

Tuesday, March 5, 1867

**COUNCIL OF GOVERNOR GENERAL
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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament, 24 & 25 Vic., cap. 67.

The Council met at Government House on Tuesday, the 5th March, 1867.

PRESENT :

His Excellency the Viceroy and Governor General of India, *presiding*.

His Honour the Lieutenant-Governor of Bengal, K.C.S.I.

His Excellency the Commander-in-Chief, G.C.S.I., K.C.B.

The Hon'ble H. Sumner Maine.

The Hon'ble W. Grey.

The Hon'ble G. Noble Taylor.

The Right Hon'ble W. N. Massey.

The Hon'ble Colonel Sir H. M. Durand, C.B., K.C.S.I.

The Hon'ble H. B. Riddell.

The Hon'ble E. L. Brandreth.

The Hon'ble M. J. Shaw Stewart.

The Hon'ble C. P. Hobhouse.

The Hon'ble J. Skinner.

The Hon'ble D. Cowie.

CUSTOMS DUTIES.

The Right Hon'ble MR. MASSEY moved for leave to introduce a Bill to amend the Law relating to Customs Duties. He said :—

“ Sir, the statement which I have to make, in submitting to the Council the annual exposition of the revenue and expenditure of the country, comprises three separate accounts, namely, the ascertained balance of the year which has last expired, the estimate, partly founded on ascertained figures, of the current year, and the estimates with the provision of ways and means for the service of the year next succeeding the present year. The two latter estimates are always subject to disturbing agencies which do not affect the financial systems of other countries, or do not affect them in the like degree. The Government of India is charged with the general superintendence of five great subordinate Governments and three minor Administrations. It is no easy matter to exercise a political control over distant dependencies; and the

difficulty of such control is greatly increased when you have to supply and regulate the expenditure of these several States, varying as they do in the extent of their territory; in the races by which they are inhabited; in their social and commercial progress; and in every element which goes to constitute a fixed guide and criterion in determining according to European ideas, the scale of expenditure suitable to each particular province. Accordingly, we are compelled to concede a wide, and, practically, an unlimited discretion in such matters to the Local Governments and Administrations, who are themselves forced to grant a large measure of license to distant ministerial officers. Thus we have not one Budget to deal with, but eight local Budgets complete in all their parts; and over neither one of these eight Budgets has the Supreme Government that control which is necessary for the purpose of finance. In addition to these difficulties, the financial administration of Her Majesty's Indian Empire is further involved by the separate treasury and separate accounts which are necessarily maintained by the Secretary of State, and over which the Indian Government has of course no control whatever. I make these observations for the purpose of explaining to the Council that they must not expect from my statements, or from the statement of any successor of mine under similar circumstances, anything more than an exhibition of Indian accounts which shall approximate to the truth. The very first statement which I have to make is a singular illustration of these remarks. In March last, a few weeks before the close of the financial year, I was advised that a deficit of £336,000 would represent the state of the accounts of that year. The actual result has been a surplus of £2,800,491. You will readily understand that a considerable portion of this astounding discrepancy is attributable to the precise method of accounting which has been adopted with so much benefit, in pursuance of the recent report of the Commissioners of Account and Audit. In fact, upwards of a million of the sum which I have named is disposed of in the adjustment of the registers of the Loan Department, and the general books of the Government of India, on the transfer of the management of the public debt to the Bank of Bengal. According to the new budget system, it is necessary that these debits and credits should be passed through the account of income and expenditure, but they represent no real transaction, and are strictly matters of account, terminating in a nominal credit to the Government of £1,028,189. But the remainder, or £1,772,000 is for the most part substantial, being made up in nearly equal proportions of short expenditure and the recovery of arrears of revenue. Thus, the Home expenditure turned out to be less by £350,000 than the estimate, and of the large amount of £1,071,000 set down for stores, less than one-half has been spent, the saving being £566,000. Again £937,000 appear to

the credit side from a payment of that amount of Railway traffic earnings in the Bombay Presidency, which had been retained in deposit in private Banks by the Railway Boards, contrary to the terms of the contract which require the prompt payment of the gross earnings into the civil treasuries, which payments have latterly been regularly made by the Railways in the two other Presidencies. This sum of £937,000, of which no account had been rendered when the regular estimate of last year was framed, has *pro tanto* reduced the charge for guaranteed interest, and accounts for the difference between the estimated cash-balance and the actual cash-balance at the close of last year.

With these explanations, I leave the accounts of 1865-66.

When I come to the regular-estimate for the current year I have a more difficult task, for I must present it to you in an incomplete form, in consequence of the change which has taken place in the official year. Soon after the financial statement had been made last year, the Government was desired by the late Secretary of State to make provision, if possible, for the submission of the Indian accounts at such a period as would enable the House of Commons to take them into consideration at an earlier period of the Session than was practicable under the then existing arrangement. The result was that we proposed to close the accounts of the year on the 31st of March instead of the 30th of April, and this arrangement was assented to by the Secretary of State. In comparing, therefore, the regular with the budget-estimate, the Council will bear in mind that I have to compare an estimate which was made for twelve months, with an estimate for a year which is to terminate in eleven months. It has been found extremely difficult to frame a sub-estimate of the proportion of outlying income and charge which are to be assigned to the missing month; and therefore it would be fallacious to rely upon the broken transactions of a mutilated year as representing accurately the financial results of a complete year. Notwithstanding the various depressing influences of the present year, it is satisfactory to state that, with four exceptions, the estimates of March last have been well maintained under every head. The Land revenue, although we have remitted £107,665, chiefly on account of Orissa, exceeds the estimate by £10,835, credit being taken for the month of April of which we are deprived. In Excise there is a small increase, and the Salt revenue for eleven months is better than the estimate for the year, owing partly to larger sales of Government stock in Bengal; but as these increased sales have not been attended with diminished imports, the flourishing state of this branch of the revenue is an indication of the well-being of the mass of the people. On the other hand, the stagnation of trade has manifested itself in the falling off of the Customs returns to the amount of £135,868;

while a deficiency in the Mint receipts of £140,200 is chiefly attributable to a falling off in the coinage of copper in consequence of the ample supplies of specie with which the treasuries are stored. But the short receipts occur mainly under Opium and Public Works. These two heads alone account for more than two millions of the deficit; but of these two millions I shall shew you that the greater part is nominal. The difference between the budget-estimate and the regular-estimate of the Opium revenue is £1,624,300. From this must be deducted £692,284 for the estimated amount of the sales in Bengal and the passes to be taken out in Bombay in the month of April, which are not included in consequence of the new arrangement in the present financial year. From the £932,016 which remain must be made a further reduction of £691,600 in respect of 5,320 chests, which, though included in the estimate, have not been brought forward in consequence of their being in excess of the number which the Government had announced for sale during the current year. Deducting these figures, therefore, namely, the sum of £692,284 for Opium, which will be realized in the first month of the next financial year, but which properly belongs to the last month of the current year; and a sum of £691,600 which we have failed to realize owing to the inadvertence which I have mentioned in the preparation of the budget-estimate; the balance, £220,416, represents the actual difference between the estimated proceeds and the sale of the Bengal drug. My estimate was Rupees 1,300 per chest; but the sales have yielded an average only of Rs. 1,248. To this difference of £220,416 must be added about £20,600 on account of a slight falling off in the passes taken out at Bombay.

The fourth and last head of revenue which is deficient is Miscellaneous Public Works, the receipts from which will be less than the estimate by about £520,000. But this amount also is nominal. Of £460,000 which we had expected to obtain from the sale of lands in the Island of Bombay we have realized nothing, the sales having been postponed to a more favourable season. This figure in fact represents a debt of which we have not received payment, as we expected, but for which we hold ample security. The remaining £60,000 is accounted for by the correction of an error in the budget-estimate of Bombay. The regular estimate is, therefore, really less than the budget-estimate by £135,868 under Customs; by £140,200 under Mint; and by £240,416 under Opium; in the whole by £516,484.

These figures are used only for the purpose of showing that the falling off in the revenue during the year has not been considerable; and that the failure, such as it is, has, with the single exception of the Mint, been confined

to those sources which are necessarily affected by a season of commercial distress. The expenditure, on the other hand, shows an increase under every head. Guaranteed interest exceeds the estimate by £409,584, owing partly to the exclusion of the April accounts, and partly to the reduction of Railway receipts and increased expenditure caused by the interruption of the traffic on the Bengal and Bombay lines by the floods of last year. The Home charges are increased by £581,126 on account of the new transport ships and stores for India. It was intended that this service should have been provided for by a loan, and that one twenty-fifth part of the loan should be repaid annually. A Committee which was appointed to report on the whole subject, including the requisite financial arrangements, properly assumed in their report that this capital charge of above one million sterling should not be written off in full against the income of the years in which the money might be disbursed, but should be spread over twenty-five years, by annually debiting income with only one twenty-fifth part of the whole outlay.

