

1874.

NEW ZEALAND.

EXCISE DUTIES,

(REPORT OF THE SELECT COMMITTEE ON).

Report brought up and ordered to be printed, 4th August, 1874.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

THURSDAY, THE 23RD DAY OF JULY, 1874.

Ordered, That a Select Committee of twelve members be appointed, with power to call for persons and papers, to report in eight days (five to be a quorum), to inquire,—Whether the proposed increase of excise duties is inconsistent with good faith to those who have embarked in the business of distilling? Whether it would be expedient to altogether stop the distillation of spirits in the Colony; and upon what terms such measure could be adopted?—The Committee to consist of Major Atkinson, Mr. Bryce, Mr. Hunter, Captain Kenny, Mr. Macandrew, Mr. Ormond, Mr. Reid, Mr. Montgomery, Mr. May, Mr. Tolmie, Sir J. C. Wilson, C.B., and the Mover.—(*Hon. Mr. Reynolds.*)

FRIDAY, THE 24TH DAY OF JULY, 1874.

Ordered, That the Petitions of Farmers and Settlers in Otago, and the New Zealand Distillery Company, be referred to the Excise Committee.—(*Mr. T. Kelly.*)

FRIDAY, THE 31ST DAY OF JULY, 1874.

Ordered, That the name of Mr. Webb be added to the Excise Committee, and that Mr. Montgomery be discharged from serving thereon.—(*Hon. Mr. Reynolds.*)

REPORT.

THE Select Committee to whom were referred the questions,

Whether the proposed increase of excise duties is inconsistent with good faith to those who have embarked in the business of distilling? and

Whether it would be expedient to altogether stop the distillation of spirits in the colony; and upon what terms such measure could be adopted?

have the honor to report that they have carefully considered the subject, and have come to the following resolutions:—

1. That the proposed increase of excise duties is not inconsistent with good faith to those who have embarked in the business of distilling.

2. That it is inexpedient to altogether stop distillation of spirits in the colony.

3. That, having in view the loss to the revenue from distillation under the present excise duties, and also that the parties now engaged in distillation have expressed their willingness to accept compensation, the Committee is of opinion that the Government should endeavour to arrange with the parties now engaged in distilling, on equitable terms, and with due consideration to their claims.

Which resolutions they recommend for adoption by the House.

4th August, 1874.

W. H. REYNOLDS,
Chairman.

MINUTES OF EVIDENCE.

MONDAY, 27TH JULY, 1874.

Mr. Seed.

Mr. WILLIAM SEED, Secretary of Customs, examined.

27th July, 1874.

Mr. Seed read clause 1 of H. 27, 1873, containing a *précis* of the Ordinances and Acts affecting distillation in the colony.

1. *The Chairman.*] You are aware of the time when Mr. Cawkwell applied for his license?—Yes.
 2. The nature of that application was simply applying for a license?—It is expressed in his letter.
 3. What was the reply?—The reply is printed as the second letter, dated the 20th of May, 1870. He applied on the 9th of May, and the reply was given on the 20th. (Witness read the last paragraph of the letter.) He replied on the 31st of May, taking exception to that.

4. He accepted his license before the 31st of May, and then took exception?—His license, as a matter of fact, was not issued until some time afterwards, when his plant was ready. I was directed to write the letter of the 10th of June. (Witness read the letter.)

5. Has intimation been given to Mr. Cawkwell since that, that the duty was likely to be raised?—Yes. The statement made by the Colonial Treasurer in his Financial Statement would be regarded as a notice, I suppose.

6. Having the correspondence before you, do you think Mr. Cawkwell entitled to any compensation, supposing the duty should be raised?—That is scarcely a question for me to answer.

7. *Mr. May.*] Is there anything said about raising the duty on imported spirits?—No; because it had already reached the extreme limit of safety.

8. *Mr. Macandrew.*] The Distillery Company in their petition state that a letter of the 24th November, 1868, [printed 14th November in papers] was received purporting to be from you. Were you the writer of that letter?—Yes.

9. Then it appears that notice was given to Mr. Cawkwell, and no such notice was given to the Dunedin Distillery Company. I wish to ask your opinion whether the case of the latter is not different from that of the former?—The same notice was given to each—practically the same.

10. I see from Mr. Cawkwell's letter that he calls attention to the Ordinance of 1845, which expressly provides that no compensation is to be given if the Act is repealed. Would you not consider that the omission of such a provision from the Act of 1866 would lead people to conclude that the provisions of that Act were to be of a permanent nature?—I think that, from the character of the notices given, they could scarcely be justified in looking upon those provisions as of a permanent character.

11. In your opinion, would any person have commenced the business of distillation had he supposed the rate fixed by Act was only to last for six years?—I think that no person with a knowledge of distilling would.

12. Then you are of opinion that parties would have commenced, even if they had supposed that the Act would be repealed at the end of six years?—No; I do not say that.

13. Would any one have commenced, had they supposed that the Act would be repealed in six years?—No, I do not think they would. Entirely repealed, of course, I mean.

14. Are you the author of the scheme of the Government, for the increase of the duty 1s. in 1875, 1s. in 1876, and so on?—I must get permission of the Ministerial head of the department before I could answer that.

15. I see that in the correspondence, A. No. 7, in your letter to the Dunedin Distillery, you refer to repeated warnings they had got. Now, what were those warnings: how many warnings were there?—A warning was given at the first about increase; a warning was given in the Colonial Treasurer's Statement, and I believe also that verbal warnings were given by the Commissioner of Customs when he was in Dunedin.

