreign liquor

is under the control of the Government of India, yet the Local Government can to some extent control its consumption and place beyond the reach of the poor man at least by increasing the licence fees thereby forcing up the price of foreign spirit. At present the licence tax for 'off' foreign liquor shops is a fixed round sum. In place of this fixed licence tax it would be advisable to adopt the system of a licence tax chargeable on each item sold. The licence tax may be levied and paid monthly on the quantities sold to the public at the rates which will be fixed by Government.

17. This system of levying a licence tax on the quantity sold has been adopted in Bengal. Such a system will not only enable Government to have a greater control over the foreign liquor trade, but it will also make it possible to secure accurate figures regarding the foreign liquor consumption within the Presidency and it will also secure a much greater revenue to Government. When the price of foreign liquor is thus forced up, it is possible private consumers may begin to import the liquor directly. To safeguard the revenue and also the trade against this, the Government of Bengal have notified that they are 'pleased to prohibit the import of any foreign liquor into Bengal by any person other than a person duly licensed to sell such liquor to other licensed dealers or to the public, unless the duty imposed on such importation under the Indian Tariff Act, 1894, or the Sea Customs Act, 1878, or the Bengal Excise Act, 1909 (section 27) has been paid, or a bond has been executed for the payment of such duty, and unless the licence tax payable on such articles in Bengal has been paid on such import'.

18. The suggestion that I have made above with regard to the foreign liquor trade is based on the system that has recently been introduced into Bengal. To arrive at a more definite conclusion on the point Government must examine the whole question in the light of the legal powers that they have to control the trade. For the foreign liquor trade must be brought under greater control if the temperance measures of Government are to be a success.

19. *Illicit practices.*—A third disadvantage in the working of the system is the impetus which it might give to illicit practices. Judging from the figures kindly supplied to us by the Deputy Commissioner of the Central Division, Bombay, it is possible that illicit practices have increased after the introduction of the rationing system. In the year 1920-21 the number of offences detected was 606; in 1921-22 it was 376 and for the six months in 1922-23 it had been 522. But it is not possible to arrive at any definite conclusions from these figures. As was expressed by the Commissioner, Mr. Baker, an increase in the number of offences reported might only mean that the Excise officials have been more vigilant. There is a great deal of truth in this remark. But apart from the fact whether the new system has given rise to more cases of illicit practices, it must at once be observed that the question of illicit practices is inseparably connected with all measures of temperance reform and it is not an incident peculiar to the rationing system. In his Memorandum No. 666, dated 13th August 1921, the Commissioner of Sind discussing about the disadvantages of the system refers to that of illicit practices as the least of these disadvantages. Again the Superintendent of Salt and Excise in Sind in his letter to the Commissioner (No. E. 916, dated 30th July 1921) refers to the danger and observes: "I am of opinion that if this were the only objection the experiment should be tried". It would therefore be unfair to condemn the rationing system on the ground that the demand for liquor that cannot be met by the licensed shops will be met from illicit sources—an evil that is inevitable in every measure intended to check consumption. It will be well to emphasize in this connexion that any experiment intended to promote the cause of temperance must necessarily lead to an increase of the preventive staff which means a question of additional expenditure. This aspect of the question is very often ignored and the advocates of temperance must be prepared to face this consequence. Government and the people must be prepared to sacrifice not only the gross revenue by the diminution of consumption, but also a more than proportionate amount of net revenue by the heavier deductions by way of increase in the staff, to which the gross revenue would be subject.

20. A fourth defect which in the opinion of some officials as a result of this system is that it will tend to penalize the moderate drinker and to increase drunkenness amongst those who are already addicted to liquor. The drunkard will naturally take more trouble to get liquor than the temperate drinker. And on this assumption it was contended that they will hasten to the shops at the beginning of each rationing period to make sure of obtaining drink; that they will drink as much as they can get in the fear that they may not get any at the end of the month. They will thus get more drunk than they otherwise would, and as result of this the moderate drinker would get no drink at all. I must confess that it is difficult to controvert such a piece of ingenious reasoning. I can only say that there is more ingenuity than truth in the argument and it will furnish a nice problem for any philosophic mind engaged in analyzing the psychology of the drinker.

21. The Government of Bombay are confronted with another difficulty in the working of the rationing system on account of the proximity of Native States. There are populous towns and villages on the border line between Bombay and the adjoining States, and the existence of

shops selling an unlimited quantity of liquor on the other side of the border neutralizes the effect of rationing the shops in the British territory. When the ration is exhausted in these shops, the men have only to walk a few yards to get their drink in the shops on the other side. So far none of the States adjoining Bombay have adopted the rationing system. This is a practical difficulty for which the Bombay Government cannot find a solution unless with the willing co-operation of the States. Fortunately for Madras this problem will not present any serious difficulty. For the greater portion of the border line between Madras and the adjoining States is covered by mountainous and very thinly-populated tract of country.

22. *Inherent merits and defects of the system.*—An attempt has been made in the foregoing paragraphs to explain what is meant by the rationing system, the difficulties that have so far been met with in its actual working in the Bombay Presidency, some of the causes that have given rise to these difficulties, the remedies suggested in order to minimize them, and the final action of the Bombay Government for the present. An attempt will now be made to indicate the merits and defects inherent in the system as such and the balance of these merits and defects.

23. *Merits.*—The fundamental idea underlying the rationing system is that the consumption of liquor must be brought down by *direct* action on the part of the Government as opposed to the *indirect* methods that have so long been employed. The adoption of this system enables Government to apply a direct check on consumption. Though the declared policy of Government has been to keep the level of consumption at a minimum, it had left consumption to regulate itself, subject only to certain indirect checks. The experiments in the reduction of the proof strength of the spirit issued, the restriction in the number of shops, the fixing of the location, the regulation in the hours of sale, the rules as to the classes of persons to whom liquor should not be sold and as to the maximum quantity that can be sold to an individual and the gradual enhancement of the rates of still-head duty—these are the various indirect checks that the Government, have so far imposed and which are calculated to bring consumption to its lowest level. It is not necessary to discuss in this place as to how far these methods have succeeded in achieving this object.

24. If the position of Government in relation to the liquor traffic is recognized to be one of the direct responsibility to gradually decrease the consumption of liquor with a view to wipe out the evil altogether, then it becomes necessary to consider seriously whether Government can discharge that responsibility by following the same policy that they had adopted so far. Even though consumption may be held in check by the indirect methods mentioned above and through the steady pressure to taxation, it is doubtful whether the evil can be eradicated by these methods alone. It becomes necessary therefore that a more direct method of gradual limitation is not merely desirable, but indispensable. The rationing system is one of such direct methods.

25. By adopting this system, Government assumes direct responsibility for the actual quantity of spirit consumed and Government will thereby commit themselves to a policy of which the ultimate issue must be total prohibition. The logical result of rationing will be total prohibition within a definite period of time.

26. As a means of attaining the goal of total prohibition, the rationing system has very many distinct advantages. It clears up the position of Government in relation to liquor traffic by definitely committing them to a policy of total prohibition. By attempting to bring about a gradual decrease in the consumption of liquor it gives time for the formation of that strong public opinion which alone is the surest guarantee of the success of any temperance reform; it gives time for the drinking classes to reconcile themselves to the advent of a day when there will be no drink; it will enable the State to adjust its finance without bringing about any catastrophic change in the financial position which will be the inevitable result of attempting to bring about prohibition by a stroke of the pen. Last but not least it brings total prohibition within the realm of practical politics and not merely relegate it to the limbo of an unknown future. For the natural consequence of reducing the ration, say, by five per cent every year, is to bring about total prohibition at the expiry of twenty years.

27. Such, in brief, are the inherent advantages of the rationing system. For its introduction in the Madras Presidency it has this additional advantage that it fits into the licence auction system, and therefore can be easily adopted without dislocating the existing machinery. Though some of the Excise officials in Bombay, imbued with their traditional antagonism to the auction system, are of opinion that with rationing in force it would not be advisable to continue the open auction system of disposal of the licences, I do not see any difficulty in rationing under the auction system. The only objection that they bring forward is that the licensee will increase the retail selling price as the stock becomes exhausted and thereby obtain an extra profit which ought legitimately to go to the State. But if Government are satisfied that they have reached the maximum limit in the rate of still-head duty, the adjustment between the price and demand may be left to itself.

28. *Defect.*—The only defect which may be said to be inherent in the rationing system is the possibility of there being no liquor at all sold in certain shops during certain days of the month. If a shop-keeper exhausts his ration in the first two weeks of the month, he has to keep his shop closed for the following weeks. The most rational way of decreasing consumption is no doubt to regulate it so as to make people drink a little less every day and not to give them as much as they want for a few days and then withhold it altogether for some days. It



must be admitted that this is a defect inherent in the rationing system. But no scheme of temperance reform can be devised which will be perfect in every detail and free from all possible defects and difficulties. On the whole, weighing the defects and merits of the rationing system, it may be safely asserted that the balance is in favour of its merits, and I would strongly recommend to Government to give it a trial in the Madras Presidency.