Eventually, the money was provided from the cash-balance, instead of being borrowed. Had the original intention been adhered to, the annual charge for the vessels for the overland transport service would have been £43,041 instead of the large capital charge which has been spread over a period of only three years.

If to these charges we add £193,989 to the Army estimates, £66,902 for the purchase and repair of ships and placing additional vessels in commission in Bombay, and £50,000 to the Nizam in part payment of the balance due to His Highness under the treaty, on making up the accounts of the "Assigned Districts," the principal augmentations of charge will have been noticed.

The sum total of expenditure for the eleven months which comprise the current financial year will be £44,307,777. The receipts for the same period will be £41,912,530, the result being a deficit of £2,395,247.

This deficit as I have shown is produced in nearly equal portions by excess of charge and failure of receipt. We have realized £691,600 less than the estimate of the Opium sales, on account of 5,320 chests which we were precluded from bringing to the hammer, and we have lost £240,416 from deficiency of prices; being a total of £932,016. Add to this £276,068 for falling off in Customs and Mint. On the other side, the expenditure as I have shown

is, to about the same extent, in excess of the estimate. Large as the deficit may be—and it is impossible owing to the exceptional curtailment of the year to state the figure with more than an approximation to accuracy—it loses much of its formidable character when we consider that it is produced by causes in no degree affecting either the stability of our resources, or indicating a permanent augmentation of expenditure. And we derive further consolation from the state of our cash-balances. According to my estimate in March last, we should have entered upon the present year with a balance of £12,859,366. But our balance on the 1st of May was £13,771,625, being £912,259 better than the estimate. This addition, together with the loan of £600,000 raised in January, will increase the amount at which I stated the cash-balance for the close of the current year by £625,474. Notwithstanding the adverse state of the balance-sheet we shall close the year with £11,132,133 instead of £10,506,659, the estimate of last March.

The year about to close has been one of great adversity. Disaster and discredit almost unparalleled in their extent and duration have prostrated commercial enterprise, not only in this country but in England, where every interest, excepting always the irrepressible public revenue, has suffered more or less, and is suffering from similar causes. We may congratulate ourselves, however, that India, with one notable exception, has weathered the storm without suffering much more damage than has been caused by the temporary cessation of the steady progress she has been making for some years. Trade is stagnant and confidence has been checked; but the commercial honour of the country is untainted; and credit, though sharing in the general depression, is not I trust substantially or permanently impaired.

The exception to which I have referred is of course Bombay. But the ruin which has befallen Bombay is strictly exceptional and local. The crisis which has affected all commercial enterprise has precipitated her fall; but that fall was inevitable, though the surrounding atmosphere had been one of unclouded prosperity. Bombay, however, has suffered and has repented. She has great natural advantages, and is rapidly augmenting those advantages by means of the converging lines of railway which will convey a large share of the wealth and trade of India to her port. She still numbers among her merchants many men of ascertained position, men of honour, and men of business; and if bitter experience can ever be of any avail in teaching a practical lesson, the banking business and commercial enterprise of Bombay will for the future be something better than mere gambling speculations.

Sir, I have spoken of commercial depression, from which India has suffered in common with England and other parts of the world. But during the past year India has been afflicted with a calamity far more grievous than any form of commercial disaster. A whole province has been desolated by famine, and other districts have partially suffered by a similar visitation. I need not dwell upon a topic which has been uppermost in the public mind of this country for many months. I am almost ashamed to mention it in connection with balance-sheets and estimates; but as a matter of fact, I am bound to notice the famine as prominent among other causes which have had an unfavourable effect on the finances of the year.

I now proceed to lay before you the estimates for the year which is about to commence. But before I enter upon this statement, I must advert to a change which has been recently adopted in dealing with one of the most important and the most interesting branches of our expenditure. I mean that portion of the grant for Public Works which relates to what are stated in the accounts as agricultural improvements, but which are better known by the description of irrigation works. The progress of these undertakings has been hitherto retarded by various causes, some of which I took occasion to notice in my financial statement last year. One of them, the conflict of opinion as to the best mode of planning these vast and costly works, has been in a great measure removed by the able and comprehensive report of the Committee on the Ganges Canal, appointed by His Excellency the Viceroy in the early part of last year; and the conclusions arrived at by the majority of the experienced Engineers who framed that report have been adopted by the Government of India with the concurrence of the Secretary of State. If any doubt has hitherto existed as to the expediency of engaging in great and extensive schemes of irrigation, that doubt has been completely dispelled by the lamentable events of the last year. There can be no deliberation in dealing with Famine; and the issue forced upon the Government has been, not whether it shall engage in speculations which may yield an uncertain profit, but whether whole districts of the country shall be exposed to a periodical depopulation for want of those preventive measures which human power can command. Irrigation, Sir, in India, is the great question of the day, as the repeal of the Corn Laws and unrestricted commerce were the great questions in England in days gone by; but all that the repeal of the Corn Laws and Free Trade have done for the people of England, and much more than all, will be done for the people of India by works which will fertilize their fields, and place their means of subsistence beyond the reach of accidents, which indeed are not so much accidents as events of ordinary and almost regular recurrence.

Sir, I have said that this question should not be considered mainly as one of profit and loss. Assuredly it should be taken up on far higher grounds. Nay, even if it were certain that the twenty or thirty millions of money which from first to last will be required by these operations would yield no return, the State would still be bound by the highest sense of duty to undertake them. But, so far from irrigation schemes being unremunerative, the reverse is the admitted fact, and the Government have been blamed for the jealousy with which they have been supposed to exclude private Companies eager to enter upon a field of such profitable enterprize. At the same time, I am not sanguine in my expectation of large returns upon the whole of these undertakings. Making allowances for the money which will be wasted, and for the mistakes which will be made in the construction of works of such magnitude, and of which our experience is imperfect, I do not calculate upon obtaining for many years to come much more than will cover the interest and sinking fund of the capital invested, and I shall be content to leave it to some unborn successor of mine to congratulate the Council upon being in a condition to defray any considerable portion of the public charge from the profits of reservoirs and canals. But whether these works are to be profitable or unprofitable, we have resolved to undertake them without delay, and on a scale as large as our immediate resources in skill, labour, and materials will permit. Money will not be wanting to any amount that may be required, but a large and sustained expenditure for an extraordinary service such as this, cannot be provided out ordinary revenue;—I say we can no longer be dependent on the resources from which irrigation works have hitherto been supplied. Our surplus years are few and far between; and our cash-balances are not more than sufficient for the ordinary demands of the public service. We have resolved, therefore, with the hearty approval of the Secretary of State, who has enjoined the Government to spare no means for the furtherance of this great object, to make special provision for this branch of public works. From henceforth, therefore, the estimate for irrigation works will be removed from Current Account to Debt, in other words the annual charge for the construction of canals, reservoirs and other works of this class will be provided for by loans, and the interest of these loans only will be charged to the expenditure of the year. The amount which will be required during the ensuing year for distribution to the Local Governments on account of irrigation works does not exceed £700,000; I wish it were double or treble that amount, but hasty preparations for large expenditure on such projects would be ill made; in addition to this sum, an outlay may be required for the commencement of the great works for utilizing the waters of the Soane. This project, for which the plans and estimates have long since been completed, has been delayed by

negotiations with the East India Irrigation Company, who undertook the work, but who pressed for the concession of a still more extensive scheme. It is doubtful if the Company in the present state of the money-market will be able to fulfil their contract; but in case they should fail, the Government are ready and willing to proceed with the work. While I am on the subject of loans, I may as well add that we have discontinued the advances which have hitherto been made for special works in the town and island of Bombay against the proceeds of the land sales in the island. The sales having been suspended for the present on account of the total cessation of speculative enterprise, it is no longer possible to balance these transactions within the year: but as we were unwilling that the works at Bombay should be discontinued, we lately borrowed £600,000, and intend to borrow £400,000 more in the ensuing year, that the works may not be interrupted. We are also in correspondence with the Government of Bengal on the subject of an advance to the municipality of Calcutta of a sum of £520,000 in three years, to enable them to proceed with the water-works so necessary for the health of the town. Altogether, we shall probably borrow to the extent of £2,000,000 during the year 1867-68. Works of great public utility will thus be promoted without any strain upon the revenue, and the cash-balances will be kept full.

The only other alterations which have been made in the accounts are the removal from the balance-sheet of revenue and expenditure of the estimates for the Straits Settlement, which will be detached from the Government of India at the commencement of the financial year, and also of the estimates for the East and West Berars. As the revenues of these districts, commonly called the Assigned Districts, like the revenues of Mysore, are collected and administered in trust for the Native Government, they have properly no place in the Indian accounts.