16. Where are the warnings given at the commencement?—There is the warning in the letter No. 2, A 7, page 9, which I take to be equivalent to a warning that the duty may be increased; there is the warning in the Colonial Treasurer's Statement of 1871, and there are the verbal statements made by the Commissioner of Customs when he was in Dunedin.

17. These are the warnings to which you refer?—Yes.

18. What will be the annual loss to the revenue if the differential duty be continued as at present, and supposing the production of spirits be continued at the present rate?—That depends a great deal upon the quality of the spirits produced. The loss, of course, is shown by the amount of duty collected on New Zealand spirits.

19. You are not prepared to state, without consideration, what would be the annual loss?—About £25,000 a year for the next two or three years.

20. Who would be the gainer—where there is a loss there must be a gain?—I presume the distillers would gain a great deal of it.

21. What will be the annual gain to the revenue if the duty be raised to 7s. per gallon, supposing the production be continued at the present rates?—Between £4,000 and £5,000.

22. Is it your opinion that the business of distillation could be carried on in New Zealand with the excise duty at 9s?—I do not think, just at present, that it could, because labour is very high, and everything the distillers use is at a high price at present.

23. Do you consider it fair to say that the whole of the differential duty on colonially-distilled spirits is lost to the revenue?—Yes, I think it is.

24. The whole of it?—When I say the whole of it, I mean within a small margin of the whole of it. *Mr. Seed.*
25. Would you state the different articles on which the revenue derives a profit—articles used in distillation?—Sugar and molasses mainly. *27th July, 1874.*
26. Of course there is imported barley too, and imported beer?—There is not much imported beer.
27. Do you consider the colony has reaped any advantage from the introduction of colonial distillation?—I believe it has had the advantage of introducing a better class of barley in the Province of Otago.
28. There has been a large consumption of colonial produce—coal, for example?—It would be impossible to follow out all the collateral advantages.
29. The consumption of coal, for example?—There is a good deal of coal used for the steam engines at the Dunedin Distillery.
30. Do you consider it no advantage the keeping in the colony capital which otherwise must go out of it?—That is a question of free trade and protection. I do not think it advisable to pay more for coal raised in the colony, if you buy it cheaper elsewhere.
31. Is not the employment of labour another advantage?—The employment of labour is an advantage; but I presume the same labour would find profitable employment in other branches of industry.
32. Is it not a fact that the establishment of colonial distillation has materially curtailed, at all events, if not reduced altogether, illicit distillation?—It must have reduced it to some extent, but I think not to the extent some people are inclined to believe.
33. I think there is a report of last year, in which you state that it has had that effect?—It must obviously have had that effect, but not in any very sweeping degree.
34. Are you aware of this fact, that in consequence of inexperience in the business, and of repeated endeavours to utilize colonial timbers for vats, and so on, the New Zealand Distillery Company spoiled 22,000 gallons of spirits?—They did not lose it.
35. It had to be re-distilled?—I am aware that, from inexperience in the business, they were led to considerable expense.
36. I believe it led to a delay of eighteen months?—Not so long as that. There was delay in producing good spirits.
37. Is there any protection upon imported beer?—Yes, a heavy protection: 50s. per hogshead, 1s. per gallon.
38. Does not the revenue lose a great deal from this protection?—Yes.
39. Have you any idea how much?—I have not worked it out. I could not answer at the moment.
40. You do not know what the annual production of beer is throughout the colony?—No. There is no means of ascertaining that.
41. In point of fact, colonial beer contributes nothing to the revenue?—Only the duty on hops and imported malt.
42. I think it would be interesting if the Committee could ascertain what amount of beer is imported into the colony. Could you not arrive at an approximation of the gain to the revenue in the event of the brewing of beer being prohibited?—I could furnish an approximate return.
43. *Mr. Tolmie.* Are you aware what price the New Zealand Distillery Company are selling whisky at, duty paid? About 13s. 6d., I think.
44. Do you know the price of the imported article, duty paid?—No, I do not.
45. I know myself. There is a difference between the imported article and the colonial-distilled article of four shillings to the consumer. This gives about £12,000 a year, which goes into the hands of the publican and the general dealer. They are the men who derive the benefit.
46. *Mr. Macandrew.* I wish to know whether you have considered the effect which the proposed alteration will have upon the business of distillation?—I do not think it will seriously injure the distiller.
47. *The Chairman.* From the fact of their having their plant in proper working order now, would they not be better able, at the present time, to stand this duty, than they were at the commencement to stand a less duty? Yes; for if there was a good demand they would produce nearly double the quantity.
48. *Captain Kenny.* Reference has been made to the equal circumstances under which the two distilleries stand in regard to the justice of their claims. It appears to me that the application made by Cawkwell was subsequent to his having expended his capital in buildings and having invested the money. The New Zealand Distillery Company made application previous to their investment?—Yes; I believe such are the facts.
49. It was assumed by some of the gentlemen present that the circumstances of both distilleries were the same in the matter of compensation, and I see that Cawkwell applied for a license after he had secured buildings in Auckland; and then, when the Commissioner writes a warning upon the subject, Cawkwell replies, in his letter of the 27th, that he had had several interviews with the Inspector of Distilleries, and, although he fully stated his intentions, he received no warning or discouragement. The question is, was any action of the Inspector's or any want of warning supposed to be official?—By law, the distiller is required to make application to the Commissioner of Customs; and it might naturally be supposed that he would make the application before putting himself to any expense.
50. Are his acts supposed to be of a responsible character?—Yes; after the erection of the distillery, obviously they are.
51. Suppose that Cawkwell went to the Inspector stating that he was about to apply for a license and to invest money in the distillery; in the absence of any warning from the Sub-Inspector, was he not justified in assuming that there was no danger or risk being run by him?—I do not think he was justified in so assuming.