29. The disadvantages and difficulties incidental to this system, though they are important factors to be reckoned with, do not constitute insuperable obstacles to its adoption. The advisability or otherwise of adopting the rationing system depends on the answer to the fundamental question, 'what is the ultimate goal of the excise policy of Government?' The policy, as laid down in the Government of India's letter F.D. 5001 Exo. of 7th December 1905 still continues to be the recognised policy of the Local Government. The substance of that policy is that: "The Government of India have no desire to interfere with the habits of those who use alcohol in moderation; this is regarded by them as outside the duty of the Government and it is necessary in their opinion to make due provision for the needs of such persons. Their settled policy, however, is to minimize temptation to those who do not drink, and to discourage excess among those who do, and to the furtherance of this policy all considerations of revenue must be absolutely subordinated. The most effective method of furthering this policy is to make the tax upon liquor as high as it is possible to raise it without stimulating illicit production to a degree which would increase instead of diminish the total consumption and without driving the people to substitute drugs for alcohol or for a more or less harmful form of liquor. Subject to the same considerations, the number of liquor shops should be restricted as far as possible, and their location be periodically subject to strict examination with a view to minimize the temptation to drink and to conform as far as is reasonable to public opinion. It is also important to secure that the liquor which is offered for sale is of good quality and not necessarily injurious to health." This declaration disclaims any intention on the part of Government to eradicate drink altogether. Such a task is declared to be 'outside the duty of Government'. It is not possible to consider here the question as to what is the actual result of this policy as it has been carried out in practice and whether it has put an effective check on intemperance. The advisability of adopting one particular kind of temperance measure rather than another—whether it is to be local option or the surcharge system or the rationing system—will depend upon the nature of the Excise policy of Government. The whole question therefore revolves on the fundamental issue whether Government recognize it as their duty to suppress drink altogether, and, if so, whether they are prepared to boldly commit themselves to an *active* temperance policy and not merely rest contented with inaugurating *passive* measures. If the decision is in the affirmative, then Government may decide whether that object can best be achieved by adopting the rationing system through which they can determine periodically the progressively diminishing quantity of liquor which the people will be allowed to drink, and there can be no doubt that all the difficulties and disadvantages above referred to must, as they can, be faced.

30. The foregoing note on the rationing system has been prepared with special reference to the consumption of country spirits and drugs. For the Bombay Government have adopted the system only for these. They are not confronted with the problem of toddy-drinking which is a serious problem in the Madras Presidency. So, if the system is to be adopted in Madras with any measure of success, the toddy shops as well as the country liquor shops must be brought under the system. For the principles applicable to the rationing of country liquor shops will apply *mutatis mutandis* to the rationing of toddy shops.

R. K. SHANMUKHAM.

## APPENDIX B.

### QUESTIONNAIRE.

#### *Personal.*

- (1) Please state your name and profession.
- (2) Are you an advocate of temperance or a member of a temperance society?
- (3) Do you consider that your caste or creed forbids the taking of alcohol?
- (4) Do you believe that the consumption of alcoholic liquors is morally wrong for everyone?
- (5) Have you had to deal with large numbers of—
  - (a) mill hands?
  - (b) factory workmen?
  - (c) field labourers?
  - (d) other groups of working men?
- (6) With what area in the Presidency are you closely acquainted?

#### *Evils of drink.*

- (7) Are you opposed to drink on the ground of its effect on the individual or the communities?
- (8) In the area best known to you what evil effects of drink have you noticed personally?
- (9) Have you personally known of any crimes due to excess of drink?
- (10) Have you personally known of any good workmen or class of workmen whose efficiency or economic condition has been affected by immoderate drinking?

- (11) What is the attitude of labouring classes in your area to drink ?  
 (12) Do they regard it as essential—  
 (a) to general health ?  
 (b) in case of sickness ?  
 (13) Can you give any facts which indicate whether the habit of drinking is on the increase or decrease in the Presidency ? Do the facts enable you to measure the extent of the increase ? Among what classes do you find it ? To what causes do you attribute it ?

*Policy of Government.*

- (14) Have you had any personal opportunity of watching the effects of the Government Exoise policy ?

*Extract from the Government of India's letter.*

The Government of India have no desire to interfere with the habits of those who use alcohol in moderation ; this is regarded by them as outside the duty of the Government and it is necessary in their opinion to make due provision for the needs of such persons. Their settled policy, however, is to minimise temptation to those who do not drink, and to discourage excess among those who do, and to the furtherance of this policy all considerations of revenue must be absolutely subordinated. The most effective method of furthering this policy is to make the tax upon liquor as high as it is possible to raise it without stimulating illicit production to a degree which would increase instead of diminish the total consumption and without driving people to substitute drugs for alcohol or for a more or less harmful form of liquor. Subject to the same considerations, the number of liquor shops should be restricted as far as possible and their location be periodically subject to strict examination with a view to minimize the temptation to drink and to conform as far as is reasonable to public opinion. It is also important to secure that the liquor which is offered for sale is of good quality and not necessarily injurious to health.

- (15) Can you mention any ill results of this policy which have come to your notice ?  
 (16) To what do you attribute these ?  
 (17) Can you suggest any other policy or policies besides those of—  
 (a) controlling supply (now followed) ?  
 (b) prohibition ?

*Prohibition.*

- (18) Do you advocate total prohibition ?  
 (19) If so, do you desire—  
 (a) prohibition of sale ?  
 (b) prohibition of transport and sale ?  
 (c) prohibition of transport, sale and manufacture ?  
 (d) prohibition of actual possession also ?  
 (20) Would you extend this measure to—  
 (a) arrack only ?  
 (b) arrack and toddy ?  
 (c) all alcoholic liquors ?  
 (21) Will not the prohibition of one class of liquor drive the consumer to the other classes ?  
 (22) Would the labouring class in your area submit to prohibition against sale and possession of toddy ?  
 (23) Unless actual possession is made illegal will it be possible to enforce prohibition of sale and manufacture ?  
 (24) Will it be possible to make prohibition effective in the Madras Presidency having regard to—  
 (a) the number of palm trees ?  
 (b) the ease with which arrack can be manufactured illicitly ?  
 (25) Will not the first step of the drinker deprived of his liquor be to attempt illicit consumption ?  
 (26) Would the present Abkari staff be equal to cope with the situation ?  
 (27) Would you advocate prohibition even if it should render the suppression of illicit manufacture more difficult than at present ?  
 (28) Do the non-drinking classes assist in detecting illicit distillation at present ? Is there any reason to think that would do so under prohibition ?  
 (29) Would you support house searches not only for detecting illicit manufacture but also for illicit possession ?  
 (30) What would be the attitude of the labouring class to such action ?  
 (31) What penalties would you impose for preventing breach of the law ?  
 (32) Would you treat the possession of alcoholic liquors (1) on the lines of the law regarding the possession of opium, viz., restrict it to a very small quantity ? or (2) on the lines of the law regarding the possession of cocaine and prohibit it except on medical prescription ? or (3) on the lines of the law regarding theft and treat it as a criminal offence ?  
 (33) How would you provide for sale of alcohol needed in case of sickness ?  
 (34) What certificates would you require before sale in such a case ?  
 (35) How would you arrange for cases where no qualified practitioner exists ?  
 (36) How would you provide for the cost of the Preventive staff if all the revenue from liquor is removed ?

- (37) Does not effective prohibition ultimately depend on the support of a majority of all classes of the population ?
- (38) Will the majority of all classes in your area support such a measure ?
- (39) Are there any facts which would justify the non-drinking classes restricting the liberty of the drinking classes ?

*Local option.*

- (40) Are you in favour of local option ?
- (41) Would you propose to give to each local area the complete right to decide whether it should—
- (a) reduce shops ?
- (b) abolish shops ?
- (c) make even possession illegal ?
- (42) Would you give this power to existing local bodies ?
- (43) Is it right that bodies largely consisting of men who by caste or custom do not drink should decide this question for all the classes who do ?
- (44) Would you have a special voting system for this purpose ?
- (45) To whom would you give votes ?
- (46) Would you be justified in refusing a vote to anyone accustomed to drink ?
- (47) Would you make a whole municipality one area ?  
or a whole local board one area ?  
or allow small areas to decide for themselves ?
- (48) Supposing a given area votes for closing of all shops, how would you prevent import from other areas near-by ?
- (49) Would the present staff be adequate to prevent import ?
- (50) Would it be right to charge the general tax-payer with extra staff for this purpose ?
- (51) Would you impose a local tax to meet the cost of additional staff ?
- (52) How do you meet the argument that under local option the areas where there are most drinkers will remain wet and those which are already temperate only will become dry ?
- (53) Do you look on local option as a permanent measure or merely as a step to prohibition ?
- (54) Have you any experience of the working of local option in other countries ? If so, what is that experience ?

