

No. C.1383/XIII—65.

R E S O L U T I O N .

EXCISE DEPARTMENT.

Dated Allahabad, the 10th March, 1922.

READ—

The Report of the Excise Committee, and also certain criticisms thereon.

OBSERVATIONS.—By Government resolution no. 238/XIII—14, dated the 22nd March, 1921, the Governor, acting with his Ministers, appointed a Committee to inquire into and report on certain matters connected with provincial excise administration.

The Committee consisted of Mr. A. W. Pim, C.I.E., I.C.S., Commissioner of the Allahabad division, as chairman; Pandit Gokaran Nath Misra, Messrs. H. W. Gill and M. Afzal, Members of the Legislative Council; Mr. T. Gibb, Deputy Commissioner of Excise; the Rev. C. P. Cape, Honorary Secretary, Lucknow Temperance Federation, and Mr. Panna Lall, I.C.S., as secretary.

2. The terms of reference were as follows :—

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

3. The Committee submitted its report on the 1st September, 1921. Before taking action thereon the Governor, acting with his Ministers, decided to invite criticisms thereon, and accordingly published

it for general information. Only a few expressions of opinion have been received, but they were not without value. There is an all but unanimous agreement amongst critics that the report is a notable contribution to the cause of temperance reform, the promotion of which was Government's principal object in appointing the Committee: and the Governor, acting with his Ministers, desires to express his warm appreciation of the work done by Mr. Pim and his colleagues.

4. The excise policy of Government in the past has been crystallized in the formula "the maximum of revenue with the minimum of consumption." The connection between revenue and consumption was obvious, but it was not so obviously causal: it was possible to say that Government considered revenue as paramount, and indeed felt no interest in minimum consumption unless it was accompanied by maximum revenue. The formula, in short, lent itself to misconception, and was often adversely criticized. Yet, as a reference to the detailed statistics given in the review on the excise administration report of the year 1920-21 will show, the criticism was very largely unfounded. In that review it was shown that an increase of 52 per cent. in the revenue derived from country liquor during the decennium ending 1920-21 was accompanied by a decrease of 26 per cent. in consumption, and that an increase of 72 per cent. in the revenue derived from opium was similarly accompanied by a decrease in consumption of 36 per cent. In the case of drugs alone was there no fall in consumption consequent on the rise in duty, large though this was. In brief, the formula had a real meaning; more important still is the fact that the policy which it embodied had real results. Yet, in view of the misunderstandings to which the formula has given rise, it is advisable to re-state it in terms that cannot be mistaken. Government excise policy is accordingly defined to be the subordination of considerations of revenue to the promotion of temperance. That was, in fact, the meaning that Government themselves always attached to the other formula; that—whether they were successful in attaining it or not—was the result which they have always striven to attain, and the new formula merely puts in their true relation the two factors in that policy.

5. Opinion is far from being unanimous about the results of prohibition in countries where it is in force, nominally or in reality. On the basis of such evidence as is available it can be safely said that total prohibition does not produce total abstinence. It may to some extent reduce consumption, it certainly makes supply more difficult: but it never stops either one or the other. The licensed vendor is replaced by the illicit distiller and the smuggler. Smuggling on a large scale has recently been reported of two countries where total prohibition is in force: of a third it is said that its very efficient police are much more obliged if given information regarding places where illicit distillation does not, than where it does, occur. Nor is there any possible means of stopping the sources of supply of intoxicating liquor: there are too many substances which can be used either by distillation or fermentation to produce it, with the result that more replaces less deleterious drink. On the other hand there are always positive

(3)

disadvantages—the loss of a substantial revenue which must inevitably be made good from other sources, an equally inevitable increase in the preventive establishment necessary to enforce prohibition. That, in a purely agricultural province, where the basis of taxation is extremely narrow, is a very serious matter. If the excise revenue disappears an additional burden must inevitably fall on those agricultural classes which already contribute so much of the public revenue.

There are other considerations of importance that bear on the question. It cannot be seriously contended that there is any large amount of intemperance in the province. The total number of persons who actually drink is estimated at 6 millions, the total consumption in 1920-21 was in round figures 9½ million imperial reputed quart bottles; the average consumption was, therefore, something over 1½ bottles per head per annum. Further, as is well enough known, there is a well marked tendency for the lower caste as it rises in the social scale to assimilate itself to the higher caste: and with that object, as its mental, moral and material condition improves, to give up its old characteristic customs. In the process one of the first customs to go is the use of intoxicants. Consequently, the natural tendency of all, even the lowest, drinking castes is towards that total abstinence which is one of the most striking characteristics of the higher castes. It follows further that the temperance reformer to achieve results should devote himself to the uplift,—mental, moral and social—of the backward classes, for by so doing he will be assisting those natural forces which are already working towards temperance. Finally, if prohibition is not to be a farce, it must extend not only to liquor, but to drugs. It is very questionable whether the prohibition of all use of hemp drugs, though desirable past doubt, is widely desired: certainly, it is a fact of much significance that amid all the speeches and writings on behalf of temperance in relation to drink, there is rarely if ever any reference to other intoxicants. As regards opium, it is almost certain that any attempt at prohibition would arouse widespread objections and even resentment: for opium is admittedly one of the most important of family simples.