Mr. Seed.

27th July, 1874.

52. You do not think he was justified, although you say the Inspector is a responsible person?—After the license has been issued, the duties of the Inspector commence, but not before. Mr. Cawkwell went to the Collector of Customs in Auckland, and conversed about the matter, and Mr. McKellar furnished him with a copy of this Act; so that if Mr. Cawkwell carried away any impression of the nature described, it was unfortunate; but he was not justified in so doing.

53. Then you do not consider that it was part of the duty of the Inspector to give warning?—No.

54. *The Chairman* read section 4 of “The Distillation Act, 1868,” as follows:—“Any person desirous of obtaining a license to distil or to rectify and compound spirits, shall make application in writing, addressed to the Commissioner of Customs, for such license, and such application shall describe the premises where such distillation is to be carried on, and shall be accompanied by a plan of such premises, showing the situation of the still and all other vessels and apparatus to be used in such premises, together with the dimensions and capacity of all such apparatus; and such plan shall contain such other particulars as shall from time to time be required and directed by such Commissioner to be given.”

55. Have you sufficient data to form anything like an accurate opinion as to the effect of colonial distilleries upon illicit distillation carried on in various parts of the country?—I have certain data, but of course it is mainly matter of opinion.

56. Have you any reports from the various Customs districts?—I have a return of all illicit stills suppressed for a number of years past. I can inform you as to the quantity of spirits consumed per head. I believe illicit distillation is produced by hard times. It was very rife in Auckland when things were low there; but as soon as prosperity dawned it disappeared.

57. I am quite aware that the Customs ought to have a pretty shrewd idea of the amount of distillation carried on, if only from the consumption of the one article sugar. The Customs authorities do not of course know where to place their hands on illicit stills, but they must know from the consumption of materials that there is an amount of distillation going on?—I know of all these things, but an officer, according to his temperament or from other causes, may have a very exaggerated opinion as to the amount of illicit distillation that is going on in or near his own district. I think colonial distillation has had the effect of reducing illicit distillation, but not to the extent generally believed.

58. *Mr. Macandrew.*] Then you think that illicit distillation is going on still?—In some places I believe it is.

59. *Mr. Montgomery.*] Are you aware that the brewers have been instrumental to a large extent in introducing a better description of barley?—That has not come under my observation.

60. Will you explain to the Committee how these distilleries can influence illicit distillation?—Because they are selling their liquor at a lower price than imported spirits, thus shutting out the profit of the illicit distiller. On the question of illicit distillation the following figures will give some information:—In 1858 the quantity of sugar consumed per head of the population was 79 lbs. a year; now it is 74½ lbs. In 1864 the consumption of spirits was a little over 3 gallons per head, but since distilleries have been established it has fallen to 1½ gallon. I think the decrease is owing to the decrease of drinking habits.

61. You are not able to give a very decided opinion as to whether illicit distillation has decreased or not?—I think it must have decreased, because where people can be supplied with spirits at 12s. 6d. per gallon, it would not pay to buy sugar and distil.

62. *Sir J. C. Wilson.*] Would the absence of the military not decrease the rate?—Yes, I dare say it would.

63. In answer to a question by Mr. Macandrew you stated that you did not expect the Act of 1868 to be repealed in six or seven years. I presume you meant that repealing the Act would stop distillation?—Yes.

64. You do not mean by this to assert that any addition would be made to the duty in seven years upon home-made spirits. Your answer was with reference to the repealing of the whole Act, and putting a stop to distillation. Then you are not to be understood to say that you did not think that in six or seven years the rate of 6s. would not be stopped?—No.

65. On the 27th November, 1872, the Dunedin Company asked for permission to make some extensive alterations, and on the 3rd January, 1873, the Collector of Customs was directed to answer as follows:—“No objection to work being commenced (that is, the additional improvements); but you are to inform the Distillery Company that any expenditure of capital in extending works will not be available as a plea against addition to duty, should the Government think fit to propose any addition for the sanction of Parliament”?—I forwarded that to the Distillery under orders from the Commissioner of Customs.

66. I presume that that was what you meant when you said that a warning had been given?—Yes.

67. *The Chairman.*] Did they take any notice of that; did they protest against it in any shape or form?—Not to the office.

68. Did they protest officially to any one in the office?—No.

69. Did they proceed with their improvements?—Yes.

70. And was this an extensive undertaking?—Yes.

71. Then you are aware that they proceeded with their alterations after they got this intimation, notwithstanding the intimation?—They did.

72. And without a single word having been said to you, either verbally or otherwise?—Not until August, 1873.

73. *Mr. Ormond.*] Can you tell the Committee what quantity of colonial-grown barley is used by distillers?—I cannot give any information as to the proportion of colonial-grown barley used. I am not aware whether they have imported more than one cargo of barley from California.