*Other methods of reducing consumption.*

- (55) Supposing that reduction in consumption is desirable, what means do you suggest for bringing this about ?
- (56) Has a reduction in the number of shops any effect on the amount of liquor consumed ?  
Can you quote any facts in support of your answer ?
- (57) Is there less drunkenness in areas where the hours of sale are shortened ?
- (58) Has the closure of shops on market days or festivals produced any effect in reducing drunkenness ?
- (59) Is liquor of reduced strength popular ?  
If not, why not ?
- (60) Are you in favour of reducing the strength all round ?
- (61) By what classes is foreign liquor drunk ?
- (62) Would you be in favour of closing all F. L. shops in areas whether the population is wholly Indian or not ?
- (63) Would you abolish any one of the several forms of licence in use at present ?  
If so, for what reason ?
- (64) Are the rules regarding limit of age for customers in force at present adequate ?  
What alterations would you suggest ?
- (65) Are you in favour of reducing the limit of private possession of (a) arrack, (b) toddy ?
- (66) Would you altogether prohibit removal from shops ?
- (67) How far does the raising of price affect consumption ?
- (68) Would you support further raising of prices to reduce consumption ?
- (69) Are you in favour of
- (a) raising still-head duty ?
- (b) raising tree tax ?
- (70) If you revise the price of arrack only, will not sale of toddy increase ?
- (71) Would you approve of a system of rationing ?
- (72) Would you fix the ration for the 'shop' or for the individual ?
- (73) Do you look upon these methods as a permanent measure or merely as a step towards prohibition ?
- (74) Have you any experience of the experimental systems working in other provinces, e.g.—
- Surcharge system in Bengal.  
Licensing Boards in United Provinces.  
Rationing system in Bombay.  
Fixed fee system.  
How do they compare with the auction system in Madras ?

(75) If you advocate any of these systems please state your reasons. Gentlemen answering these questions are requested also to state whether they would be willing to give oral evidence if called on. It will not be possible to pay them the cost of travelling for this purpose.

## APPENDIX C.

### EXCISE ADVISORY COMMITTEES—RECONSTITUTION

*The present constitution of the Advisory Committees and Licensing Board in Madras—*

(a) *Mufassal*—In each municipality and important union we have an excise advisory committee. For municipal towns the constitution of these committees is as follows:—

- (1) The Collector or Divisional officer (President).
- (2) The Municipal Chairman.
- (3) A Police officer.
- (4) The Excise Inspector or Assistant Inspector.
- (5) & (6) Two non-official members of the municipal council elected by the municipal council.

The committees for unions consist of—

- (1) Tahsildars or Deputy Tahsildars (President).
- (2) Union Chairman.
- (3) Police officer.
- (4) Excise Inspector or Assistant Inspector.
- (5) & (6) Two non-official members of the union panchayat elected by that body.

The functions of these committees are purely advisory and are connected with local questions relating to excise. There are no advisory committees for areas outside municipal towns or union limits.

(b) *Madras City—Licensing Board—*

*Constitution—*

- (1) The Collector of Madras (President),
- (2) the Commissioner of Police (Vice-President),
- (3) the Assistant Commissioner of Excise, Cuddalore division,
- (4) the President, Corporation of Madras,
- (5) & (6) two Commissioners elected by the Corporation of Madras,
- (7) a large employer of Indian labour to be nominated by the Collector of Madras, and
- (8) a member to represent temperance opinion to be nominated by the Government.

The Licensing Board has jurisdiction over all kinds of abkari and opium licences and its decisions are final subject to the control of the Commissioner.

2. *Bombay*.—In paragraph 167 of its report the Bombay Excise Committee have recommended that all town and city municipal areas as well as rural areas in which there are one or more liquor shops should have advisory committees consisting of two-thirds elected and one-third nominated members. The election was to be by municipalities and by other local bodies or organizations where they exist, such as temperance or sanitary associations, social service leagues, labour unions and large employers of labour in such proportion as shall secure a proper representation of the interests of these bodies. The powers of these committees were to include decisions on the following questions:—

- (1) reduction in the number of shops,
- (2) fixing the hours of sale,
- (3) location of shops, and
- (4) fixing the strength at which liquor should be sold.

They proposed that the decisions of these committees should be liable to veto by Government only. It was proposed that the number of shops which any committee might close within its period of three years of office should not exceed one-third of the total number of shops in the area of the committee's jurisdiction. The Bombay Government have not as yet passed any orders on the committee's proposals.

3. *United Provinces.*—The United Provinces Excise Committee recommended the establishment of Licensing Boards for eight municipal towns. In the result, however, the United Provinces Government have constituted such Boards for 16 municipal towns with a constitution as follows :—

- (1) and (2) two members of the municipality elected by the Municipal Board ;
- (3) a person elected from among themselves by the principals and headmasters of the colleges and high schools in the municipality, such colleges and high schools being recognized by a University established by law or the Department of Education ;
- (4) one member as representative of temperance societies having their headquarters in the municipality and registered under section 20 of the Societies Registration Act (Act XXI of 1860), elected, from among themselves, by the members of such societies ;
- (5) one member of the labouring classes to be appointed by the Collector ;
- (6) one person elected from among themselves by excise licensees holding licences in the jurisdiction of the Board in the municipality ;
- (7) the Assistant Excise Commissioner of the area in which the municipality is situated or the Excise officer of the district shall be Secretary of the Board.

In the case of members under (1), (2), (3) and (4) the members hold office only so long as they continue to be members of the Municipal Board or of the temperance societies as the case may be or in the case of the educational representative so long as he holds office of principal or headmaster ; or in the case of the labour representative so long as he resides in the municipality or is not guilty of misconduct ; the excise licensees' representative must demit office when he ceases to hold a licence.

The Board elects its own chairman who possesses a casting vote.

No person other than the person elected as the representative of the licensees, holding an excise licence within the jurisdiction of the Board or related to any person holding such a licence is eligible for election to or may retain the membership of the Board.

No member shall be eligible to take part in or record his vote in any of the Board's Proceedings concerned with the grant or renewal of a licence either to himself or any person related to him.

In a case in which a vacancy occurs in the Board, during its term of office, the Collector shall arrange to fill such vacancy in accordance with the prescribed procedure governing election.

The Board is appointed every third year in October ; before the 1st of August preceding the election the Collector should prepare and publish lists of (a) principals and headmasters, (b) temperance societies and (c) excise licensees who are entitled to vote in these elections ; the Collector shall decide all questions regarding the time and place of elections under these rules and when necessary shall appoint a suitable person as presiding officer. All disputes regarding the elections shall be decided by the Collector and his decisions shall be final. If the Municipal Board, principals and headmasters, temperance societies, or the excise licensees fail to elect within the month of October the Collector shall make the necessary appointments. The Boards enter on their office from the 1st of November of the year in which they are elected.

The duties of the Board are—

- (a) to meet during the first half of November of each year to record their proposals as regards (1) the number of excise shops for the retail sale of country spirits, opium and hemp drugs and for the retail sale of foreign liquor for consumption 'on and off' the premises which are to be licensed during the ensuing excise year commencing on the 1st of April ; (2) the area within which each shop should be situated ; and (3) to consider what changes, if any, should be made in the list of existing licensees of the shops.

(b) to meet during the first half of April of each year to record their proposals as regards (1) the number of shops for the retail sale of tari (toddy) which are to be licensed during the ensuing year commencing from the 1st of October; (2) the area within which each shop should be situated; and (3) to consider what changes, if any, should be made in the list of the existing licensees of the shops.

It is to be noted, however, that the powers of the Board under these clauses are subject to important limitations—

(a) the Board may not, during its term of office, reduce the number of excise shops existing on the date when it came into office, by more than one-third of each kind of shop; and the number shall not be reducible by any succeeding Board to a lower figure than one-third of the number existing when such Boards were first constituted;

(b) the Board has no jurisdiction in any military cantonment;

(c) as regards selection of licensees the Board exercises no authority to select in respect of shops for the retail sale of toddy; or of foreign liquor for consumption "on or off" the premises in any case where these licences are sold by auction.

After the preliminary meeting in November and April above referred to the Board is required to publish within seven days respectively a list of the shops which it proposes to license; a reasonably accurate description of the locality and site of the premises to be licensed; the name and address of licensees whose licences the Board proposes to renew; a list of shops licences for which the Board does not propose to renew in favour of the existing licensee with an invitation to respectable persons to apply for such licences and lastly the latest date for the receipt of written applications for the Board's proposals which date must not be less than 15 days subsequent to the date of publishing the lists and for objections to the Board's proposal which must be not less than 21 days subsequent to publication of the lists. There are also elaborate rules regarding the service of notice on licensees whose shops the Board proposes to close and for the hearing of objections to the Board's proposals.

Having published the preliminary list and inviting objections, etc., the Boards are required to meet during the first half of December and May of each year—

(1) to confirm the proposals already published in the absence of written objections of qualified objectors, or (2) to confirm or modify the said proposals after giving full consideration to the written objections and hearing the objectors if they so desire, and (3) to select licensees subject to the limitations in this respect already referred to.

The Boards also may meet when convened by the Collector for the purpose of giving him advice on matters connected with excise, of instructing him regarding shop sites, or of confirming or modifying the arrangements made by him for carrying on the business of the shop, in cases where the licensee of the shop has either died or resigned or has had his licence cancelled by the Collector for default of payment of fees or for a breach of the conditions of licence and when convened by the chairman provided that seven days' clear notice of such meeting shall be given to each member, who shall be informed of the date, time and place of such meeting and the business to be transacted thereat.

The Board should make every third year a periodical inquiry whether the location of shops is in conformity with the general rules on the subject.

