complied with the request of the Government of this Colony, that an officer of the New Zealand Customs should be attached to their Distilleries Department for a few months. I selected Mr. Wilson Heaps from the Customs staff of Canterbury for this service, and despatched him to Melbourne in December, 1868. His instructions were to make himself acquainted not only with the routine work of supervising a distillery already established and in full working order, but also to ascertain all the essential points which have to be attended to in the construction of distillery buildings before the granting of a license, the character of the various appliances, and the construction, position, and connection of the several vessels, and of all pipes, locks, taps, and fastenings used in a licensed distillery; and, further, to make himself proficient in the art of gauging distillery vessels. Mr. Heaps accomplished the object for which he was despatched, to my entire satisfaction, in three months, and became so proficient in distillery work that it was not found necessary to engage an Inspector in Melbourne, or to send a second officer there to learn the duties, both of which steps the Government had authorized me to take. Mr. Heaps was gazetted an Inspector under the Act in June, 1869; at the same time the Collectors of Customs at the principal ports, and several officers of police, were appointed Inspectors, in order to enable them to exercise the powers given to such officers under the Act for the suppression of illicit distillation. I should here state that it is the duty of the principal officer of Customs at the various ports to issue licenses to wine and spirit merchants and brewers.

The local distillery officers at Dunedin and Auckland are under the control of the respective Collectors of Customs at those ports. In Dunedin, as the operations of the New Zealand Distillery are only carried on during the day, there are two officers, viz.,—

One Sub-Inspector, who has charge of the distillery, and who is responsible for its proper supervision, and for the proper keeping of the accounts.

One assistant, who is left in charge during the absence of the Sub-Inspector. He receives notices and makes surveys, and assists with the clerical work.

In Auckland, where the Crown Distillery is at work night and day, there are three, viz.,—1 Sub-Inspector, 1 assistant, one night watchman.

The system of supervision prescribed by the Act necessitates the constant presence at the distillery of a Revenue officer. The Sub-Inspectors at the two distilleries were originally selected on account of their exhibiting a special aptitude for the work when placed under the instructions of Mr. Heaps. The assistants have been frequently changed, with a view to having a reserve of officers in the Customs familiar with the operations of a distillery. The officers of the branch are paid according to their status in the General Customs service. The salaries at present paid to distilleries officers are, per annum,—

	£	s.	d.
Chief Inspector (also Secretary and Inspector of Customs) ...	100	0	0
1 Inspector (at head-quarters)	320	0	0
2 Sub-Inspectors, respectively £305 and £215	520	0	0
2 Assistants, respectively £190 and £175	365	0	0
1 Night Watchman	118	12	6
	£1,423	12	6

System of Check in operation.—Owing to the rate of duty on New Zealand spirits being fixed at one-half of that charged for the time being on imported spirits, the duty is levied on spirits delivered for home consumption at the rate of 6s. per liquid gallon if under proof, and at 6s. per proof gallon if over proof. The duty on spirits found to be deficient in the process of manufacture, whatever the liquid quantity may be, is uniformly charged upon the proof gallon. "Proof spirit" is defined by law to be such spirit as at the temperature of 51° Fahrenheit shall weigh $\frac{12}{13}$ of an equal measure of distilled water. In levying the duty, the principle followed is to prescribe the course of manufacture, and to establish such a system of checks and charges as shall render it impracticable for the distiller to abstract any spirits during the process of manufacture without the knowledge of the officers intrusted with the securing of the duty. There are three modes by which duty is charged: 1st. Upon the wash made in the distillery, one gallon of proof spirits being charged for every hundred gallons of worts for every five degrees of gravity attenuated; 2nd. From the quantity of proof spirits calculated to be present in the *low wines*, after deducting an allowance of 5 per cent. for waste occurring in redistillation; 3rd. From the quantity of proof spirits contained in the spirits and feints produced from the distillation of the low wines. The distiller is charged with duty on the greatest quantity arising from any one of these modes of charge. The first mode of charge consists of a rough estimate of the quantity of spirits at proof which the wash is capable of producing, and it is generally from 8 to 15 per cent. less than the charge from the spirits and feints, the percentage varying according to the quality of the materials used. In order to obtain a correct account of the various distillery operations, the officer has to gauge the utensils, and frequently to survey the premises and utensils, and to examine and take an account of their contents. The distiller is required to give previous notice of each brewing; and when the wort is collected in the fermenting utensils, he has to deliver a declaration to the officer, specifying the quantity and gravity of the wort. The wort from this stage is followed step by step during the subsequent operations until it is distilled into spirits and in a fit state for consumption. The produce of the first distillation is called "low wines," and it is at this stage of the process the second mode of charge is raised. The impure portion of the second distillation is called "feints," and the pure portion "spirits;" from these the third mode of charge is raised. The distilling process is placed entirely under the control of the officers, who are required to secure the stills and utensils with revenue locks, and which are not allowed to be opened except under proper notice. . . . The spirits, when distilled, are conveyed to the distiller's store, where they continue under the control of the officers, and none are allowed to be sent out without being accompanied by a permit, which serves as a guarantee that duty has been paid or secured on the spirits.*

* This account, which describes concisely the manner in which the excise duty on spirits is assessed, is taken from Bell's "Excise Officer's Manual."