74. *The Chairman.*] In the petition they say they are going to consume 70,000 bushels of barley for distilling spirits during the next year. Can you tell me what the loss to the revenue will be on that?—£42,000. Although they produce a quantity of spirits, it does not follow that they will sell it, because it may be placed in bond.

75. *Mr. Macandrew.*] You include as loss to the revenue the duty on spirits in bond?—I would base that upon the consumption. Each bushel of grain produces two gallons.

76. *Mr. Montgomery.*] You have stated that the proposed alteration would not seriously affect the distiller. Now, if they raise the duty 1s., why will it not affect him?—Because, with their increased experience, and a probable decrease in the price of labour, they will be able to produce spirits cheaper than at present.

77. That is to say, the profit of the Company will have the same proportion as at present. It must affect them to the extent of 1s.?—Yes, it will affect them so far.

78. *Mr. Macandrew.*] Do you not consider that it would rather aggravate the injustice to the Dunedin Company, if there is an injustice, to have two years' supply on hand with respect to which this rise will be put in operation?—No; their profit only comes out of their sales, and, moreover, they sell a good deal in bond to merchants. A great deal of it would fall into the hands of merchants who sell upon certificates. In many cases, probably a good deal is held by spirit-dealers, and therefore they would be the people who would benefit by any alteration in bond.

79. If they can only get 7s. 6d. a gallon for it at present, and do not get more when the duty is raised, they lose 1s. a gallon?—Clearly so.

80. *Mr. Reid.*] In respect to the proposal to raise the duty now, if these distillers have a large stock of unsold spirits, manufactured either last year or the year before, would it not virtually be making this alteration to that extent on the spirits produced for these two years?—It would affect the unsold spirits just in the way that all rises of duty on spirits do.

81. Do you think it would be impossible—assuming that the Legislature determined to make this increase—to devise some means whereby it would only take effect in the future?—I could not say off-hand. I can foresee considerable difficulty in carrying such a thing out. The spirits are moved about, and get mixed up in bonded warehouses.

82. In reply to Sir Cracroft Wilson, you expressed your opinion that at the time the Act of 1868 was passed you had no reason to think that it would be repealed in six years, but that it might be altered: do you think the persons who went into the expenditure of capital in the faith of that Act would be of the same opinion as yourself?—I do not know what their opinions would be. I think if the distillers had watched the operation of similar laws in other countries, they would have had reasonable expectation that the law would be altered.

83. *Mr. Macandrew.*] Was there not an impression abroad at the time that this differential duty would last for ten years?—I am not aware of such an impression.

84. *Mr. Montgomery.*] I wish you to give your knowledge as to the repeal of Acts of other Legislatures, either in Victoria, England, or New South Wales, as to whether compensation has been given on the repeal of similar Acts?—Never. Duties on spirits are constantly altered, without compensation being given to any one.

85. My question would specially apply to what would be considered protective duties of any kind?—No instance has come under my observation.

86. *Mr. May* referred to an instance in Tasmania where compensation had been given.—Because in that case the Government desired to prohibit distillation. There is no intention here to prohibit distillation. (Witness referred to increases of duty which had taken place in England.)

87. There was a different duty in Ireland and Scotland?—The duty was made uniform in 1860.

88. What is your knowledge respecting the differential duty on sugar in the United Kingdom at one time?—It was in favour of West Indian sugar. That was repealed, but no compensation was given.

TUESDAY, 28TH JULY, 1874.

Mr. W. HEAPS, Inspector of Distilleries, examined.

Mr. Heaps.

89. *The Chairman.*] I have the printed evidence before me, and do not wish, therefore, to ask any questions. Does any member of the Committee desire to do so?

90. *Mr. Macandrew.*] I should like to know, Mr. Heaps, whether, in your opinion, the business of distillation can be carried on when the duty is raised to 9s. per gallon, so as to yield a fair profit to the distiller?—It would be quite impossible for me to answer that question without consideration. It would be a matter of some calculation.

91. Then your attention has not been directed to that point?—I should say that in future the distiller's profits will be very much larger than they have been, because he has got the experience of the past to guide him.

92. I will put my question in another form, as you do not seem to have studied it in that light. What profits are likely to be made by colonial distillers (say for example, the Dunedin Distillery Company) now that they have the necessary experience and have got into the thing fairly, assuming that the duties continue as at present?—It is not part of my duty to know, and would be outside my province to say what the profits of the distiller are.

93. Of course, you are aware that there has been a considerable amount of prejudice against colonial spirits. Does that prejudice still exist?—I have no doubt that it does, but it is not so great now as it was.

94. It has operated very much against the success of the undertaking?—Yes, I think it has.

95. I suppose you are a judge of spirits. What is your opinion of the spirits turned out?—I can say that the material used is of the best quality, and that the principle upon which distilling is taking place is also the best for turning out good spirits. The system of making is that which is adopted in the North of Scotland.

96. Having succeeded in overcoming this prejudice, and making a good article, and getting into proper working order, you say you have no idea as to the amount of profit that may be derived by the distiller if the duty continues as at present?—I could form some estimate.

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Mr. Heaps.
—
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97. Perhaps the witness might give us this information subsequently. I look upon him as an expert, or one who has a thorough knowledge of all the ramifications of the business?—I am familiar with all the details of the manufacture.

98. What quantity of spirits is now in bond, do you reckon?—About 86,000 gallons, speaking from memory.

99. Has the Auckland Distillery been as great a success as the Dunedin Distillery?—I cannot say what the profits of either were. We have no access to their books.