The Board is required to communicate a copy of the minutes of its proceedings to the Collector and the Excise Commissioner within seven days subsequent to the date of any meeting or adjournment thereof held under the rules, and the minutes must include the reasons which moved the Board in formulating each of its decisions. Copies of written objections received from qualified objectors as above must also accompany the minutes of the meeting at which they are disposed of.

In selecting licensees for shops, in respect of which selection is permissible, the Board is required to draw up a list of suitable applicants on scrutiny of the valid applications received in response to its invitation. No person may be given more

than one licence ; partnership in shops is prohibited except for very special and cogent reasons ; and the final selection is to be made by lot from among the names in the aforesaid list.

If the Board in any year fails to communicate its decisions before a given date regarding the number and location of shops and the selection of licensees the Collector shall proceed to pass orders in the matter.

The Excise Commissioner has the right of appeal to Government against the decision of the Board regarding the location of shops and against any decision of the Board which he regards as illegal, inequitable or impracticable.

Existing licensees who are refused renewal of their licences by the Board, or by the Collector in the event of the Board's failure to arrive at a decision, have the right of appeal to the Excise Commissioner, whose decisions are final if he agrees with the Board or with the Collector as the case may be. If he disagrees, the case is to be referred to the Local Government. Appeals must be presented within 21 days from the date of the order appealed against. In the case of shops closed there is no right of appeal by the licensees.

For other municipalities and for each district the United Provinces Government have constituted excise advisory committees ; the district advisory committees have jurisdiction in the areas outside municipal and cantonment limits. Advisory committees for municipalities (other than the 16 major towns) consist of—

(1) two members of the Municipal Board elected by that Board ;

(2) two members, other than members of the Municipal Board, to be appointed by the Collector for the purpose of representing other interests more especially education and temperance ;

(3) (a) if there is a non-Muhammadan urban constituency of the Legislative Council for the municipality, either by itself or in conjunction with any other municipality, the member of the Legislative Council elected by that constituency ; provided that in the case of a joint constituency the member resides in the municipality or within the revenue district in which it is situated ;

(b) if there is no such constituency, then the member or members of the Legislative Council elected by the non-Muhammadan rural constituency or constituencies of the revenue district in which the municipality is situated ;

(4) the Excise officer of the district, who shall be Secretary of the Committee.

Advisory committees for the district areas consist of—

(1) two members of the District Board elected by that Board ;

(2) two members, other than members of the District Board, to be appointed by the Collector for the purpose of representing other interests, more especially education and temperance ;

(3) the member or members of the Legislative Council elected by the non-Muhammadan rural constituency or constituencies of the revenue district ;

(4) the Excise officer of the district who shall be the Secretary of the Committee.

Every member of the Legislative Council elected by a Muhammadan urban constituency shall be a member of the advisory committee of a municipality forming part of that constituency, provided that he resides in that municipality or in the revenue district in which it is situated.

Every member of the Legislative Council elected by a Muhammadan rural constituency shall be a member of the advisory committee of a district forming part of that constituency, provided he resides within the corresponding revenue district.

Every Excise Advisory Committee urban or rural shall elect its own chairman.

Any member of an Excise Advisory Committee appointed as a municipal or District Board representative must demit office as a member when he ceases to be a member of the municipal or the District Board by which he was elected.

When a vacancy occurs in the committee during its term of office, the Collector has to call upon the Municipal Council or the District Board as the case may be, to make a new appointment or in the case of a member appointed by himself proceed himself to take action.

The duties of the committee are—

(1) to meet once in the excise year not later than the end of November to consider (i) the number and location of excise shops in the municipality or district, and (ii) any representations made in connection with excise by the inhabitants of the municipality or district, to record resolutions thereon and to communicate to the Collector not later than the 1st of January;

(2) to meet when convened by the Collector for the purpose of giving him advice on matters connected with excise;

(3) to meet when convened by a requisition addressed to the chairman by not less than three members; and

(4) to make every third year a periodical inquiry whether the location of shops is suitable and proper.

The committee is bound to forward a copy of its resolutions to the Collector who has to give due consideration to them—

(1) in deciding the number and location of shops, and (2) in connection with other branches of the excise administration of the municipality or district.

The Collector shall send a copy of the committee's resolutions to the Excise Commissioner together with a report showing what action he proposes to take on each resolution and if the Collector has not accepted the advice of the committee, the Excise Commissioner is required to report the case with his opinion to the Government for orders.

4. It will be seen from the foregoing that whereas the system of Excise Licensing Boards or committees in Bombay appears not to have got beyond the stage of the somewhat incoherent recommendations of the Excise Committee, in the United Provinces a cut and dried system has been evolved and is in being. As between the Bombay contemplated system and the United Provinces system, therefore, the latter rather than the former is likely to afford a more useful precedent for any changes in a corresponding direction which may be considered advisable or practicable in this province. The Bombay Excise Committee's suggestion to invest in the committees the power to prescribe the strength at which liquor should be sold is impracticable. It would lead amongst other things to liquor being sold at varying strengths in different areas involving differential rates of taxation and a powerful stimulus will be given to malpractices of all kinds, while considerable difficulty would be introduced in the detection of such offences as dilution and in the identification of illicitly distilled liquor. It would also probably be objected to by the contract suppliers who might be compelled to supply liquor of half a dozen different strengths to suit the particular requirements of different licensing committees.

5. Before considering the United Provinces system in detail it is desirable to emphasize the fact that in that province the excise revenue is of a relatively small importance in the scheme of provincial finance as compared with that of Madras. The following statement shows the total revenue and the total excise revenue of Madras and some of the other Provinces of India according to the budget estimate of 1924-25:—

Provinces.	Revenue.		Total excise revenue.	Total revenue.	Percentage of total excise revenue to total revenue.
	Arraak.	Toddy.			
	Rs.	Rs.			
1. Madras .. .. .	2,14,14,500	2,38,92,000	5,13,68,800	16,74,76,000	30.67
2. Bombay .. .. .	2,79,66,300	42,36,940	4,39,90,000	15,77,30,000	27.9
3. Bengal .. .. .	1,02,00,000	21,00,000	2,18,30,000	10,29,10,000	21.00
4. United Provinces .. .. .	70,76,000	6,00,000	1,46,08,000	12,62,81,128	11.48
5. Central Provinces .. .. .	82,50,000	4,80,000	1,31,74,000	5,31,81,000	24.77
6. Burma .. .. .	38,75,000	10,46,000	1,20,60,000	9,93,45,000	12.07
7. Punjab .. .. .	41,91,000		1,01,81,000	10,31,04,000	9.82
8. Assam .. .. .	15,25,000	1,000	59,00,000	2,23,85,000	26.25

6. The whole problem is, in its financial aspect, far less serious in the United Provinces than in Madras and, unless and until some adequate source of revenue in



substitution for the excise can be not merely suggested, but realized, it is necessary to proceed with the utmost caution in introducing measures which, if their operation is not carefully safeguarded, may well result in crippling the administration financially, without any real betterment of the moral or material condition of the drinking classes.

7. As regards the working of the system in the United Provinces, attention is invited to paragraphs 50-52 of the Excise Administration Report of that Province for 1922-23, the year in which these Licensing and Advisory Boards were first constituted. It appears from the statistics given that the activities of the Boards and committees resulted as follows. Out of 398 shops previously existing in the 16 major municipalities, the Excise Licensing Boards proposed to close 35 and their recommendation was accepted in 32 cases. They proposed however to open two new shops which was not accepted by the Excise Commissioner or by Government—result a net closure of 32 shops. The Advisory Boards proposed the closure of 146 shops and the opening of 23 new ones. Of the former their recommendations were accepted in 123 cases, and apparently their proposals regarding new shops were accepted in full—a net closure of 100 shops.

8. These results do not appear very extensive, but it must be remembered that in the United Provinces the introduction of these Boards and committees formed part only of a series of drastic changes in the excise administration of the Province, the introduction of which has been in progress from 1921-22. These included the substitution to a great extent of a system of surcharge for the previous auction system; a sweeping reduction in the number of shops; and a large enhancement in the still head duty coupled with a reduction of strength; the curtailing of the hours of sale and the like. To these changes, coupled with economic depression, the United Provinces Excise Commissioner attributes the heavy and continuing fall in consumption; the excise revenues of the province have lost, from 1919-20 to 1922-23 about Rs. 33 lakhs; the amount of detected crime has increased immensely (illicit distillation by 93.9 per cent in 1922-23 as compared with 1921-22) while there are indications of the increasing use of 'charas'—a specially deleterious form of ganja—and of cocaine. It remains yet to be seen whether the changes introduced, though they have materially reduced the revenue to the State, will have any appreciable effect in promoting the real interests of temperance.

Attention is, in this connection, invited to the summary of the results in the Punjab given in paragraph 6 of the Commissioner's reply to Government Endorsement No. 170 D/24-4, Revenue, dated 1st November 1924 (Commissioner's Proceedings R. No. 2016-Abk., dated 17th December 1924). In the Punjab the results have been most discouraging.