The expenditure for the coming year will exceed the estimates of the year about to expire by £515,032, the difference between considerable additions to and large deductions from charge. This increase is chiefly accounted for by special and temporary charges, and though part of it is nominal owing to transfers, there remains, with the exception of Opium, a steady increase under almost every head of service. I need not trouble the Council by explanations on those items in which the variation either one way or the other is caused by transfers in account; nor will I dwell on petty details; but merely refer to those points which require special notice. The interest heads show an aggregate increase of £350,000, partly accounted for by interest on the new Debenture Loan of £600,000; by interest on the assets of prize money; by interest

payable to the Railway Companies, in accordance with a recent arrangement by which the Companies are allowed interest on their balances of net traffic receipts; and by a provision of half a year's interest on the projected loan of two millions for reproductive works, and works chargeable to the Bombay Special Fund.

The increase of £117,753 under Land Revenue is due partly to the transfer of petty charges from the Public Works Department, but mainly to increased salaries to Deputy and Assistant Commissioners, Oudh, North-West Provinces, and Panjab. The cost of the Telegraph Department is necessarily augmented by £113,688 on account of the Indo-European Line, the receipts of which are credited to the revenues of India. The charge for Law and Justice exceeds the former estimates by £271,914, the greater part of which is caused by the improved salaries of uncovenanted Judges and ministerial officers in the three Presidencies; and a portion is due to stores supplied to the Convict Department at Port Blair. The advance of £59,448 under Police is caused by the organization of a body of Railway Police, and the repairs of Police stations formerly charged to the Public Works Department. An extra expenditure of £94,599 occurs under Marine in consequence of new ships having been put in commission in Bombay, and of services to the Indo-European Telegraph. The head of Education, Science and Art as usual shows a steady progress. The increase next year will be £72,000; but as this increase is chiefly on account of grants-in-aid, and thus represents the efforts of the public to promote the cause of education, the additional charge will be a subject of congratulation rather than otherwise. I do not know that I can say so much for an increase of £106,885 which appears under the next head of the account, allowances and assignments under treaties and engagements. The pecuniary embarrassments of Prince Azim Jah, together with the question of making a permanent provision for the future maintenance of His Highness in a position suitable to his rank, have frequently been under the consideration of Parliament and Her Majesty's Government. The result is that it has been determined to assign £150,000 for the payment of the Prince's debts, and to provide an additional annual allowance of £15,000, which will be distributed with His Highness' concurrence in such proportions as appear best adapted to secure the future dignity and independence of the Prince and his family. I have only to notice one other head, that of Miscellaneous, which contains an item of melancholy import. The Government will advance next year £410,000 for the purchase of grain for the population of Orissa. Of this sum of £410,000, it is estimated that £260,000 will be recovered; and the balance £150,000 represents the difference between the price at which the

grain will be bought, and the price at which it will be sold, and this difference is charged to revenue.

The army estimates call for no particular remark. Comparing budget-estimate with budget-estimate (for comparison between the budget-estimate and the regular-estimate for eleven months would be quite impracticable), there is a saving of £520,904, which is accounted for by the removal of the charges for the Berars and the Straits, and transfers of charges for beer and rum to the Home Accounts, and by leaving out the estimate for freight for the reliefs who will henceforth be conveyed by the new steam transports.

The result of these figures and of others which I have not noticed in the general statement, is an aggregate increase, as compared with the budget-estimate of the current year, of £515,032.

But before I leave this part of the subject, I will notice the special charges by which the expenditure of the ensuing year will be exceptionally increased. There will first be £240,000 for transport-ships; £165,000 in payment of the debts and provision for Prince Azim Jah; £150,000 loss on the sale of grain in Orissa, and Land Revenue remitted to the amount of £30,000 on account of the famine; the whole amount being £585,000.

I need not trouble the Council in detail with observations on the majority of the items on the receipt side of the sheet. Land Revenue shows the ordinary rate of progress. There is a falling off indeed, on a comparison of the Budget figures of the present year and those for 1867-68, of £200,000, but excluding the Eastern Settlements and the Berars, there is in fact an improvement of the revenue to nearly that amount, notwithstanding the remission in Orissa. Some of this improvement is due to waste lands brought into cultivation and to enhanced rents in Madras and Oudh from revised settlements. In Madras there is also an improvement of £93,000 in Abkari receipts.

Upon the next item, that of Customs, I must trouble you at greater length.

The Council are aware that the Customs tariff has been revised by a Committee with a view to the better classification of the articles, to a re-adjustment of value and charges, and to the removal of duties not so valuable to the revenue as they may be obstructive to trade. The Committee have prepared a new classification which renders the tariff far more simple and intelligible than it is at present. Instead of enumerating certain articles which shall be free, and leaving every other article subject to duty, the Committee have adopted the opposite plan of enumerating the articles which are to pay

Customs duties, every article not enumerated being free. Such in the mode in which the English tariff is framed, and though its adoption in this country may be attended with some small loss of revenue, that sacrifice is compensated by the liberation of commerce from petty charges, which though they may not be grievous, are vexatious, and obstructive to the transactions of business. But the Committee propose more important changes. They have removed from the column of charge upwards of 40 articles, leaving only 97 articles further reduced to 65 classes of articles, upon which duty is in future to be collected; and they abolish export duties on 88 articles, retaining 9 classes of articles only on the export list. The amount of revenue which will be lost by this large remission of duty is £122,000, but this includes a sum of £76,000 formerly paid by saltpetre, though, from the decay of the trade, this product has not lately yielded any appreciable revenue. The loss of revenue, therefore, properly attributable to the reduction of the tariff recommended by the Committee does not exceed £46,000, adding to which £16,000, the amount of import duty given up, the loss is about £62,000, but adding £76,000 for saltpetre, the Customs revenue is diminished by about £140,000 a year. As a compensation for the loss, the Committee suggest that the export duty on grain, which is at present two annas a maund, should be increased; and they point out that every anna of additional duty would yield £160,000. This measure is urged by the Committee, not only as a legitimate mode of improving the revenue, but also on the ground of its tendency to check the exportation of a staple article of food at a time when a large portion of the population have perished by famine, and while the survivors are still on the brink of starvation. High authority besides that of the Committee may be cited in support of this view. In 1857, in the prospect of scarcity, a prohibitory duty on the export of grain was proposed in the Legislative Council with the concurrence of the Board of Revenue. This extreme measure, however, was not adopted; but in the year 1859, the duty was raised from half an anna to two annas per maund; yet so far was this increase of duty from checking the export trade, that the exportations of rice increased in the following year from five millions to eight millions of maunds, and went on increasing for several succeeding years. It was only during the last year and the present year, when prices rose so high as to make the home market more remunerative than the foreign, that the export trade declined. We disclaim, however, the policy of putting a duty on grain for the purpose of keeping it at home during a period of scarcity. Even if such a policy were a sound one, nothing short of a prohibitory rate would suffice to carry it into effect; and certainly it is not our intention to propose anything of the kind. On the contrary, the only question which we have considered has been, whether a moderate increase

- of the duty for the benefit of the revenue would interfere with the export trade, and for the reasons which I have mentioned, we have come to the conclusion that no such consequence would ensue. We propose, therefore, to raise the export duty to three annas per maund, which will add about £160,000 to the revenue derived from this source.

The Committee also recommend an alteration of the Wine Duties, by which the present uniform duty of one rupee the gallon shall be increased, with reference to champagnes and sparkling wines of the more costly growths, by eight annas, or fifty per cent.; and shall be decreased in the same proportion upon clarets and the lighter class of wines. A differential duty in favour of this latter class of wines was adopted in 1863 without any other result than a proportional loss of revenue, the quantity and value entered for consumption under the reduced duty being nearly the same as under the higher rate; the whole amount of the remission was in fact transferred from the coffers of the State to the profits of the foreign grower or dealer, without benefiting the consumer in the least degree. I see no reason to suppose that any other result would follow from a further remission of the duty; and if any change were to be made, experience points rather to the restoration of the former rate than the reduction of the present; but we propose to leave the duty on light wines unaltered, and to adopt that part of the proposal of the Committee which increases the duty on the more expensive wines. In one particular, the proposals of the Government are in advance of the recommendations of the Committee: we have placed machinery, and the component parts of machinery, on the Free List. The revenue derived from this source is about £5,000 a year, and is an increasing revenue; but the difficulty of discriminating between machinery for agriculture, railway and other purposes, which is exempt from duty, and machinery of a different description which is subject to duty, has given rise to so many questions in the Custom House, that we have thought it better to give up the taxation of articles which, whatever their description may be in the tariff, are all imported for purposes more or less conducive to the material prosperity of the country.