100. *Mr. May.*] Do you know the difference between the prices of colonial and the imported spirits in bond?—That is out of my line altogether; but I have an idea that, taking them all round, imported spirits are about 5s. per gallon in bond.

101. I want to find out the difference in duty?—I think the price in bond of imported spirit is, on an average, about 5s. The bulk of it is brandy, and that distilled in New Zealand is sold at 7s.

102. Is good imported brandy not scarce at present?—I do not know.

103. *Mr. Macandrew.*] Did I understand you to say that the differential duty of 3s. would not be sufficient to yield a profit to the distiller?—I said that I should have to make a calculation before I could answer that.

104. *Mr. May.*] I suppose you are aware that the price of labour here is much greater than at home?—Yes.

105. And in some instances the distillers here have to pay double duty—that is, duty on the manufactured article and on the raw material—on molasses, for example?—Yes; 1d. in the pound, in which case there is an addition to the duty to the extent of 1s. 4d. a gallon.

106. That, of course, increases the price of rum?—Yes, about 1s. 4d. per gallon.

107. In reply to the Chairman, who remarked that 15 lbs. of molasses produced a gallon of spirits: I think the 15 lbs. would refer to the best kind of molasses?—Yes.

108. It would take more of the inferior sort?—Yes.

109. Are you aware that the colonial distillers have had difficulty in contending with the importers, because the latter have been in the habit of “running down” the colonial article?—I do not know that the importers had taken any steps to increase the prejudice; but I am aware that a prejudice does exist. I do not know that the prejudice was caused by the action of the importers.

110. Is it for want of age that colonial spirit does not find a readier sale?—No doubt it is.

111. *Mr. Bryce.*] You are acquainted with the details of the manufacture of spirits, you say. Now, are you acquainted with these in any other place than in New Zealand?—From personal observation, only in Victoria and New Zealand.

112. *Mr. Reid.*] Have you sufficient knowledge of the manufacture of spirits to be able to state what amount of differential duty would be required here to enable the producers to have a fair profit, taking into account the price of labour and capital?—I think I could make an estimate of it. I should require to be informed of the prices of labour, coal, &c. I know they have to pay at least twice as much here as at home for labour.

113. *Mr. Montgomery.*] You said there was a prejudice against the sale of colonial spirits. Do you know the cause of that prejudice?—I cannot name the cause, but it is a very common thing to hear the objection that colonial spirit is poison. In the early days of its manufacture, the same thing was said about colonial beer.

114. But what reason do they give that it is poison?—That is a very common remark.

115. Do you not know the cause, or alleged cause, of the prejudice?—I believe it is merely an impression. People simply say that they have an objection to it, but do not state the reason why they object.

116. *The Chairman.*] Have you never heard it stated that it contains a large quantity of fusil oil?—No.

117. *Mr. Montgomery.*] Have you never heard it said that the quality was bad?—Yes.

118. What do the consumers say respecting the quality?—Principally that it is too new.

119. You have said that the material and the method of manufacture were good. Can you speak with regard to the material used in England or Australia?—I spoke only of the material used in New Zealand. I compared it with the material used in the north of Scotland.

120. *Captain Kenny.*] I think you said, in reply to a question as to the amount of duty paid on molasses, that it was 1s. 4d. I notice that Mr. Cawkwell makes an assertion to the effect that all rum he sold paid duty amounting to 8s. per gallon?—That is evidently a miscalculation.

121. Do you believe it is accurate?—No.

122. There would be nothing in the circumstances of the Auckland Distillery Company which would justify such a statement as that you think?—It would depend upon the fermentation in a great measure. If the fermentation is bad, then the yield from the molasses is small. For instance, if the degrees of attenuation are only thirty where they should be forty, there is a difference of a quarter in the yield.

123. Am I to understand that you think it possible that, owing to a want of skill or proper appliances, this statement may be accurate?—It may be an approximation, but I think it is over-estimated.

124. *The Chairman.*] Can you tell me what kinds of spirits are being supplied by the distilleries at the present time?—Whisky, Geneva, spirits of wine, rum, and brandy.

125. Could you let the Committee know the quantities of rum and brandy?—I could not. They come under the common denomination of compound spirits in our accounts.

126. And there is no separate account of the quantity of each turned out?—No.

127. Do they compound at any store in Auckland?—Yes, on the distillery premises.

128. Can you say whether, if the present duty remains, there is likely to be any large increase in the manufacture of spirits?—I should imagine that there would be an increase.