The policy of Government towards total prohibition may therefore be stated as follows. Government definitely accept, as one of their most important obligations, the reduction of the consumption of intoxicants so far as legislative or executive action can produce that result. They will not be tempted to avoid or minimize that obligation by any desire to add to the public revenue. But on a consideration of the circumstances described above, it is their firm conviction that at present, and for as far into the future as it is necessary to look, total prohibition cannot, and indeed should not, be their policy.

6. Cognate to total prohibition is local option—a measure which, as the Committee point out, is at present attracting wide interest, but which its various advocates would not, apparently, all define in the same way. It can be argued that local option has all the disadvantages of prohibition, and others of its own. Merely because it is “local,” it is ineffective: the drinker has only got to go just outside the area in question to obtain his liquor. It has, moreover,

a financial aspect of its own ; the loss of revenue occurs in a particular locality but, without special arrangements, must be made good by the general body of tax-payers, which is manifestly unfair. In England, there are such special arrangements : for the revenue from license fees of liquor shops in various local areas is assigned to the local bodies that control them, and consequently any loss of revenue consequent on the exercise of this option falls upon them. Nonetheless an advance has already been made towards the introduction of local option. It began with the institution of excise Advisory Committees which were, however, only partly non-official in character. A further step forward was taken when these committees became entirely non-official. A third and much more important step will be taken, as the result of the Excise Committee's report, in the institution of Licensing Boards with very wide powers in the major urban areas, and the inauguration of Advisory Committees in rural areas, where they do not at present exist. And Government are prepared, as a settled part of their excise policy, to continue that advance. They are, however, compelled to impose two conditions. In the first place, they agree with the Committee's warning, that before local option can be fully exercised, the electorate must be greatly widened. For at present the drinking classes, because of their backwardness and poverty, have few, if any, votes, and the electorate is composed mainly of the higher social classes who do not drink : any prohibition against the sale of liquor would, therefore, be a disability imposed on one class by another, which is obviously undesirable. In the second place, it will be necessary to devise some method by which the loss of revenue consequent on the use of the option falls solely on the local body that exercises it. Subject to these two conditions, Government are prepared to announce that their policy will be the progressive realization of the principle of local option.

7. The main lines of Government's future excise policy have now been explained : it remains to consider the individual proposals of the committee.

(a) *Introduction of a system of surcharge or graduated fees, for the present auction sales.*—The history of the auction system has been fully set forth in chapter II of the Committee's report. It has long been condemned by public opinion, and the Committee concur in that condemnation. Excise is a transferred subject : for that reason Government admit that, in any case, public opinion must ultimately prevail. Besides, the Governor, acting with his Ministers, is convinced that in the present case public opinion is right. The forward path of Indian excise administration is strewn with the wreckage of monopolies : it is time that this system, which embodies the last and most evil of all monopolies, should go. Government, therefore, accept the Committee's proposal to substitute another system for the present one. But they are prepared to go even further than its proposal. The Committee would at first introduce the graduated fee system in respect

(5)

of country liquor in only 10 districts : Government have already issued orders to introduce it in every district with effect from the 1st April, 1922. In respect of other excisable commodities, Government have accepted and already ordered the enforcement of the Committee's proposals as they stand.

(b) *Licensing Boards*.—The proposals of the Committee will be found in chapter III. Government were at first doubtful whether the power of selecting licensees could safely be entrusted to the Licensing Boards immediately, though there could be no question that in course of time they must receive that power. On consideration, however, it was felt that without it, the Boards' power over the excise administration of the municipality concerned would not be complete : that the Committee's proposals provided sufficient safeguards against abuse of this power : and that even if abuses did occur this would be better than that the Boards should feel that they have no really effective voice in administration. The Governor, acting with his Ministers, has therefore decided to accept the proposals of the Committee as they stand with two exceptions :—

(1) The non-official chairman of the municipal board will not be *ex officio* a member, still less chairman, of the Licensing Board. Government consider that two members of the municipal board are as many as are required : and further that the non-official chairman of the municipal board might frequently prove unacceptable as a chairman to the other members of the Licensing Board. This has the effect of reducing the Board from eight members to seven. The Board will elect its own chairman.

(2) Licensing Boards will be constituted not only in the eight municipalities mentioned by the Committee but in all municipalities which are divisional headquarters or have a population at the last census of 50,000 or over (including Mirzapur). This means the addition of eight municipalities : the list will now be as follows :—

Allahabad, Lucknow, Benares, Agra, Cawnpore, Meerut, Bareilly, Fyzabad, Gorakhpur, Jhansi, Naini Tal, Aligarh, Moradabad, Saharanpur, Shahjahanpur and Mirzapur. In municipalities where Licensing Boards are not created there will be Advisory Committees with a constitution similar to that of the Advisory Committees in rural areas which are mentioned below.