There is only one other remark which I have to make before quitting this branch of the subject. It relates to the important articles of Cotton, Piece-Goods and Twists. We retain the existing rates of five and three and a half per cent. *ad valorem*; but the valuations have been reduced to correspond with the present state of the market. Considering, however, the present uncertain and fluctuating condition of the trade, the Committee, with the concurrence of the Chambers of Commerce, have recommended that these values shall be re-adjusted when the result of the American cotton crop of

the present year shall become known. I need scarcely say that the Government concur in this view.

Notwithstanding, however, that the result of the recommendations of the Committee, as they have been modified by the Government, is a balance in favour of this branch of the revenue, the receipts from Customs for the next year will show a decrease of £56,970, chiefly attributable to the depression of trade,—an estimate which we hope may be eventually reversed.

Salt is increased by £544,770, chiefly in Bengal and Bombay, in consequence partly of increased consumption, and partly of sales of home-made salt in store.

I have estimated Opium at Rupees 1,150 a chest. I am told that this estimate is too low; and I am referred to the price of the day and the rising tendency of the market. But the price of the day is no criterion for the estimate of a year. When Sir C. Trevelyan took Rupees 850, the price which had been realized by the last preceding sale, he based his estimate on a price which was exceptionally low; if I had taken Rupees 1,500 in March last, which was the price realized in that month, I should have taken a figure which was exceptionally high. Whether I take the price high or low, the market is in no wise affected by my estimate; but if I adopt too high a figure, my provision of ways and means for the service of the year is materially affected, and all my calculations are thrown out of gear. The principle which I have taken for my guide is this: I have taken out the average of the prices of each of the last four years; and putting these averages together, I have taken the average of the whole. By this process, I arrive at the figure 1,131. I have estimated Opium at 1,150.

Our estimate of the Stamp revenue has been increased by the amount which we expect to realize from the revised scale of institution stamps, which has been for some weeks under the consideration of the Council, and will, I hope, shortly receive its assent.

The Committee which prepared the way for legislation on this subject by a most careful and searching investigation into the whole question, have estimated the addition to the revenue from the adoption of the revised scale at £680,000; but upon this point they do not pretend to offer any more than a very general and conjectural opinion. It is not improbable that the amount which the Committee have named may be reached, and even exceeded; but in calculating upon a revenue to be derived from a resource so obscure and capricious as the litigation of India, we have thought it prudent to be very

moderate in our estimate; and we have, therefore, limited our estimate of the increase of the Stamp-duties on this account to £500,000.

Mint.—There is still a decrease under this head of £96,560, representing the loss of profit derived from the coinage of copper, for which the demand is fully supplied.

Public Works.—The decrease of £498,800 from this source is wholly attributable to the exclusion of the accounts of the Special Fund at Bombay from the revenue accounts.

The cash-balances at the close of the ensuing year will be £10,612,168, but this amount will be increased by any re-payments which the Railway Companies may make of the advances, to the extent of nearly three millions which have been and will be made by the Secretary of State to prevent a suspension of the works on account of the temporary difficulty of raising funds.

The final result of the comparison of the estimates of revenue and expenditure is an adverse balance, after taking credit for the new Customs and Stamp-duties, of £1,057,522.

I should have wished, if possible, to have made up the deficiency of the revenue wholly by indirect taxation, and the equalization of the Salt tax has been suggested from many quarters as an easy mode of balancing the account. It is no doubt true that an addition to the Salt tax, which would yield a considerable revenue, might be easily levied without any cost of collection, and it has been confidently asserted that such an addition would not be oppressive to the people, whose condition has been materially improved by the rise in the value of labour within the last few years. But the enhanced wages of labour have prevailed chiefly in the Presidency towns and the surrounding districts, and have not extended to the great mass of the population upon whom the pressure of the Salt tax almost entirely falls. The Customs and Excise duties on salt amount to 5½ millions sterling; and if you leave out the Land revenue, which is not so much a tax as a rent, and the Opium returns, which are not paid by the people of India in any form, nearly one-third of the revenue is drawn from the great mass of the labouring people, whose wages on the whole have not risen beyond the rise in the cost of the necessaries of life.

We shall not, therefore, be tempted by the facility with which a large additional revenue would be raised by an increase of the Salt tax, so long as there are other classes of the community which do not bear their fair share of the public burdens. If we leave out the Land revenue, which I repeat is more

a rent than a tax, the people of India are no longer subjected to any form of direct taxation. But, though indirect taxation is the mode of raising the revenue most acceptable to the people of this country, as it is to the people of every other country, and is so far the preferable mode, still there are classes which, in India especially, indirect taxation does not reach. The greater part of the Excise and a fair proportion of the Import Duties are drawn from the bulk of the population, upon whom the Salt tax almost exclusively falls. The Stamps, which yield less than either Abkari or Customs, mainly represent the profit which the State derives from the transactions of property and commerce.

It would be idle to discuss the question whether the landholder contributes his just proportion to the public service. His contribution has been fixed by the terms of the settlement, and he cannot justly be subjected to any direct tax which does not equally include other classes of the community. For a similar reason, the fund-holder cannot be singled out. A tax upon public servants would be simply a reduction of salaries, a measure which is governed by considerations wholly distinct from those which determine the imposition or the assessment of a tax. But none of these objections apply to Professions and Trades. Taxes upon certain callings, occupations, and trades have long been established in the system of English finance, and yield nearly two millions a year; they existed before the income tax, and have been continued without abatement during all the changes which the income tax has undergone.

I will not weary the Council with statistical details. It is sufficiently shown by the income tax returns, that there are large classes of persons engaged in lucrative occupations and trades who contribute little or nothing to the revenue. We propose to place a moderate duty on these classes in the shape of a License Tax. In 1859 a tax of this description, but on a very extensive scale—partaking in fact of the nature of a special income tax—was passed after much discussion in the Legislative Council, but was never carried into execution, having been merged in the general income tax adopted by Mr. Wilson. A license tax was subsequently enacted under the administration of Mr. Laing as auxiliary to the income tax, but was withdrawn after it had been partially collected, by reason of the improved state of the revenue. The license tax which I shall presently lay upon the Table is one of an exceedingly moderate character. Commencing at the point at which the income tax originally commenced, namely, Rupees 200 yearly, and terminating at Rupees 10,000, it is divided into five classes; the maximum assessment, that is, the assessment on the lowest estimated income of each class, being two per

cent. Joint Stock Companies are placed in a separate class. Thus the tax upon the lowest class from Rupees 200 to Rupees 500 yearly will be four Rupees; the highest payment by any person or partnership will be Rupees 200 yearly. The highest payment by any Joint Stock Company will be Rupees 2,000.

After the observations which I have made upon the position of public servants with reference to measures of direct taxation, the Council will possibly not be prepared to hear that public servants are not to be exempt; or rather that they are to be subjected to the tax by a special provision. I do not undertake to maintain that this part of the Bill is strictly in accordance with the principles on which it has been framed; but looking back to the history of 1859, when Sir H. Harington's measure was nearly defeated by an opposition headed by no less a person than the Chief Justice on account of the exemption of the services; and considering that it would ill become the Government to insist on the exemption of its officers from a public burden, if such a claim was questionable, we have inserted a clause in the Bill providing that there shall be deducted from the salaries of public servants the amount of duty to which they would be liable if such salaries were derived from professions or trades. Following, however, a precedent in the income tax, all military officers under the rank of Field Officers, drawing pay and allowances not exceeding Rupees 6,000 per annum, and employed exclusively on military service, shall not be liable to the duty. Non-Commissioned Officers and Officers of Police are also exempted, as well as subordinate Civil Servants drawing salaries of less than Rupees 1,000 yearly.

There is a clause in the Bill which empowers the Governor General in Council to exempt from the tax any person who may be able to substantiate a claim to such exemption; and to suspend the operation of the Act in any part of India for which, for local reasons, it may not be just or expedient to enforce it.

These are the provisions of the Bill. We might by a multiplication of the classes have affected to make the distribution of the burden more equal; but while such an arrangement would greatly add to the cost of collection, it would give rise to infinite contention, and increase the discretionary power of the assessors to a greater extent than is desirable. It is difficult to estimate the produce of the tax; but upon the best information we can obtain, we have put it at £500,000. We might obtain double or treble this amount by a more comprehensive scheme of direct taxation; but to those who sigh for the restoration of an income tax, I can offer one inducement to accept the more limited measure which I shall have the honour to introduce. It does not compromise the policy of an income tax, or take up the ground which a

tax of that description would cover. If, therefore, at a future period, the exigencies of the State should render it necessary to enlarge the area of direct taxation, you may either adopt a different scale of duties for the higher classes in the Schedule, or you may remove altogether the higher classes to the income tax, leaving the license tax to operate on profits below Rupees 1,000.