129. What percentage of increase might take place during the present year?—It might be quite 100 per cent.

130. To what would you attribute the supposed increase?—The two distilleries are capable of turning out 100 per cent. more than at present. *Mr. Heaps.*
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131. *Mr. Macandrew.*] You do not think it would be in consequence of the demand for the article which has now become saleable?—No.
132. *The Chairman.*] You do not think, then, that they would manufacture a larger quantity of spirit than they have been doing, including compounds, because they would have a larger sale for it?—Not to the extent of 100 per cent., certainly. They might perhaps to the extent of about 25 per cent.
133. You are aware that the increase has gone on regularly from the first establishment of the distilleries, and that during the June quarter duty was paid on 22,529 gallons?—Yes, and during the previous quarter on 18,000 in round numbers.
134. Do you think this increase is likely to continue?—I do, at even a greater rate.
135. That is, 4,000 gallons per quarter of increase. Then, if you reckon 4,000 gallons of increase for each of the other three quarters, there will be 16,000 gallons more this present year than last year?—Yes.
136. Can you form any idea as to whether the compounding of spirits will have the effect of increasing largely the sale of colonial-distilled spirits?—It opens up another market to them. The consumption of the imported brandy is very large; and if they can supply an article that will take its place, they will no doubt open up a new market.
137. Hitherto the Dunedin Distillery has not made any brandy. You are aware that lately they applied to be allowed to compound brandy, and that permission was given them. Do you know whether they have made any compound spirits yet?—No, they have not.
138. But by their applying to have the same privileges as the Auckland Distillery, you would infer that they intend to compound spirits?—Yes.
139. *Mr. May.*] Captain Kenny put a question to you impugning the statement of Mr. Cawkwell. Now, do you not think it is probable that you are both right—that you refer to the best kind of molasses, and Mr. Cawkwell to the inferior?—It may be so. It might take 24 lbs. of some molasses to make a gallon of rum.
140. *Mr. Macandrew.*] The distillers, you say, have now got “before the wind.” Can you tell us how long it is since they got into proper working order?—Hardly. The prejudice has not altogether been got rid of, but it has certainly decreased.
141. *Captain Kenny.*] What is your opinion as to the prejudice: Is it well founded? Is the spirit inferior in quality, or unwholesome?—I am of opinion that the prejudice is entirely unfounded, and a large quantity of the liquor is as good, if allowed to mature, as the greater portion of the imported.
142. Are the distillers allowed to sell it at once in its raw, unwholesome state?—Yes.
143. *Mr. Macandrew.*] Do you consider it less wholesome when newly distilled?—Yes, there is no doubt about that.
144. *Captain Kenny.*] And there is no guarantee to the public that this spirit has been kept a sufficient time to render it wholesome when placed in the market?—No.
145. *Mr. Macandrew.*] What do you consider a sufficient time?—It differs with the material used.
146. *The Chairman.*] What time is considered sufficient to keep malt spirits?—About two years; and raw grain from five to seven years.
147. *Mr. Tolmie.*] Does that include the time occupied in sea voyages?—I am speaking of the time if lying in warehouse.
148. *Mr. Bryce.*] Will the prospect of an increase of the duty increase the demand?—I should think it would have that effect, decidedly.
149. *Mr. Reid.*] Are you aware whether, up to the present time, distillers have made a profit or loss on their operations, taking into account their first commencement?—My impression is that they have not made a great profit.
150. *The Chairman.*] Has there been any mismanagement in the starting of the distilleries?—No doubt there has been.

WEDNESDAY, 29TH JULY, 1874.

MR. CAWKWELL examined.

151. *The Chairman.*] The Committee wish you to state your own case, Mr. Cawkwell.—If you will allow me, I will read the letter which I sent to the Hon. the Commissioner of Customs on the 18th of May last. [*Mr. Cawkwell read the printed letter No. 16, and also the following statement*]:—The first question for consideration is, Whether the proposed increase of excise duties is inconsistent with good faith to those who have embarked in the business of distilling? and I think that, without any further evidence than the Act itself, and the subsequent establishment of two distilleries under that Act, it will scarcely be denied that the proposed alteration would be a breach of faith with those who relied on the integrity of an Act of Parliament. That an alteration of the law should take place when the exigencies of the State require it, is only to be expected; but, at the same time, it can hardly be deemed consistent to ruin those who are affected by that alteration, without a fair compensation. As a parallel case, I might mention that when, for city improvements, or railway, or any other public works, land or property is forcibly taken from the owners, the question of fair compensation is never doubted. I may also allude to the Native population, who are allowed the utmost redress for even the most extreme interpretation of an infringement of their rights; while many other instances might be adduced which bear strongly on the present case. It will be observed, on reference to clause 60 of the Distillation Act, that the duty is not fixed, but on a sliding scale, adapting itself to any future alteration, from which no other inference could be drawn but that a special contract was implied, and that the law as then passed was intended to be permanent. Great stress has been laid upon the warning which was given when application was made for a license; but such warning came too late in the

Mr. Cawkwell.