9. As regards the working of the Licensing Boards and advisory committees, attention is invited to paragraph 50 of the United Provinces Excise Commissioner's report. With some exceptions, the Licensing Boards appear to have functioned reasonably well, but it is to be noted that 11 of the advisory committees did not, for various reasons, function at all (see paragraph 51 of the report).

10. Turning now to the working of the Excise Licensing Board, Madras, and the advisory committees for municipalities and unions in this Presidency, it will be observed that in several important respects the arrangements made in the United Provinces go further in the direction of consulting non-official opinion than is the case in Madras. The basis on which both classes of boards are constituted is in the United Provinces wider, and provides for a substantial non-official majority. In this Presidency, indeed, the Excise Licensing Board, Madras City, possesses a non-official majority, but the non-official representation is practically restricted to the Municipal Corporation and the temperance interest. In the mufassal advisory committees non-officials are in a minority and it is to be feared that, especially in the case of advisory committees for unions, their existence is merely formal. Where, as in most unions, the number of licensed shops is only two or three, it is obvious that the duty of 'advising' about them must connote little or nothing. The United Provinces, it will be noted, have not constituted any committees for units smaller than a municipality or a district. In that province, while the number and size of municipal towns is perhaps greater than in this Presidency, the average size of the districts is

smaller. The arrangement by which each municipality and each district has a licensing or advisory body may be suitable to that province, but it would not be so suitable to the conditions of Madras. The Madras districts are so large, and the average Madras municipality so small, from an excise point of view, that they do not offer suitable units of jurisdiction for licensing or advisory bodies. An excise licensing or advisory committee for a whole district would not comprise members familiar with the conditions in every part of it, unless it were of unwieldy size; on the other hand a similar body for each municipality would find in many instances that it had little or nothing to do.

11. In illustration of the position that, ordinarily, the size of our average municipal towns is not great enough to enable its excise problems to be usefully dealt with by an authority constituted for the municipality alone, the case of Salem may be cited. In that instance, at the urgent request of persons interested in temperance in Salem, liquor shops were removed outside the town. The result from the standpoint of temperance was nil; it was an easy matter to get drink outside municipal limits, and the closure of shops in the town merely added to the profits of shopkeepers just outside. As a matter of fact Salem is one of the 16 major towns; what proved true in its case will probably be in greater degree true of the lesser towns.

12. Another respect in which the working of our advisory or licensing committees has left something to be desired, is the procedure adopted in fixing the lists of the shops prior to the annual sales. There have been complaints that this is done in too 'hole-and-corner' a fashion; that the 'public' and the temperance workers have no sufficient opportunity to consider them. Although to some extent this complaint is exaggerated, it is the case that more might be done to facilitate previous consideration of the lists by any of the public who are interested. Broadly speaking, the procedure at present is that the list of shops is first considered by the Collector (and the advisory committee in the case of shops in municipalities or major unions), and is then published once and for all about a month before the sales. There is much to commend in the procedure prescribed in the United Provinces rules on this point, by which a preliminary list is first published by or after consultation with Licensing Boards or advisory committees and, after suitable interval for the consideration of objections, is finally republished with modifications, if necessary.

13. The provision in the United Provinces rules which requires Boards and committees to record the reason for their findings is salutary; in Madras, reasons are seldom or never given, and the value of the Board's recommendation is largely discounted. If, in future, their decisions are to be more effective, and, as is essential, are to be subject to revision by higher authority, this provision is all the more necessary.

14. It is necessary to advert at this stage more particularly to the provisions of the United Provinces rules on the following matters:—

(1) *the classes of licences or shops in respect of which these bodies are given jurisdiction.*—In the United Provinces they control all 'on' and 'off' licences for retail consumption. In the case of committees outside Madras City there seems no sufficient reason to include shops or licences other than those for the retail sale of arrack, toddy, opium, ganja and beer and F.L. taverns. The classes for whose benefit it is principally desired to introduce restricted opportunity of obtaining liquor are not, broadly speaking, those who go in for liquor obtainable under other classes of licences. As regards the Board for Madras City it should have powers in respect of a wider range, i.e., in addition to the licences just mentioned, it should include all F.L. 2, F.L. 4, F.L. 8, F.L. 10 licences;

(2) *the official element, if any, to be retained in the membership of these bodies.*—In the United Provinces the Assistant Excise Officer is Member and Secretary of the Licensing Boards or advisory committees. In the Commissioner's Proceedings No. 1978-R, Abkari, dated 11th December 1924, he has given reasons for his view that, in the case of the Madras Excise Licensing Board, it is essential to retain the Collector, the Commissioner of Police and the Assistant Commissioner of Excise as members in order to retain in them an element possessing practical administrative

experience. These considerations apply with still greater force to Licensing Boards or advisory committees that may be constituted for mufassal towns or areas. At the same time the chairman may be left to be elected by the bodies concerned ;

(3) *the selection of licensees*.—This function of the Licensing Boards in the United Provinces is of importance owing to the abolition of the auction system in respect of all shops, except toddy in certain areas, and the substitution of a system of surcharge. Selection of licensees does not arise in this Presidency in respect of the majority of shops. Under existing conditions in this Presidency selection of licensees could only be exercised in respect of fixed fee licences. The process as prescribed in the United Provinces rules is rather misleadingly described as 'selection'. What the Licensing Boards do is to publish a list of 'vacant' shops ; to consider and draw up a list of 'qualified' applicants for such vacant licences, and from these the 'selection' is made by lot. The Commissioner sees no reason to think that it is in any way essential in the interests of temperance, to entrust the function of selecting licensees to the Licensing Boards or similar bodies. On the other hand such a step will undoubtedly encourage chicane and intrigue. It would be sufficient if the list of persons to be given licences (on fixed fees) were communicated to these bodies by the Collector and they should be given an opportunity to represent any objection they might have to any particular proposed licence holder. This is what is done in the case of the Madras Excise Licensing Board at present.

(4) *Control over Licensing Boards*.—In the United Provinces the decision of these bodies is final, subject to a right of appeal by private individuals aggrieved to the Excise Commissioner whose decision if he agrees with the Licensing Board is final ; if he disagrees, the matter is decided by the Government. The Excise Commissioner has also power of submitting to Government with his views any decision of the Licensing Boards which he considers unwise, unworkable or illegal. It is desirable that the authority immediately responsible to Government for the working of the Abkari Department should exercise also control over the decisions of Licensing Boards instead of laying upon the Government the direct responsibility (and possibly the odium) of overruling such decisions. If some concession were considered essential on this point it might be laid down that, whenever the Commissioner overrides a Licensing Board's decision, he should simultaneously submit to Government a report of the facts and of the grounds for his decision.

*Advisory committees*.—In the United Provinces a Collector if he does not accept the committee's recommendations, is required to report the fact, and his reasons, to the Excise Commissioner. This rule may be accepted.

(5) *Limitations to Licensing Board's powers of reducing shops*.—In the United Provinces a Licensing Board has the power of reducing the number of shops of each kind existing at the time it took office by not more than one-third, and no succeeding Board may reduce the number below one-third of the number existing at the time the system was first introduced. In view of the drastic reductions which have already been made in many parts of the Presidency in the number of shops and of the necessity of proceeding with caution in granting extended powers to inexperienced bodies, the Commissioner considers that the *former* figure should be one-fourth and the *latter* one-third. (Perhaps one-fifth would be better.)

The considerations advanced in paragraph 10 above appear to indicate that we should have two classes of bodies concerned with the licensing of shops, viz., Licensing Boards for larger towns, say, those having a population of 50,000 or over (Madras City retaining a Board with special constitution and powers) and advisory committees for other areas. Smaller municipal towns and unions would no longer have separate boards, or advisory committees but would have suitable representation on the committees for the area in which the municipality or the union was situated. For areas outside the major municipalities, i.e., those with population of 50,000 and upwards, the unit should be the Revenue Divisional Officer's charge.

15. On this basis draft sets of rules for Licensing Boards for the Madras City and 15 major municipalities and for the divisional excise advisory committees are submitted.

These are rough drafts only.

16. It has been suggested that it should be the duty of these Licensing Boards or advisory committees to obtain the opinion of the local body (taluk board, union, or municipal council) concerned and possibly that they might be used to organize or conduct the local option vote or 'referendum' and so on. The Commissioner does not think that, if any right of local option is conferred, it would be appropriate or practicable to employ the agency of the Licensing Boards or similar bodies in organizing or reporting on the 'referendum'. It would, however, be proper that an Excise Licensing Board should be entrusted with the duty of formulating schemes for reducing the number of shops in order to give effect to a 'limiting' resolution, if one were passed; and in areas not subject to an Excise Licensing Board the advisory committee's advice on such schemes should similarly be obtained and considered. The actual organizing and working of the machinery necessary to taking a vote or conducting a 'referendum', the drawing of voters' lists (if special lists were prescribed), the decision of disputes connected with the 'referendum' and so on—all these are matters which should be dealt with directly by Government or its officers.

For the reasons stated in paragraph 4 above either Excise Licensing Boards or advisory committees should not concern themselves with regulating the *strength* of liquor to be sold.