I must add that the Government, without giving a definite pledge, does not propose that this tax shall form a permanent source of the Imperial revenue. During the first year the duties will be collected and credited like any other tax; but in our opinion a tax of this nature is better suited to local purposes than to the general purposes of the State. We intend, therefore, in another year to transfer it, modified if experience should suggest such modification, together with a corresponding amount of charges of a local character, to the several Local Governments and Administrations. These local charges are the most unsatisfactory part of the Budget. We can exercise no control over them, for we know nothing about them; and we must either comply implicitly with the requisitions of the Local Governments, or take upon ourselves the responsibility of disallowing such requirements. In either case we may do mischief. On the one hand, we may sanction an unnecessary charge which has been carelessly endorsed by the head of a Department who has no immediate interest in guarding against the waste of public money; on the other hand, by random parsimony, or by a parsimony regulated only by the state of the public revenue, we may check prudent and profitable expenditure. We desire, therefore, that the Local Governments shall in future determine their own expenditure, so far as that expenditure concerns merely local objects; and that they shall provide the ways and means for themselves. In the vast and various provinces which are united under the dominion of the Crown throughout the continent of India, there are many sources of revenue which might be made available for local purposes, but which could not be used for Imperial objects without giving rise to just complaints of partial exaction, or even of breach of faith. I have been during the last year in demi-official correspondence with the heads of the Local Governments on this subject, and from the frank communications which I have been permitted to hold with those eminent persons, I have no reason to apprehend any serious difficulty in effecting such a separation of responsibility as I propose; and it will be our endeavour to bring these arrangements to maturity before the close of the ensuing financial year.

Estimating the license tax at £500,000, we have still to provide for £557,522, and we think this should be done without further taxation. In the estimate for Public Works, there is one conspicuous item which covers one-

third of the whole grant. I refer to the head of Military Works, consisting chiefly of the new barracks which are to be constructed at almost every military station in India, at a cost on the whole of nearly $11\frac{1}{2}$ millions, to be spread over five years. These extraordinary works commenced in 1865, and at the close of the present financial year upwards of £1,800,000 on account of these works will have been defrayed out of ordinary revenue. The estimate for 1867-68, after making all proper abatements, is nearly 2 millions. In the following year we shall have to provide £2,800,000, and in 1869-70, £2,700,000 will be required to complete these great works. We might of course have lessened the annual expenditure by spreading it over a wider space of time; but looking at the question on the mere ground of economy, without any regard to higher considerations, there can be no doubt that economy can be best consulted by making the earliest possible provision for the health and effectiveness of the army quartered in this country. I should have preferred to go on as hitherto, defraying this charge, special and temporary as it is, out of the revenues of India. If a financier were to lay down any precise rule of separation between ordinary and extraordinary charge, there is scarcely a year in which he might not have a plausible pretence for transferring charge from revenue to capital account. I do not know how long such a process might go on; but sure I am that it would end, sooner or later, in a collapse of public credit. Questions of this sort are practically to be determined not so much by rule as by circumstances. I must remind you that we have to propose new taxation this year. Are we still further to increase that taxation on account of new barracks? In other words, is all the cost to fall on the tax-payers of the day and all the benefit to be derived, without any other cost than the annual repairs, by the tax-payers of 1870 and future years? We think we are not warranted in extending taxation for such a purpose, and that we shall fulfil our duty if we provide all that we can out of revenue, and throw a part of the burden on our successors. We shall borrow a million towards the construction of barracks in the ensuing year; and even after this million has been borrowed, the remaining million will be charged to the revenues of the year.

Thus the sum we shall provide out of revenue for this extraordinary charge is nearly equivalent to the whole estimated produce of the new taxation. In fact, had it not been for this charge, we could have exactly balanced the estimates for next year. After this statement, I need not say another word in vindication of the course we have taken. The greatest stickler for defraying all charges within the year can hardly accuse us of an attempt to evade our obligations. The million loan to be raised in aid of the barrack

expenditure will form no part of the two millions which I propose to borrow for wholly different purposes. It is satisfactory to be assured that this vast expenditure will not be unproductive of the results for which it is incurred. His Excellency the Commander-in-Chief is, I believe, in possession of some important facts bearing on this point; and if my hon'ble and gallant friend should think fit to take this opportunity of giving the Council any information on the subject, his statement will, I am sure, be heard with interest.

I have now completed the statement which it was my duty to make, but before I release my wearied audience, I must advert very briefly to one or two points nearly connected with, if not immediately involved in, the financial affairs of the year. It will be in the recollection of the Council, that in the early part of last year, in consequence of the great influx of bullion in Bombay, we thought it expedient to ask the sanction of the Council to a measure for relieving the Government from the statutory obligations to cash Mint certificates at sight. The Council at once saw that this measure was prudent and even necessary with reference to the circumstances, and more especially to the state of the Currency Department. With a paper circulation varying from 7 to 8 millions, we had locked up in securities nearly 4 millions, which is the utmost limit of investment allowed by law. There can be no doubt that, with so limited a circulation, it was unsafe that so large a proportion of the specie representing the paper should have been converted into stock. The pressure of 1866 passed away; but as the Paper Currency remained stationary, and seemed likely to continue in that state under existing arrangements, we thought it expedient to reduce the amount of Currency stock. Accordingly, in the course of the last, and in part of the present year, we have realized securities to the extent of £640,000, and thus the coin reserve has been strengthened by that amount. The whole subject of the currency has been gone into by the Commission constituted under the orders of the Government in the early part of last year; much valuable evidence has been collected from all parts of India, and from every available source; and though the Committee separated without making any specific recommendations, I cannot but think, considering that it comprised several members of the Executive Council, which must hereafter discuss the whole question with a view to practical measures, that the Committee exercised a judicious reserve in refraining from such recommendations. Upon this subject I have only to add that the Government of India can take no action with regard to the currency without consulting Her Majesty's Government; but the Council may be assured that this is a subject to which our best consideration will be addressed without unnecessary delay. In the meantime, we have done what

we could to promote the Paper Currency by affording increased facilities through the agency of the principal treasuries for the conversion of the note.

In 1862, an attempt was made to introduce the Money Order system which had worked so beneficially in England. The experiment was first tried in Lower Bengal under the direction of the Accountant General, and with such success that last year the system was extended throughout India. We do not, however, employ the agency of the Post Office, which in India is not adapted to such purposes, but work the system through the Collectors' treasuries under the central superintendence of the Comptroller General at Calcutta. Orders are now payable to the extent of Rupees 100 at any treasury in the Presidency in which they are issued, and at the general treasuries of the other Presidencies. The operation of the plan will be carefully watched, and every practicable expansion will be given to it. We have also matured a scheme for establishing Savings Banks throughout the country under the immediate responsibility of the Government. We shall thus afford the humbler classes an opportunity of investing their savings, if they prefer investing to hoarding, or good security to high interest.

I need only further advert to the improvement which has been and will be effected in the condition and character of the minor judicial and administrative establishments throughout the country by an adequate increase of salaries and allowances, and to the temporary but most effective measures for giving employment to those who are able to work in the famine-stricken districts; at the same time urging forward agricultural improvements by advancing £20,000 monthly to the East India Irrigation Company to enable them to extend their works in Orissa.

Much more remains to be done before we shall have fulfilled the duties which devolved upon us when we assumed the responsibility of ruling over vast provinces and millions of people varying in religion and race, but all looking up with blind submission to that great Power to whose wisdom and humanity under Providence, not merely their prosperity and well being, but their very lives, are entrusted."

His Excellency THE COMMANDER-IN-CHIEF said, he ventured to follow the precedent set last year, by accepting the invitation given by his Right Hon'ble friend to offer certain explanations with regard to that portion of the financial statement which referred to the department more especially under his (THE COMMANDER-IN-CHIEF'S) control. It was very true, as stated by his Right Hon'ble friend, that there was a vast expenditure on account of the British Army in India; at the same time there was the prospect, not far distant nor uncertain, of the present increased expenditure resulting, not only in a legitimately increased economy, but also in great benefit to the troops on