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Mr. Cawkwell. matter of the Crown Distillery, and could never be regarded as other than a friendly caution that the law might be altered. The idea was combated at the time, for we felt that such a warning was powerless to interfere with the provisions of an Act of Parliament, and was of no more value than a friendly intimation from a private citizen, beyond expressing the views of the Government of the day. In the Act of 1845, express provision was made that no compensation should be allowed if the Ordinance should be repealed; but we discovered no clause to that effect in the Act of 1868, while in all previous Acts a fixed rate of duty was imposed; but the Act of 1868 provided a sliding scale of one-half of that charged for the time being upon spirits imported into the colony. There were provisions made expressly at variance with previous Acts, and it can scarcely be denied that the conduct of the Legislature in dealing with the subject of distillation was calculated to create a belief that the law of 1868 was intended to be permanent. It was acting on this belief that I was induced to relinquish my former business at a sacrifice, in order to commence that of a distiller. A fixed rate of duty, or a clause similar to that in the Act of 1845, would have effectually deterred me from ever entertaining the idea. It must have been quite apparent to Parliament at the time, that if an allowance of one-half the duty were made, that allowance would certainly be lost to the revenue; and it was only this very liberal allowance which was the inducement to embark in a new and untried business, and to face an amount of opposition and prejudice unparalleled in the colony. The proposed increase of excise duty would effectually stop distillation in the colony; and therefore, as the present licensed distillers were tempted to embark their capital solely upon the inducements contained in the Act of 1868, the most unbiassed and impartial mind cannot but admit that the proposed increase of excise duty is inconsistent with good faith to those who have embarked in the business of distilling. The subject is fully considered in my pamphlet, to which I beg to draw attention. The next question is, Whether it would be expedient to altogether stop the distillation of spirits in the colony, and upon what terms such measure could be adopted? With regard to the first part of the question, it would, perhaps, be presumption on my part to offer an opinion, but I am quite confident that the closing of distilleries would give satisfaction to a very large section of the community, whose interests are greatly affected by it; and although I do not consider that the revenue has hitherto suffered, owing to the suppression of the illicit traffic, still there can be no doubt but that in a few years a very large portion of the import trade will also become absorbed and extinguished by the distilleries, when no doubt the revenue will suffer; and if it is contemplated at any time to close the distilleries, it could now be effected on better terms than possibly a few years hence. Had my suggestions been acted upon when my petition was presented to Parliament three years since (and which suggestions arose through the evident disfavour of the Government to distilleries), viz. to repeal the Act and accord equitable redress to those affected by it, many thousands of pounds would not have been further expended on the business; while, on the other hand, the whole of the lost revenue during those three years would have been saved. (This, of course, is admitting the statement of the Hon. the Premier, that the revenue is lost.) The sum so saved would have been more than ample to have allowed the distillers to withdraw from the undertaking without loss. On reference to my letter of 18th May, 1874 (A. 7, No. 16), it will be observed that in order to guide and assist the Government to a conclusion, I there made a definite offer, which, after careful calculation, I reduced to the smallest amount, believing that a fair and just demand would be more likely to be entertained. It must not, however, be inferred from this that I am anxious to relinquish the business; for, on the contrary, I should with confidence be only too glad to carry it on if assured against alteration of the law, but the harassing doubt of its ever-threatened destruction is so worrying, that I have no desire for a continuance of the troubles of the last four years. Nothing could compensate for the disappointment, the loss of business, and the mountain of obstacles which have been overcome in establishing this most exceptional undertaking. It has been remarked that the subject of compensation should not be entertained, for the reason that by the distillers' report they show that their business has hitherto been an unprofitable one; but to those who are more familiar with the subject, it is quite clear that the profits of a distiller in New Zealand are prospective—in fact, that he must be prepared to lose a large sum of money during the first few years that he is creating a trade, and anticipate his reward when that is thoroughly established. The establishment of the trade is now beyond doubt, and it would be unfair in the extreme to be summarily deprived of the just and legally-earned reward. Complying lawfully with every requirement of the Act, labouring under continual disadvantage, meeting opposition and obstruction at every turn, the distillers always felt that they would meet with justice at the hands of Parliament, whose Act alone had called the trade into existence. About the beginning of last year, finding an increased and increasing demand for goods, I contemplated increasing the stock to 100,000 gallons, but in order to do so it was necessary to make some alterations to the plant, involving an outlay of about £2,000. The greater portion of the plant was quite capable of producing this extra stock at the time, but additional stills, &c., were wanting. Before committing myself to this outlay, I inquired in my letter of 18th April, 1873, of the Hon. the Commissioner of Customs, whether I was justified in doing so; but the reply was so discouraging that I abandoned the idea, and therefore my stock is now unusually low, in consequence of the heavy and unexpected demand upon it. Had I had any definite assurance or guarantee, I should have now had a very large stock in bond. The allotment consists of over an acre of ground in the town of Auckland, and the accommodation of buildings is sufficient to conduct a much larger distilling business than will be required in New Zealand for many years; indeed, had any assurance been given us of the permanence of the present rate of duty, we should have now had a greatly improved plant, capable of turning out over 100,000 gallons per annum. It was stated in the House lately that only five men were employed in the distillery, but I handed in the names of nineteen hands whose names I remembered, to say nothing of many extra hands which we employ when extra work is required to be performed. In addition to this, we may state that we give indirect employment to many men for malting, as we always considered that malting was quite a separate and distinct business from that of distilling, and therefore have not commenced that branch, but have employed the professional maltsters instead. The apparent smallness of the capital employed is due to the strict economy, both in outlay and working, of the distillery, and with the contemplated additions there could not be a better or more efficient distillery. I must here draw attention to the

fact that the Crown Distillery had the honor of obtaining the prize medal for merit at the late great European Exhibition held at Vienna. The terms upon which we are willing to discontinue our business have already been stated.—W. J. CAWKWELL. Mr. Cawkwell.
29th July, 1874.

152. You hold the opinion that it would be a breach of faith to alter the duty?—I do.

153. Do you remember that you applied for your license about the 9th of May, 1870?—Yes.

154. And on the 20th May you received a reply?—Yes.

155. In that reply it was stated that in the event of a reduction being made in the import duties, you must not calculate on a corresponding reduction in the excise duty, as the Government would not be prepared to recommend that the excise duty should be lowered. You received that letter?—Yes, but that letter was set aside by a subsequent letter of June 10th. In the letter of June 10th the Chief Inspector of Distilleries says that the comparatively low rate fixed by the Distillation Act of 1868 was intended to encourage the establishment of distilleries in New Zealand. As I understand it, this letter quite set aside the letter of May 20th.