#### 17. Summary—

(1) to create for all municipal towns with population of or exceeding 50,000, an Excise Licensing Board with powers and duties indicated in the rough draft rules, Madras City Licensing Board to have special rules of its own,

(2) to create for each Revenue Divisional Officer's division an Excise Advisory committee with functions as indicated in the rough draft rules,

(3) to abolish existing excise advisory committees for unions and municipalities with less than 50,000 population,

(4) to broaden the basis on which both Excise Licensing Boards and divisional advisory committees are constituted, so as to include a wider representation of the different interests affected and a greater preponderance of the non-official over the official element.

### A.—RULES FOR MUFASSAL LICENSING BOARDS.

#### MAJOR MUNICIPALITIES.

In each municipality with a population of over 50,000 in which these rules shall be extended by notification in the *Fort St. George Gazette*, a Licensing Board (hereinafter called the Board) shall be appointed.

2. The Board shall consist of members as follows:—

(a) Collector of the district.

(b) Superintendent of Police of the district or a Police officer of Gazetted rank deputed by him;

(c) A Gazetted officer of the Excise Department to be nominated by the Commissioner.

(d) Two members of the municipal council elected by the municipal council, who shall demit office when they cease to be members of the municipal council.

(e) A member of the Legislative Council for the area in which the municipality is situated to be nominated by Government, who shall demit office when he ceases to be a member of the Legislative Council.

(f) A temperance representative to be elected from existing temperance societies if possible or to be nominated by the Collector in the absence of such societies.

(g) A member of the labouring or depressed classes to be elected by recognized labour organizations if any existing or to be nominated by the Collector in the absence of such organizations

(h) One person elected by employers of labour.

3. (a) The Board shall elect its own Chairman.

(b) The Tahsildar of the taluk in which the municipality is situated shall be Ex-officio Secretary to the Board.

4. The tenure of the office of the Board shall be for a period of three years.

5. If the municipal council fails to elect its representatives within such date as may be prescribed, the Collector shall appoint two members of the municipal council in their stead and if they decline the seats, two other representatives of popular opinion.

6. The quorum for a meeting of the Board shall be five; and in the event of less than five members being present the meeting shall be adjourned and for such adjourned meetings a quorum of three shall be sufficient.

7. All questions discussed shall be decided by voting and the opinion of the majority shall prevail. The Chairman shall have a second or casting vote in the event of an equal division of vote.

8. At least ten days' notice shall be given of the questions to be discussed at any meeting.

9. In the minutes of each meeting the reasons for the decisions taken shall be briefly but clearly stated, and the number of votes for or against the proposal before the Board or any amendment thereto shall be recorded.

10. The Chairman shall, within 7 days of each meeting, communicate a copy of the minutes of the meeting to the members of the Excise Licensing Board, the Collector of the district and the Secretary to the Commissioner of Excise.

11. The duties of the Licensing Board will be to determine the number and location of shops under the following kinds of licences:—

(a) shops for the retail sale of country spirits, opium and hemp drugs, and

(b) F. L. taverns and beer shops.

12. For the purposes of rule 11, the Board shall meet—

(a) in November to determine subject to rule 14 the preliminary list of all the kinds of shops mentioned in rule 11 and shall immediately publish the preliminary list thus arrived at in such manner as it may determine together with a notification that objections thereto may be submitted in writing to the Board not more than 21 days from the date of such publication;

(b) not later than one month from the date of publication of the preliminary lists, to consider objections, if any, thereto and to modify, if it thinks fit, the preliminary list in respect *only* of the specific objections received, the list so modified being final for the lease to which it relates;

(c) not later than 14 days after the auction to approve the specific premises selected by the renters for the location of shops sold by auction;

At the meeting held under sub-rule (c) above a list of fixed fee licences proposed to be issued for the ensuing lease will be placed before the Board for any advice they may have to offer.

(d) when convened by the Chairman, on the requisition of the Collector for the purpose of giving advice on matters connected with excise;

(e) when convened by a requisition addressed to the Chairman by not less than 5 members in order to consider and make representations to the Collector regarding any specific matter affecting the Excise administration in the town.

13. The Board shall communicate its decisions on the matters referred to in rule 12 (a) to (c) to the Collector within seven days subsequent to the date of such decision and, if the Board fails so to communicate, the Collector may proceed himself to pass orders regarding any or all of the matters referred to.

14. The Board shall not during its term of office reduce the number of excise shops existing on the date when it came to office by more than one-fourth of each kind of shop and it shall not be competent to any succeeding Board to reduce the number to a lower figure than one-third of the number existing when such Boards were first constituted.

15. All decisions of the Excise Licensing Board shall be final subject to the control of the Commissioner who shall report to Government as soon as possible his reasons for not accepting any decision of the Board.

16. A decision of the Licensing Board shall not be amended by itself except by the vote of a two-thirds majority of the members for the time being composing it.

#### B.—RULES FOR MADRAS LICENSING BOARD.

The Excise Licensing Board, hereinafter called the Board, for the City of Madras shall consist of the following members:—

- (i) The Collector of Madras.
- (ii) The Commissioner of Police.
- (iii) The Assistant Commissioner of Excise, Cuddalore Division.
- (iv) The President, Corporation of Madras, Ex officio.
- (v) A Commissioner elected by the Corporation of Madras.
- (vi) Do. do.
- (vii) A large employer of Indian labour to be nominated by the Collector of Madras.
- (viii) A temperance representative elected from among recognized temperance societies.
- (ix) A member of the depressed or labouring classes elected from amongst existing labour organizations if any or nominated by the Commissioner of Labour if none such exists.
- (x) A member of the Madras Legislative Council for the City of Madras to be nominated by Government.

2. The President and Commissioners of the Corporation on the Board shall demit office when they cease to be on the Corporation and the representative of the excise licensee shall demit office when he ceases to hold any such licence.

3. (a) The Board shall elect its own Chairman.

(b) The Inspector of Excise, Madras Town Circle, shall be ex officio Secretary to the Board.

4. The tenure of office of the Board shall be for a period of three years.

5. If anybody allowed to elect representatives fails to elect such representatives the Collector shall nominate other representatives from that body and if such representatives decline the seats, he may nominate any other person to the seats.

6. The office of the Licensing Board shall be located in the office of the Collector of Madras.

7. The quorum for a meeting of the Board shall be six;

and in the event of less than six members being present the meeting shall be adjourned and for such adjourned meetings a quorum of three shall be sufficient.

8. All questions discussed shall be decided by voting and the opinion of the majority shall prevail. The Chairman shall have a second or casting vote in the event of an equal division of votes.

9. At least ten days' notice shall be given of the questions to be discussed at any meeting.

10. In the minutes of each meeting the reasons for the decisions taken shall be briefly but clearly stated, and the number of votes for or against each proposal before the Board or any amendment thereto shall be recorded.

11. The Chairman shall, within 7 days of each meeting, communicate a copy of the minutes of the meeting to the members of the Excise Licensing Board, the Collector of the district and the Secretary to the Commissioner of Excise.

12. The duties of the Licensing Board will be to determine the number and location of shops under the following kinds of licences:—

(a) shops for the retail sale of country spirits, opium and hemp drugs;

(b) F.L. taverns and beer shops; and

(c) the following fixed fee licences:—

F.L. 2, retail sale of foreign liquor not to be consumed on the premises;

F.L. 4, retail for sale of beer not to be consumed on the premises;

F.L. 8, bar licences; and

F.L. 10 refreshment room licences other than railway refreshment room licences.

13. For the purpose of rule 12 the Board shall meet—

(a) In November to determine subject to rule 16, the preliminary list of all shops for the retail sale of country spirit, opium and hemp drugs and of F. L. taverns and beer shops to be sold on auction; and the number and location of the premises to be licensed for the sale of foreign liquor as specified in rule 12 (c) and shall immediately publish the preliminary list thus arrived at in such manner as it may determine together with a notification that objections thereto may be submitted in writing to the Board not more than 21 days from the date of such publication;

(b) not later than one month from the date of publication of preliminary list to consider objections, if any, thereto and to modify, if it thinks fit, the preliminary list in respect *only* of the specific objections received, the list so modified being final for the lease to which it relates;

(c) not later than 14 days after the auction to approve the specific premises elected by the renters for the location of shops sold by auction;

At the meeting held under sub-rule (c) above a list of other fixed fee licenses proposed to be issued for the ensuing lease will be placed before the Board for any advice they may have to offer

(d) when convened by the Chairman, on the requisition of the Collector for the purpose of giving advice on matters connected with excise;

(e) when convened by a requisition addressed to the Chairman by not less than 5 members in order to consider and make representations to the Collector regarding any specific matter affecting the Excise administration in the city.

14. The Chairman shall call additional meetings of the Board at such other times as may be necessary for the disposal of business relating to the number and sites of shops in the City of Madras.

15. The Board shall communicate its decisions referred to in rule 12 (a) to (c) to the Collector within seven days subsequent to the date of such decision and, if the Board fails so to communicate, the Collector may proceed himself to pass orders regarding any or all of the matters referred to.

16. The Board shall not during its term of office reduce the number of excise shops existing on the date when it came to office by more than one-fourth of each kind of shop and the number shall not be reducible by any succeeding Board to a lower figure than one-third of the number existing when such Boards were first constituted.