whom the tranquillity of the country and the security of the administration depended. The Right Hon'ble Mr. Massey had alluded to the labours of the Royal Sanitary Commission in England, which had been in existence since the year 1863, and which Commission had now been resolved into a permanent body. It was a Committee of public safety, so to speak, for supervising the health, not only of the British troops in India, but of the subjects of Her Majesty throughout this country. Whenever any question of this sort involving great expenditure was discussed here, it was referred to the Secretary of State for India, and the Secretary of State, instead of disposing of the question himself, seemed to have adopted a habit of referring such questions to the Sanitary Commission, which as HIS EXCELLENCY had said, was thus a Committee of public safety sitting in permanency. That had probably increased the difficulty of his Right Hon'ble friend as the Minister of Finance; but HIS EXCELLENCY certainly did not complain, and wished at the same time to acknowledge the great obligations which the British troops in this country, and therefore the country at large, were under to the Sanitary Commissioners. In the report of those Commissioners made in 1863, it was said that, on an average of years from the commencement of the present century to the year 1859, there was an annual mortality amongst the British troops in this country of 69 out of every 1,000, and that there were always in hospital no less than 84 out of every 1,000 men or 8½ per cent. The result was that, according to that report, with that amount of sickness, "out of an average of 70,000 men, there was, as it were, a vast hospital containing 5,080 beds, besides the loss of no less than 4,800 men, or nearly five regiments, who died yearly." Admitting fully the facts stated in that report, HIS EXCELLENCY thought it only just to the Medical Service and to the Government of India, to say that the figures, as therein stated, although absolutely true, did undeniably produce a delusive impression in the public mind both here and in England. Thus the Commissioners, while they argued on such a state of disease and mortality, had not attributed the deserved importance to the fact that the Army in this country had been almost in a constant state of war until the year 1859. It was true there were certain intervals of tranquillity, as, for instance, the long period of peace following the administration of Lord William Bentinck, but as a general fact, the conquest of India was proceeding until 1859. If there was one thing more certain than another, when they came to consider the health of troops, it was this. While the casualties in the field might be numbered without difficulty, it was almost impossible to give a proximate account of the casualties that resulted from exposure and constant movement, and being kept for long periods without cover, or under canvas or huts, until it was in the power of Government to

build barracks. To give such an estimate was certainly beyond the powers of any military officer, and as HIS EXCELLENCY believed of any medical officer either. The consequence of such a state of things had never been sufficiently considered by the public in England, in which he must include the Sanitary Commission. It was undoubtedly true that the rate of mortality and sickness depended, not on the neglect of the Government, not on any neglect of any mortal man, but on the Army being kept constantly exposed in the field and on active service, or merely halting between campaigns. To illustrate what HIS EXCELLENCY had advanced: it was remarkable that the very year after the Sanitary Commission made their report, we had been at peace for three years and a half. What were the returns of death and sickness for that year? In that year, 1864, the returns of deaths and sickness throughout India did not exceed what would have been considered a favourable return in England twenty years ago. He would quote from a note written by Dr. Mouat, well known in this Presidency as Inspector General of Jails. In a lecture, lately delivered in London by Dr. Mouat, he said:—

“ In the Bengal Presidency, in 1864, of the 54 stations in which there were English soldiers, the mortality of 41 was below 20 per 1,000: in 12 it was under 10 per 1,000: and in 7 only did it exceed 25 per 1,000.

In France the military mortality is 10·8 per 1,000 for officers, and 22·3 for men, giving a mean death-rate of 19 per 1,000, or one per cent. below the present Bengal rate.

In the West Indies, French soldiers die at the rate of 75 per 1,000: in Algeria, of 70 per 1,000: and when formerly employed in Egypt, their loss was 69 per 1,000.”

HIS EXCELLENCY therefore thought he was justified in saying, that they had reached a point with regard to sanitary arrangements which did not altogether depend on the recommendations of the Commission. At the same time, whilst he maintained that the Sanitary Commission perhaps over-stated their case, he for one was glad that they had done so; for they had thus been the means of awakening the public conscience to a great duty, for the performance of which the military and medical officers in this country had long been asking, but which had been set aside on financial considerations. Now, as soon as the cry arose in England, we saw that form and substance had been given to that which had so long been sought for in vain. All that had been done in the last three years had been progressive, and was producing better results: instead of the average sickness of the British troops in the Bengal Presidency being 84 in the 1,000, it was very much less. He held in his hand returns of the British troops in hospital in that Presidency. In the month of September 1866, which was the worst month for sickness in the Army, the average was under seven per cent. in hospital; in October, which

was also a sickly month, it fell nearly to six per cent.; in November it reached a little over five per cent.; and in December about four and a half. That was a very great improvement on the state of things as represented in the Sanitary Commissioner's report, because he had taken two of the most unhealthy months of the year—September and October—and two other months in which the troops were recovering their health after the subsidence of the rains. He also held in his hand a return which had been prepared in accordance with an idea suggested to him by the report of the Sanitary Commission: it was a return showing the comparative health of all military stations, and had been prepared in consequence of a suggestion of the Sanitary Commission, that, instead of going on general facts, regiments should be traced through their history from the time of their arrival in this country to the date of their return to England. He had enlarged on that suggestion and caused this return to be prepared, which was called a "quarterly return of sickness and deaths among Her Majesty's British Forces in the Bengal Presidency, exhibiting the comparative healthiness of the principal stations occupied by them." This gave a comparative statement of the health of every station in the Army during each quarter. There was a statement of mortality occurring in each station, and each station stood in the list according to its relative position of health. When a sufficient number of years had elapsed for a collection of such statements, it would be of great importance, as enabling Government and his successors to correct delusive estimates of the comparative health of the different military stations. There was nothing that gave Commanders-in-Chief more trouble than being met by statements as to the unhealthiness of this or that station, which it was, of course, absolutely necessary that somebody should remain to garrison. Whereas, if reports came up from the commanders of regiments, from medical officers and from Generals in command of Divisions, representing the necessity of removing a regiment from a particular station, it put the Commander-in-Chief and the Government to great embarrassment and difficulty. It was painful sometimes to resist such appeals, while it not seldom happened that the circumstances on which reliance was placed were occasional or much exaggerated. The Council were perhaps aware that Peshawar had had the credit of being one of the worst stations in India. It had been constantly held up as the great example of unhealthiness. HIS EXCELLENCY had ventured to contest that opinion, though, at the same time, he had great authorities against him. But having been himself for some time quartered there, and much engaged in field operations on the frontier in former years, he could not help thinking that the mortality and sickness attributed to that station, which had been solely ascribed to malarious influences, was often due to the fatigue and distress consequent on a state of

continual exposure and extra duty. When he was serving in that station, he was himself in the field continually from October to July : there were troops always in the field throughout the cold weather, the hot months which followed, and a portion of the rains. In a country verging on the tropics, whose climate was so subject to malarious influences, no men could stand such exposure. Much of the sickness declared inherent in Peshawar might therefore be properly ascribed to constant active service in the field, to which troops serving in that station were more liable than any others. He had taken the liberty to mention this to Lord Strathnairn when he was in Bombay. His Excellency THE COMMANDER-IN-CHIEF had taken great pains to verify that opinion, and to see whether he (THE COMMANDER-IN-CHIEF) was right or wrong, and he had the satisfaction to say that, during the past year, 1866, Peshawar, instead of standing low in the list of stations placed according to health, stood well both as regarded casualties and men in hospital. It stood nineteenth on the list out of fifty stations, and below it were such stations as Chinsurah, Shajihanpur, Roy Bareilly, and so on. He did not wish to ascribe more importance to that circumstance than it deserved; but he thought it showed that Peshawar, besides having the natural influences of climate to contend against, was also a station where the troops were necessarily liable to more active service and exposure than in any other station. It also showed how much might be done by attention to sanitary measures, and where the power to amend sanitary conditions necessarily ceased. It further proved that there might be an explanation of the bare facts, as shown by returns of sickness and deaths, which constantly escaped the notice of the public, and even of scientific authorities, unless attention was specially directed to it. During the last three years an order had been in force, declaring that the area allotted to each soldier in barracks should be ninety feet : that was in accordance with a recommendation of the Sanitary Commission. Although no such order had been previously in existence, still, in a great majority of barracks, there was not a much less area given to each soldier, at all events during the hot season. It was a fact, as shown by medical officers, that if we would ensure the health of our troops, we must look not only to avoiding malarious influences, but also to over-crowding. This rule had now been stereotyped for ever by Government, and commanding officers could not depart from it, except at their peril. There was no one condition, no one order ever issued by a benevolent Government, which had so much conduced to health, as that to which he had referred. He recollected when Fort William was a Golgotha, when the amount of sickness in that Fort caused it to be dreaded by the troops worse than Sierra Leone. Now there was hardly a station which exceeded it in sanitary condition. Much the same might be said of several other

stations. Conservancy and drainage defeated the malarious influences of the climate, and the result justified the expenditure which had been incurred in giving them effect by the Government of India.