(c) *Advisory Committees*.—Government also accept the recommendations made in paragraph 23 of the report respecting the constitution of Advisory Committees in rural areas. They have decided that the chairman of this Committee shall be elected by its members : and that the secretary shall be the excise officer of the district—points to which

the Committee do not refer. Government have decided that members of the Legislative Council shall be *ex officio* members of all Advisory Committees if they are ordinarily resident in their constituencies.

- (d) *Minimum number of shops.*—Government accept *in toto* the recommendations of the Committee in chapter IV of the report that the existing rule about fixing the maximum and minimum number of shops be abolished ; that for the cities in which Licensing Boards are to be established, the number of shops in existence at the time of their first constitution be not reduced by more than two-thirds and that for other areas the number of shops be regulated solely by the provisions of article 97(a) of the Excise Manual with reference to the normal requirements of the consuming classes.
- (e) *Hours of sale.*—The Committee's views are set forth in chapter V of the report. The Committee propose no change in the rules relating to hotels, restaurants, canteens, theatre bars, railway refreshment rooms and dining cars except that theatre bars are not to be permitted to make sales after midnight. Nor do they propose a change in the opening hour for *tari* shops at sunrise as at present, in districts where the consumption of fresh *tari* is prevalent, provided that no other intoxicants are sold in those shops. Further, it is proposed not to impose any restriction as regards the hours of sale to persons holding a prescription signed by a registered medical practitioner. With the above exceptions, the recommendations of the Committee are that the opening hour for sale of all excisable commodities, opium, drugs, foreign liquor and country liquor may be fixed at noon and the closing hour at sunset provided that in municipal, town, cantonment and notified areas the closing hour may be extended to 7 p.m. from the 16th October to the 15th March, and 8 p.m. for the rest of the year. Here again the recommendations of the Committee have been accepted by Government without any change.
- (f) *Incidence of duties.*—The Committee's views on this matter are given in chapter VI. For obvious reasons it is impossible for Government to announce their intentions in the matter of possible enhancements of duty before they are about to give effect to them. All that can be said here is that Government will give full weight to the views of the Committee when occasion arises.
- (g) *Opening of shops at fairs and festivals.*—The matter is discussed at some length in chapter VII of the report. Here too Government accept the recommendations of the Committee that all excise shops (special or branch) be removed from fairs,—a travelling dispensary being sent to those fairs in which opium and drugs shops have been abolished,—and that liquor shops only and not those for the

(7)

sale of drugs and opium be closed on one day during the *Holi* festival, viz., that following the burning of the *Holi*.

(h) *Trial of excise offences.*—Government also accept the recommendations of the Committee (chapter VIII of the report) that the practice of district excise officers trying excise cases be discontinued, and that all such cases be tried by some other magistrate.

(i) *Staff.*—The proposals of the Committee in respect of staff are given in chapter IX. These Government find themselves unable to accept. It is probable that excise revenue will tend to decrease, and in any case will be uncertain. Any increase of expenditure on the obtaining of that revenue is therefore to be deprecated, and undertaken only if proved to be imperatively necessary. Further, many experienced district officers consider an increase of superior staff unnecessary, as also does well-informed non-official opinion. The revenue officers, moreover, are likely in the near future to have more time to spare for excise administration, as a result of impending legislation in connection with district boards. Lastly, the existing excise staff themselves have expressed their willingness to work the new system without any increase to their numbers—a reason as cogent as it is creditable to the staff. Government have under consideration certain proposals to improve the pay of excise inspectors: they also intend to avoid as a general rule, though not absolutely, the recruitment of assistant commissioners from outside the ranks of excise inspectors. Beyond that, however, they do not, as at present advised, propose to go. The necessity of an increased staff can be considered in the light of experience gained.

(j) In respect of the miscellaneous recommendations in chapter X, it is unnecessary here to say much. Government approve generally of the views put forward by the Committee regarding the sale of *ganja* and *charas* and *majum* sweets, the drinking of liquor in shops, and the registration of clubs, and the department will be directed to take up separately all these matters. As regards amendments in the Act and Rules, it will suffice to say that Government will take the matter in hand at an early date. The only point that need be mentioned here is the important one of the minimum age at which persons may be employed in liquor shops [section 23(i)]. Government intend to raise it to 17.

8. In conclusion the Governor, acting with his Ministers, desires once more to express his warm appreciation of the labours of Mr. Pim and his colleagues: and with them of Mr. Way, the late, and Mr. Gibb, the officiating, Excise Commissioner, who have all through rendered the greatest help in inaugurating the many and great changes made necessary by the report of the Excise Committee.

(8)

ORDER.—Ordered that the resolution be published in the *United Provinces Government Gazette* for general information.

Ordered also that a copy be forwarded to the Joint Secretary to the Board of Revenue, United Provinces, for the information of the Board.

By order of the Governor acting with his Ministers,

E. A. H. BLUNT,
Secy. to Govt., United Provinces.