17. All decisions of the Excise Licensing Board shall be final subject to the control of the Commissioner who shall report to Government as soon as possible his reasons for not accepting any decision of the Board.

18. A decision of the Licensing Board shall not be amended by itself except by the vote of a two-thirds majority of the members for the time being composing it.

**C.—RULES FOR THE FORMATION OF AND CONDUCT OF BUSINESS BY THE  
EXCISE ADVISORY COMMITTEE FOR REVENUE DIVISIONAL AREAS  
INCLUDING THE SMALLER MUNICIPALITIES.**

For each Revenue Divisional area including the municipalities therein for which no Excise Licensing Boards have been constituted an excise advisory committee shall be appointed.

2. The committee shall consist of—

- (a) The Revenue Divisional officer for the area,
- (b) the Assistant Superintendent of Police or Deputy Superintendent of Police or Inspector of Police as may be nominated by the District Superintendent of Police,
- (c) the Assistant Commissioner of Excise or the Excise Inspector for the area or Assistant Inspector as may be appointed by the Commissioner of Excise,
- (d) one member of the municipal council elected by each municipality in the area, who shall demit office on his ceasing to be a councillor of the municipality,
- (e) one member from each taluk board comprised in the Revenue division, if more than one taluk board is so included; or if the Revenue division includes only a single taluk board, then two members for such taluk board. Members under this clause shall be elected by the taluk boards concerned and shall demit office on ceasing to be taluk board members,
- (f) One member residing in the area elected by existing recognized temperance organizations if any or nominated by the Collector if none such exists; and
- (g) One member from among the labouring or depressed classes elected by recognised labour organizations if any or nominated by the Labour Commissioner if none such exists

3. (a) The Committee shall elect its own chairman.

(b) The Tahsildar or the Deputy Tahsildar at the headquarters of the Revenue division shall be Secretary of the committee.

4. The tenure of office of the committee shall be for a period of three years.

5. If the municipal councils or taluk boards or the excise licensees referred to in rule 2 (d), (e) and (f) fail to elect their representatives within a prescribed date, the District Collector shall appoint representatives from the bodies concerned, and if the representatives so appointed decline the seats, shall fill them in such manner as may, in his opinion, secure adequate representation of non-official opinion.

6. The quorum for a meeting of the committee shall be five; and in the event of less than five members being present the meeting shall be adjourned and for such adjourned meetings a quorum of three shall be sufficient.

7. All questions discussed shall be decided by voting and the opinion of the majority shall prevail. The chairman shall have a second or casting vote in the event of an equal division of votes.

8. At least ten days' notice shall be given of the questions to be discussed at any meeting.

9. In the minutes of each meeting the reasons for each decision shall be briefly but clearly stated, and the number of votes for or against the proposal before the Board or any amendment thereto shall be recorded.

10. The chairman shall, within seven days of each meeting communicate a copy of the minutes of the meeting to the members of the Excise Advisory Committee and to the Collector of the district.

11. The duties of the committee will be to advise regarding the number and location of shops under the following kinds of licences:—

- (a) shops for the retail sale of country spirits, toddy, opium and hemp drugs, and
- (b) F.L. taverns and beer shops.

12. For the purpose of rule 11, the committee shall meet—

(a) in November to prepare the preliminary list of all the kinds of shops mentioned in rule 11 except toddy shops; for this purpose the list of such shops proposed by the Collector for the ensuing lease shall be laid before the committee. It shall immediately publish the preliminary list as arrived at by the committee in such manner as it may determine together with a notification that objections thereto may be submitted in writing to the committee not more than 21 days from the date of such publication;

(b) not later than one month from the date of publication of the preliminary list to consider objections, if any, thereto and modify, if it thinks fit, the preliminary list in respect only of the specific objections received, the list so modified being the committee's final recommendation for the lease to which it relates;

(c) in the month of May, to prepare the preliminary list of toddy shops and the limits within which they may be opened for the next lease; for this purpose the list of such shops proposed by the Collector for the ensuing lease shall be laid before the committee; it shall publish immediately the preliminary list as arrived at by the committee in such manner as it may determine together with a notification that objections thereto may be submitted in writing to the committee not more than 21 days from the date of such publication;

(d) not later than one month from the date of publication of the preliminary list to consider objection, if any, thereto and to modify, if it thinks fit, the preliminary list in respect only of the specific objections received, the list so modified being the committee's final recommendation for the lease to which it relates;

(e) when convened by the chairman, on the requisition of the Collector for the purpose of giving advice on matters connected with excise;

(f) when convened by a requisition addressed to the chairman by not less than five members in order to consider and make representations to the Collector regarding any specific matter affecting the Excise administration in the area.

13. The committee shall communicate its decision on the matters referred to in rule 12 (a) to (d) to the Collector within seven days subsequent to the date of such decision and, if the committee fails so to communicate, the Collector may proceed himself to pass orders regarding any or all of the matters referred to.

14. The Collector shall ordinarily accept the recommendations of the committee and in cases in which he differs from it, he should, without delay, report his reasons with a copy of the order to the Commissioner of Excise.

#### APPENDIX D.

#### PROCEEDINGS OF AN EXCISE CONSULTATIVE MEETING WHICH MET AT OOTACAMUND ON 12<sup>TH</sup> MAY 1925.

##### P R E S E N T :

1. Muhammad Ghouse Mian Sahib Bahadur, M.L.C.
2. M.R.Ry. C. V. Venkataramana Ayyangar Avargal, M.L.C.
3. Rao Bahadur T. A. Ramalinga Chettiyar Avargal, M.L.C.
4. Abbas Ali Khan Bahadur, M.L.C.
5. T. M. Moidu Sahib Bahadur, M.L.C.
6. M.R.Ry. A. V. Bhanoji Rao Avargal, M.L.C.
7. R. Veerian Avargal, M.L.C.
8. Khan Bahadur P. Khalif-ul-lah Sahib Bahadur, M.L.C.
9. Dr. John Mathai, M.L.C.
10. M.R.Ry. B. Muniswami Nayudu Garu, M.L.C.
11. H. G. Stokes, Esq., C.I.E., I.C.S.
12. Excise Minister.
13. Revenue Secretary.

Mr. Ramalinga Chettiyar wished to know what the position was. Honourable Member said he wanted suggestions taking the report as basis.

Mr. Ramalinga Chettiyar said prohibition is the policy which should be worked up to, and more stress laid on the method of arriving at it. Government of Bombay had followed this course.

Honourable Member read extracts from the Bombay Government Order on Excise Committee's report. Read also extracts from Bihar and Orissa Government Order and United Provinces Government Order.

Mr. Venkataramana Ayyangar.—Let us take toddy and arrack separately.

##### (1) Total prohibition to be the ideal.

Mr. Ramalinga Chettiyar says it cannot be attained in a day. You cannot stop it all at once. But the test of all policy should be whether it leads to prohibition. Would like a Government Order expressing this—

“The goal of all excise policy will be total prohibition and they will work up to it as early as possible”—Suggested wording.

Honourable Member.—Conditions made by Bombay that money is forthcoming for extra staff and to replace revenue. Extract of Venkataramana Ayyangar's evidence

Mr. Stokes cannot give any estimate of the increase of staff.

Mr. Venkataramana Ayyangar says ‘as early as possible’ should be taken to include these conditions. Others agree.



*Local option.*

Is it a step in the direction of total prohibition ?

Mr. Muniswami Nayudu suggested that if we make statute to-morrow for local option any area may decide to close all shops. These mean that local authority not Government decide and the conditions are lost sight of. Local option would have to be conditioned by recoupment of loss and recovery of cost of staff.

Mr. Ramalinga Chettiar.—Cost of local option is proportionately great to prevent transit. Unless large area you cannot have local option.

Mr. Abbas Ali.—Local option not practicable.

Mr. Moidu thinks local option must be given subject to recoupment of cost. District board should contribute something to loss. Municipalities have been heavily taxed. Extra money should be found by Government from remissions. Large portion of remitted amount should be so used.

Mr. Muniswami Nayudu.—Total prohibition should be goal. It must take time (not less than twenty years). If a period is taken it must be at Government option to control the process and not at option of local authority. If local option is given the Government will lose control. Would introduce local option in a series of districts in successive years so that finally all districts would have it. Thinks that the vote at present would be in favour of wet not dry policy. Would have prohibition imposed by Government. Local option might result in one small area going dry and all areas around being wet.

Mr. Veerian says even drinkers favour total prohibition. Thinks it is the duty of those who draw fat salaries to find funds. Present excise policy is not appealing. Local option means that shops should be abolished where the people wish it by vote of the locality. Present Advisory Committee has no powers.

Mr. P. Khalif-ul-lah.—Local option must mean a vote by the people on the subject of shops in their local area. It may be tried as an experiment. Government should have the power of deciding where it should be tried. But trial must be made. Local area must declare its intention but it should be left to Government to decide where it will try, but not be bound to give trial in all areas with view to financial problems.

Dr. John Mathai.—First step would be to issue invitation to all local areas to express their opinion. Then Government would have to decide in which areas they would try the experiment. Government might decide *ex cathedra* or Government might select an area in which all local bodies have said 'yes'.