There was one more point to which he wished to refer. He had observed it stated in England that opinions had been ascribed to him as if he had recommended a large diminution of the European force in this country. It would be in the recollection of the Council that, nearly two years ago, at the invitation of the Government, he considered the question of reduction, and with due regard to what he believed compatible with security, he did prepare a scheme for the reduction of the number of the rank and file of British troops, and to this, perhaps, allusion had been made. That reduction had been commenced upon last year, and had not yet been entirely completed, but he believed it would be so in the course of this year. Since 1865, he had made no further proposals for the reduction of British troops, but had only, in the execution of his office, carried out the final resolution of Government. He had made no recommendation beyond the conclusions stated by him in 1865 with respect to the three arms, nor was he prepared to make any; on the contrary he held very decided opinions that we could not safely make any further reduction in the British forces; in short, we had reached the proper limits of the establishments. We heard a great deal at home of what was called the large European Army in India. It was believed by many people in England, and perhaps by some in this country, that we had a European force not much less than that which was here at the close of the mutinies. The facts were as follows:—In April 1861 there were 82,000 men in this country, at the present date, the actual number of British troops was under 61,000. If we compared that number with the Army as it existed at other dates, we found that, in the year 1856-57, the year before the mutiny broke out, the strength amounted to 45,000 men: so that the difference between the present year and the year before the mutiny was only 16,000 men. He ventured to think that, after the experience of 1856-57, and the great lesson of Native character which they had learned in those days, the present strength of British troops was not too much to ask for to ensure the security of our empire in India. He made these remarks because he heard complaints adopted in England, and in some instances by men of authority, to the effect that we had greatly too large an European force for this country; that because there had been an improvement in fire-arms, that was a reason for the reduction of the force; and again because there were difficulties at home in the way of recruiting, that was a reason for reduction; and lastly that because, according to the Sanitary Commissioner's report, there were great sickness and mortality amongst the British troops in India, which he ventured to say

from the facts he had laid before the Council was not actually the case, and was not attributable solely to the climate, that *that* was a reason why we should not expose British troops to such danger in this country. But in his opinion all those reasons were absolutely illusory. With regard to improved arms, every one knew that the arms at present in the hands of the British troops in India were far superior to any that they would have to contend against, and he could therefore see no absolute necessity for giving breach-loading arms to the troops in India under present circumstances, except the Imperial and very sufficient reason that uniformity of arms should prevail among all the troops composing the British Army, wherever they might be stationed. Again with regard to the difficulties of recruiting, we had nothing to do with that; we must ask for the necessary garrison, as the great interests of India, and therefore of England, could not be imperilled. We surely should not forget the lessons of the past, and the dangers and loss we had incurred by inattention to such principles in the occupation of a vast country possessing an almost countless population. It took us two years to overcome the mutinies, and it was owing to the mercies of Providence that the struggle did not extend to ten years instead of two. We did not impose on the population of the United Kingdom a greater drain for troops than it could afford, and that was but a very small demand with regard to the enormous importance of the interests confided to the British garrison in India. In short, we could not afford to tamper with that garrison, the maintenance of which was an Imperial and by no means a mere local necessity. To do so would be as if the Government were to remove all bullion reserve, and trust to the Paper Currency by itself; that was the argument with which we should meet all those who asked us to reduce the number of British troops in India below that figure which experience and observation had proved to be indispensably necessary.

The Hon'ble MR. SHAW STEWART said :—" Sir, the Right Hon'ble the Financial Member of Council, in that clear and lucid speech which we have all listened to with such delight, referring to the commercial disaster of last year, remarked that, great as had been the losses and the stagnation of trade in all parts of the world, he was glad to say that, with one exception, commercial honour was intact; and, with a serious and melancholy emphasis that made his words all the more impressive, he stated that, that exception was Bombay.

I am far from attempting to defend all that has been done in Bombay, but I think that these words will cause great and unwonted pain to many persons in that unfortunate city.—a pain all the greater from the weight that must

be given to the opinion of a person in the high position of the Right Hon'ble gentleman. The position of Bombay has been peculiar and exceptional; the trade of Bombay, which for some years before the American war broke out had been steadily and slowly expanding, suddenly increased three or four-fold, and wealth that was enormous and almost fabulous flowed in. It found no long established machinery of commerce ready at hand to control its effects, a machinery which has been found, even in London where it exists in its most perfect form, insufficient to prevent disastrous speculation and consequent loss and suffering. Under these circumstances, it is not astonishing that persons unaccustomed to such a flood of prosperity and unprepared for its occurrence, should to a certain extent have lost their coolness and discretion; and the result has been that, when, contrary to the expectation of all the wisest politicians of Europe and of India, the American war suddenly ceased and this great trade collapsed, a great and general distress has been caused. My Right Hon'ble friend exercised a wise discretion in avoiding to particularize any classes as deserving blame, and I shall so far follow his example in saying that I think all classes must share it. But I am most confidently of opinion, that the blame is not such as to give good ground for a charge, or even for a suspicion, of mercantile dishonour. From what I know of the present state of Bombay, I believe that, if the sacrifices, the labours, and the sufferings that have been entailed on, and willingly undertaken by, the merchants of Bombay were known, the idea would be rejected.

I wish it had fallen to the lot of some one better able and better prepared than myself, to express these feelings. But I felt myself impelled to give utterance to them, because I know that Bombay does not deserve such a grave stigma as my Right Hon'ble friend has sought to attach to her."

The Hon'ble MR. COWIE said, he had intended to make some remarks on the Financial Statement of the Right Hon'ble Mr. Massey, but, considering the late hour to which the sitting had already been protracted, he (MR. COWIE) had resolved not to do more than simply to express the great satisfaction that he felt in hearing the intimation that a great proportion of the public works would in future be conducted by means of loans. It might be in the recollection of the Council that, on the occasion of the delivery of the Budget of the year 1865-66, he had recorded his opinion that it was proper to debit to Capital and not to Income those public works which were of a reproductive nature. He now only wished to be permitted to record his personal satisfaction at the determination to which the Government had come in this matter.

The Motion was put and agreed to.

The Right Hon'ble MR. MASSEY having applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The PRESIDENT declared the Rules suspended.

The Right Hon'ble MR. MASSEY then introduced the Bill, and moved that it be taken into consideration.

The Motion was put and agreed to.

The Right Hon'ble MR. MASSEY then moved that the Bill be passed.

The Motion was put and agreed to.

LICENSES' BILL.

The Right Hon'ble MR. MASSEY, in moving for leave to introduce a Bill for the licensing of Professions and Trades, said that he did not intend to proceed further with the Bill that day, but hoped the Council would permit him to pass it at the next meeting.

The Motion was put and agreed to.

The Council then adjourned till the 8th March, 1867.

WHITLEY STOKES,

Assistant Secretary to the Government of India,

Home Department (Legislative).

CALCUTTA;
The 5th March, 1867. }

PUBLIC WORKS DEPARTMENT.

STATEMENT showing the Works proposed to be undertaken during the year 1867-68 from the Special Grant of 70 lakhs assigned for new works of irrigation.

District.	Works.	AMOUNT OF ESTIMATE.	COMPUTED EXPENDITURE TO 31st MARCH 1867.	PROPOSED EXPENDITURE, 1867-68.
		Rs.	Rs.	Rs.
MADRAS.				
Godavery	Works in the Delta of the Godavery (raising the Anicut, enlarging and improving canals, and constructing aqueducts and locks)	6,79,502	3,78,430	1,66,832
Kistna	Works in the Delta of the Kistna (widening, improving, and extending canals, excavating irrigation channels, and constructing locks)	13,65,765	7,74,227	2,50,944
Nellore	Works on the Penniar River (excavating irrigation channels and improving canals)	1,82,540	1,61,374	45,903
Tanjore and Trichinopoly	Works on the Cauvery and Coleroon (constructing Lower Coleroon Anicut, and improving the channel of the Cauvery)	5,66,580	67,261	1,50,689
North Arcot	Works in North Arcot District (Palur Anicut, Cheyoor Anicut, and dam across the Secar River)	1,25,200	.....	98,200
South "	Works in South Arcot District (constructing Anicut across the Mainmuthanaddy River, cutting the Pombay Channel, &c.)	98,968	5,354	82,906
Coimbatore	Works in the Coimbatore District (aqueduct over the Vainpootoor stream, improving the Colingevady Channel, &c.)	1,15,644	55,189	55,488
Salem	Works in the District of Salem (Anicuts across the Valyoor and Swatha Rivers, &c.)	18,720	.....	18,720
Madras	Water-supply project, &c.	6,11,759	1,10,900	3,00,000
	Constructing, improving, and restoring tanks in several districts	1,08,400	16,332	90,048
	Sundry works, under Rs. 10,000 each	.....	.....	40,270
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	.....	.....	2,00,000
TOTAL, MADRAS		.....	.....	15,00,000
BOMBAY.				
Dharwar	Canal, including aqueduct from the Mudduck Tank	74,961	65,835	25,000
Belgaum	Gokah Canal from the Gutpurba River	.....	.....	25,000
Sattara	Kristna Irrigation Project for irrigating 27,500 acres of land in the Sattara District by means of a dam at Koorsee	5,09,988	5,25,576	80,000
Poona	Moota Irrigation Scheme for irrigation of land in the Deccan	.....	.....	50,000
Ahmednuggur.	Lyakh Project for irrigating 18,000 acres of land in the Faihra and Godavery Valleys	2,05,842	1,00,000	1,00,000
Sattara	Yerla Irrigation Project	1,49,859	20,000	80,000
Ahmednuggur.	Falkair on the Kadwa River (irrigation of 4,370 acres of land from the Kadwa River)	64,924	.....	25,000
Ditto	Godavery Project	.....	.....	20,000
Ditto	Prurora Project	.....	.....	20,000

STATEMENT showing the Works proposed to be undertaken during the year 1867-68, &c.,—continued.