Honourable Member.—Local bodies to pay for election expenses

Mr. Ramalinga Chettiar asks for what areas the vote is to be taken? Should it be taluk or municipality or union board or each shop

Mr. P. Khalif-ul-lah would give powers to district board areas and municipalities. District board to pay for its expenses. What suffrage?

Mr. Muniswami Nayudu says adult suffrage—men and women.

Mr. P. Khalif-ul-lah will say to-morrow.

Mr. Moidu.—Women are most troubled by the drinking of their men and should have vote.

Mr. Ghouse Mian.—Instead of local option being exercised by electorates, electorates might elect certain persons who would be given power to exercise local option or reduce shops. These boards might have power to reduce shops 25 or 30 per cent in their three years' term.

Mr. Venkataramana Ayyangar.—If Government is not going to say that total prohibition is to be attained in a given number of years then local option is necessary and the locality requiring it should be given local option. If twenty or thirty years period is fixed then local option is less necessary but may be useful. Would reduce the number of shops year by year till the whole are abolished in all areas. If this is not going to be done local option is very useful. (For local option.) It may be Government may have the power of deciding the area to be given the option. Option must be with the people of the area. If a local area wants it the Government shall give effect to it. But further to prevent the whole Presidency becoming 'dry' we may fix a minimum number of shops and control the pace at which the principle is extended. Government may have the power of excluding any particular area from local option. Preference should be given to areas willing to subscribe to the cost of the scheme up to 35 per cent of the taxation lost by local option. Franchise to be fixed by Government for every area.

Mr. Muniswami Nayudu repeats that local option is inconsistent with total prohibition policy. Some others also agreed.

Mr. Ramalinga Chettiar.—Any scheme put forward should be automatic. If the goal is really total prohibition the whole area must be dealt with. Local option will imply transit from one area to another and prohibition will be impossible. The result of reduction so far is that quantity of liquor consumed has not increased but it has not decreased. Any scheme

should be automatic and cover the whole Presidency. Reduction of shops alone has not led to reduction of consumption. Suggests Rationing system as a suitable method of reduction. Licensing Boards alone not sufficient. Two other systems tried are Rationing and Surchage systems. Idea of both is restriction or reduction. Local option and high duties have been tried in other countries. In India public opinion already in favour of prohibition. It is a matter of removing temptation. Local option is not necessary or suitable. High taxation already tried. It has not stopped consumption. Does not think Rationing will answer purpose. Licensing Board plus Rationing system may be tried and if not successful we may change. No use having Rationing if only applied to country liquor. Foreign liquor must go with it. It should be made impossible for people drinking arrack to go to foreign liquor. General policy should embrace both toddy and arrack but toddy might be treated more lightly. It is not so bad; ultimately it must go. Realizes the difficulties of rationing shops but may be based on average sales of several years.

Mr. Muniswami Nayudu says you cannot ration the quantity of toddy because you can limit trees, but not the amount they produce.

Mr. P. Khalif-ul-lab doubts if the Rationing system is practicable: Would favour it so far as control is possible.

Mr. Moidu thinks it would be difficult to control sale of toddy and that rationing only possible for arrack.

Mr. Ghouse Mian—Would give power to the board proposed by him to ration as they have power to limit shops.

Honourable Member suggests that giving power of rationing to board might lead to favouritism and corruption.

Mr. Veerian asks whether arrack is at all necessary.

Honourable Member asks what proposals are made for loss of revenue and increase of staff. There will be loss of shop rent and loss of excise. Reduction will come periodically, but how to meet it?

Mr. Ramalinga Chettiyyar says the greater part of the remission of contribution should be spent in this way. Would vote 200 lakhs for this purpose.

Mr. Venkataramana Ayyangar thinks that no additional taxation will be necessary for some time to come.

Honourable Member asks if fresh taxation will be agreed to if necessary. Some members agree. Some say this does not arise.

Adjourned to Thursday afternoon 3-30.

#### PROCEEDINGS OF AN EXCISE CONSULTATIVE MEETING WHICH MET AT OOTACAMUND ON 14TH MAY 1925.

##### P R E S E N T :

1. Dr. John Mathai, M.L.C.
2. M.R.Ry. C. V. Venkataramana Ayyangar Avargal, M.L.C.
3. " P. N. Marthandam Pillai Avargal, M.L.C.
4. " R. Veerian Avargal, M.L.C.
5. " B. Muniswami Nayudu Garu, M.L.C.
6. " Rao Bahadur T. A. Ramalinga Chettiyyar Avargal, M.L.C.
7. Abbas Ali Khan Bahadur, M.L.C.
8. Muhammad Ghouse Mian Sahib Bahadur, M.L.C.
9. H. G. Stokes, Esq., C.I.E., I.C.S.
10. Excise Minister.
11. Revenue Secretary.

Discussion began on Mr. Ghouse Mian's proposal that Licensing Board should have power to ration.

Mr. Ghouse Mian agrees that Government should regulate the percentage reduction by rationing.

Honourable Member asked if there was not a difficulty in fixing a quantity for a shop.

Mr. Ghouse Mian said that in Bombay a quantity was fixed for each month. Result is that the whole quantity can be sold in a few days. Suggests that quantity for each day be limited. That arrack only be brought under control. The seller to bring a particular quantity fixed for each day. The daily amount to be fixed on the monthly average.

Mr. Muniswami Nayudu says what is to happen in areas where festivals occur?

Honourable Member asks if it will not defeat the purpose of rationing if the whole quantity for the month is drunk in one or two days.

Mr. Muniswami Nayudu is not for fixing for a day. He suggests the ration be fixed from the accounts of previous years of issue from distillery. Reduction to be made in each year.

*Mr. Ramalinga Chettiyar.*—In Bombay rationing is made for month with modifications. Would follow Bombay but base ration on actual sale per mensem instead of issues.

Mr. Ghouse Mian suggests per week instead of per day.

Mr. Ramalinga Chettiyar suggests that actual working be left to Executive authority.

Mr. Muniswami Nayudu says give the system a trial at least in some areas.

Honourable Member points out that in Bombay it has not been extended to all areas, e.g., rural areas, and Government cannot fix the rate of future progress. The experience in Bombay requires further examination.

Honourable Member asked if Members agreed to Mr. Venkataramana Ayyangar's suggestion that, if local option be tried, the local area should find some portion of the lost revenue. General opinion against this.

Honourable Member asked if Members agreed to extend only to certain areas. General opinion in favour of extension of rationing to all areas.

Mr. Ramalinga Chettiyar suggests fixing of prices.

Mr. Stokes says nearly impossible to control prices if fixed.

Mr. Ramalinga Chettiyar says you may notify prices and control as far as possible.

Honourable Member raised the question of areas bordering on States.

Mr. Muniswami Nayudu says this is only a question of revenue not of drink. He admits that drink will come in from other States.

Mr. Venkataramana Ayyangar says increase of staff may be made if necessary.

*Finance.*—Increase of staff and loss of revenue will raise question of revenue.

Mr. Muniswami Nayudu says if there is a deficit budget, Government must propose taxation and Council must either vote or go back on its policy. If the deficit is caused by reason of this policy, the Council are bound either to support taxation or go back on its policy.

Mr. Ramalinga Chettiyar urges that the questions of finance did not arise at this point with the prospect of remissions of contribution.

Mr. Ghouse Mian says all want to reduce drink evil. Taxation Committee may devise means for fresh taxation. The matter is one of public health and must be dealt with in competition with other suggestions for expenditure.

Mr. Venkataramana Ayyangar says if Legislative Council once initiate policy they must vote taxation if necessary.

Mr. Marthandam Pillai agrees that Legislative Council must take financial responsibility for the course adopted.

Mr. Veerian suggests taxation of tobacco as a means of revenue. Beedy shops should be taxed.

Mr. Muniswami Nayudu says that Council accepts responsibility if in consequence of its policy there is a deficit—but only if there is a deficit. If necessary, proposals for taxation may be brought forward and Council must be prepared to meet it.

Mr. Venkataramana Ayyangar agrees but does not think additional taxation will be necessary for some years.

Mr. Abbas Ali is thoroughly opposed to additional taxation.

*Toddy.*—Mr. Venkataramana Ayyangar says there will be a rush for toddy when arrack is reduced.

*Mr. Ramalinga Chettiyar.*—No use in dealing with arrack unless restriction be applied also to foreign liquor.

Mr. Ramalinga Chettiyar says the foreign liquor licence should be fixed on the basis of sales and fixed fee be abandoned. But points out that if this is done private consumer will go outside. Bengal have met this by prohibiting import by private purchasers.

Mr. Stokes points out that most foreign liquor of the sort imported is liquor imported from outside India. What Mr. Ramalinga Chettiyar wants to get at is the transport of Indian-made liquor.

Mr. Ramalinga Chettiyar suggests that Madras work on the same lines as Bengal and not allow foreign liquor to compete with arrack and take its place when rationing arrack.

Mr. Ghouse Mian says the licensing boards have not been given power to select licensees.

Honourable Member pointed out that experience of other Provinces had not been happy and auction decides the point here.

There was general agreement that toddy should be left alone for the present and the measures of restrictions now in force may be continued.