Division.	Works.	AMOUNT OF ESTIMATE.	COMPUTED EXPENDITURE TO 31st MARCH 1867.	PROPOSED EXPENDITURE, 1867-68.
Khandeish	Jamda Canal on the Girna River (damming up the river and constructing two canals)	Rs. 6,13,331	Rs. 4,84,572	Rs. 1,00,000
Upper Sindh	Canal from Sukkur to Shadadpore, including purchase of land	7,29,820	3,96,788	1,00,000
Ditto	Improving the Bijree Canal, and extending it for the irrigation of Beer Lands	4,01,699	.....	50,000
Hyderabad	Improvement to the Kasra Canal	.....	.....	19,800
Ditto	Enlargement of the Hyderabad Mouth of the River Foollahia	.....	.....	20,000
Beeruj	Cuts in the bed of the Narra River	1,91,158	1,75,256	15,000
Ditto	Thurr Canal in the direction of Oomerote	1,02,662	1,25,162	47,000
Ditto	Mitrow Canal	5,55,832	4,98,320	57,000
Kurrachee	New feeder to the Western Narra and Munchur Lake from Seel Dhuud near Dadool	.....	.....	20,000
Shahbunder	Improving the Mahmoos Canal	10,040	.....	10,000
Sholapore	Ekrookh Tank Project for irrigation from the Valley of Ekrookh to the Sholapore Collectorate	8,98,226	3,00,000	1,00,000
Ahmednuggur	Bhatowdee Tank Project	3,00,000	.....	50,000
Khandeish	Saigaum Storage Lake on the Girna River	.....	.....	1,00,000
Ditto	Improving Bandaras and Water-courses	.....	.....	69,700
Baiz	Embanking the right bank of the Narra River near Inkrow to check overflow	.....	.....	18,000
Kaira	Chorotun Drainage	.....	.....	10,000
	Sundry works under Rs. 10,000 each	.....	.....	60,500
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	.....	.....	20,000
TOTAL, BOMBAY		.....	.....	12,50,000
BENGAL.				
	Provisional Grant for the Soane Irrigation Works	.....	.....	4,50,000
	Purchase of land for Orissa Irrigation Company	.....	.....	1,50,000
TOTAL, BENGAL		.....	.....	60,00,00
NORTH-WESTERN PROVINCES.				
	Remodelling Ganges Canal	.....	.....	15,47,780
	Rajbhas, or distributing channels, in connection with the Ganges Canal	.....	39,00,000	3,31,000
	Certain works connected with the Eastern Jumna Canal	1,00,985	48,715	79,220
	Teral Survey in Rohilkund	.....	.....	1,00,000
	Sundry Works under Rs. 10,000 each	38,882	14,900	17,000
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	.....	.....	2,25,000
TOTAL, NORTH-WESTERN PROVINCES		.....	.....	23,00,000

STATEMENT showing the Works proposed to be undertaken during the year 1867-68, &c.,—continued.

DISTRICT.	WORKS.	AMOUNT OF ESTIMATE.	COMPUTED EXPENDITURE TO 31st MARCH 1867.	PROPOSED EXPENDITURE 1867-68.
	PUNJAB.	Rs.	Rs.	Rs.
	Remodelling Baree Doab Canal . . . . .	...	...	5,76,382
	Rajbhas in connection with the Baree Doab Canal	59,871	23,000	86,871
	Improving inundation canals on the Upper and Lower Sutlej	2,00,659	1,21,432	56,769
	New works and improvements, Western Jumna Canal	5,62,584	2,44,873	3,93,178
	Buildings for Madhopoor Workshops	1,94,121	82,000	70,800
	Sundry works under Rs. 10,000 each . . . . .	...	...	24,000
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each . . . . .	...	...	42,000
	TOTAL, PUNJAB . . . . .	...	...	12,00,000
	CENTRAL PROVINCES.			
Nagpore .	Irrigation in the Nagpore District, comprising Sownair, Kuttunjee, and Bhore and Dam Irrigation Projects . . . . .	...	...	1,50,000
	TOTAL, CENTRAL PROVINCES . . . . .	...	...	1,50,000
	GRAND TOTAL . . . . .	...	...	70,00,000

• Plans and Estimates under preparation.

† Revised Estimates under preparation.

‡ Estimates under preparation.

§ Estimates under consideration.

Estimate of Home Charges in 1867-68.

	£	£	£
<i>Debt.</i>			
Dividends to Proprietors of East India Stock . . . . .	.....	629,970	
Interest on Loans contracted in England . . . . .	.....	1,421,145	
Total, Dividends and Interest . . . . .	.....	.....	2,061,115
<i>Civil.</i>			
Charges General Home Establishments, &c. . . . .	.....	186,000	
Amount payable under the Postal arrangements . . . . .	.....	44,000	
Red Sea and India Telegraph—charge to India . . . . .	.....	18,000	
Mission to the Court of Persia—charge to India . . . . .	.....	12,000	
Her Majesty's Establishments in China—charge to India . . . . .	.....	18,000	
Pensions and Retired Allowances . . . . .	.....	231,000	
Furlough and Absentee Allowances . . . . .	.....	86,000	
Miscellaneous (including India Office Site and Building) . . . . .	.....	190,000	
Total, Civil Charges . . . . .	.....	.....	785,000
<i>Military Effective Charges.</i>			
Imperial Government for Troops serving in India	658,000		
Ditto on account of cost of Education of Officers and Cadets	10,000		
Passage of Troops	28,000		
Ditto and Outfit of Officers	30,000		
Allowances, &c., of Assistant Surgeons on appointment	8,000		
Furlough Allowances	210,000		
On account of Contracts for construction of Indian Troops Transports	272,000		
Overland Troop Transports Service	100,000		
Total, Effective Charges . . . . .	.....	1,306,000	
<i>Non-Effective Charges.</i>			
Imperial Government for Troops serving in India	220,500		
Retired Pay, including Colonels' Allowances	736,000		
Pensions, Lord Clive's Fund	118,000		
Total, Non-Effective Charges . . . . .	.....	1,074,500	
Total, Military Charges . . . . .	.....	.....	2,380,500
<i>Marine.</i>			
Pensions and Retired allowances, India Navy and Bengal Pilot Services . . . . .	.....	52,000	
Furlough and Absentee Allowances . . . . .	.....	2,000	
Total, Marine Charges . . . . .	.....	.....	54,000
Total, Charges in England . . . . .	.....	.....	5,270,615
<i>Deduct—</i>			
Miscellaneous Home Receipts . . . . .	.....	.....	116,000
Net Expenditure in England . . . . .	.....	.....	5,154,615

STATEMENT of Cash Balances in the Indian Treasuries on the 31st March 1867.

RECEIPTS IN INDIA IN 1867-68.	BUDGET ESTIMATE. £	DISBURSEMENTS IN INDIA IN 1867-68.	BUDGET ESTIMATE. £
REVENUES	46,783,110	EXPENDITURE IN INDIA	41,603,658
DEBT.		Deduct—	
Special Loans.		Stores from England, &c., included in above	1,313,128
1. For Reproductive Public Works	1,200,000	DEBT.	40,290,530
2. For other Special Public Works	800,000	Expenditure for Reproductive Public Works and Special Fund Works	1,270,000
Other receipts on account of Debt	12,044,120	Other payments on account of Debt	13,149,050
LONDON.		Payments in India on account of England :—	
Recoveries in India of Payments in England :—		Railways	4,789,766
Funds, Family Remittances, &c.	1,520,672	Madras Irrigation and Canal Company	154,000
Madras Irrigation and Canal Company, Net Earnings	2,500	Other Payments	1,388,550
Net Railway Earnings	2,754,996	Remittances in England on account of payments for India :—	
Interest on Railway Earnings	37,145	Guaranteed Railway Interest	3,377,000
ESTIMATED CASH BALANCES ON 31st MARCH 1867	11,133,133	Other Payments	1,181,457
	£ 76,274,676	UNADJUSTED AMOUNT BETWEEN PRESIDENCY AND PR. SIDENY	63,155
		ESTIMATED CASH BALANCE ON 31st MARCH 1868	10,612,168
			£ 76,274,676

FORT WILLIAM,

FINANCIAL DEPARTMENT,

The 5th March 1867.

THOMAS PRACHEY,

Depty. Compt. Genl. of Accounts.

R. P. HARRISON,

Compt. Genl. of Accounts.

E. E.

E. H. LUSHINGTON,

Secy. to the Govt. of India.