156. *Sir J. C. Wilson.*] Mr. Cawkwell has referred to the “early stages.” Does he mean to imply that six years is not sufficient to cover the “early stages”?—My distillery has only been working about three years and a half, and it is six years now since the Act was passed. We began work in December, 1870.

157. *The Chairman.*] Mr. Seed, in his letter of June 10th, speaks of the “early stages” of the undertaking. What would you have considered by the term “early stages”?—It is difficult to understand what length of time is meant. You will observe that directly intimation was given to me that an alteration might be expected, I combated the thing. I merely considered that a friendly caution, and we relied on Parliament to set us right.

158. You wrote a letter dated June 27th?—Yes, in reply to that of June 10th. The fact is, that the erection of the plant was far advanced when I received the letter of May 20th.

159. You say you had been led into a trap?—That is in the letter of May 31st. My remark was that I could only hope that the expectations guaranteed by the Legislature would not be made a trap for the ruin of those who believed that they were held out in good faith.

160. You threw a good deal of weight on the fact that you had seen Mr. McKellar, the Collector of Customs, in Auckland, and that he did not seem to object to your buildings. Have you anything further to say about that?—Nothing more than what is embodied in the pamphlet. When I first contemplated commencing the business of a distiller, I thought it necessary to see Mr. McKellar. I did so, and showed him my plans, having found that he had been appointed Inspector of Distilleries, and he thought they were all right.

161. Did he say definitely that you would get a license for the buildings?—I do not remember his words, but he left the impression on my mind that it would be all right.

162. Did Mr. McKellar not simply give you the Act, and say he knew nothing whatever about it?—Certainly not. I obtained the Act from a bookseller.

163. He says that he gave you the Act, and told you he had no instructions in the matter; and that you had better apply to the Commissioner of Customs in terms of the Act.—He certainly did not give me the Act. I, in company with a distiller, showed him the plans, &c., for I was in doubt whether I would take the premises or not.

164. But did he not distinctly inform you that you would have to apply to the Commissioner of Customs?—Not until the last interview for a license. On reading the Act, we thought nothing was necessary beyond seeing the only representative of the Excise Department in Auckland.

165. Mr. McKellar says that before you (Mr. Cawkwell) went to Australia, you appeared to him to be undecided in your plans, and to be seeking information prior to entering upon the undertaking. He adds that he gave you all the information he possessed on the subject, and showed you all the requirements of the Distillation Act; and further, that he had no experience in distilleries, but that on your application the Commissioner of Customs would send up an officer who would personally superintend the management.—We had more than one interview, and I recollect that, on the last interview, Mr. McKellar did say he was not prepared to give a license, but that the matter would have to be referred to Wellington.

166. Mr. McKellar goes on to say that he remembers your mentioning a building in Mechanics Bay; and that although he agreed as to the apparent suitability of it, he certainly was not asked to inspect or approve of it.—That is correct. We thought it better to have everything ready for the Inspector of Distilleries to see, otherwise there would have been nothing for him to inspect; but nevertheless my license was duly granted. I base my claim on the Act itself. If I was doing anything out of order, Mr. McKellar should have cautioned me.

167. *Sir J. C. Wilson.*] I think you ground your objection on the fact that you were told there would be no change in the early stages, and you now submit that the three years and eight months which have elapsed is not a sufficient time for the early stages of a distillery. Is that so?—Not exactly. There is no limitation of time in the Act. Although this warning was given to me, it was given too late, and as a matter of courtesy I was obliged to acknowledge the kindness, but I never expected that it would prejudice my claim at all.

168. *Mr. Reid.*] Reference has been made to this paragraph relating to “early stages.” How do you interpret the succeeding paragraph—“But the Commissioner wished you to understand that if at any future time the Legislature decided to reduce the duty on imported spirits, it would not be in any way bound to you to make a corresponding reduction in the excise duty.” Did you feel any anxiety respecting that?—I thought the Government were not likely to lower the import duty.

169. In fact, that warning would not have affected you?—No. I felt at the time that if even there was any merit in the warning, the import duty was not likely to be lowered but raised, and therefore it would be an advantage to me.

170. Do you say that it would be impossible to distil here when there is a differential duty of three shillings and make a profit?—Yes.

171. Looking to a more remote period, when wages, &c., will be lowered, do you think it will be impossible to make this industry a payable one at a 9s. duty?—It all depends on circumstances. It might be made payable if wages, &c., become lower and there is a greater demand. A still in Scotland

- Mr. Cawkwell.* will turn out 50,000 or 60,000 gallons, and even a penny per gallon profit on a large amount like that would pay handsomely, whereas it would take a much larger sum to remunerate us.
- 29th July, 1874. 172. *The Chairman.*] How much per gallon would be required?—I could not say, without going into the matter.
173. *Mr. Reid.*] You think it is possible, looking forward a few years, to make this industry pay?—Yes; but, as I said before, it all depends on circumstances.
174. I believe that one reason given by distillers why they cannot distil as cheaply as at home is, that there is not a sufficiently large demand?—It is.
175. *The Chairman.*] Then, in order to be able to manufacture spirits at a duty of 9s. a gallon, how many gallons would you have to dispose of per day, supposing that labour and materials were reduced in price?—It is impossible to say what will be the rate of wages in a few years' time.
176. Suppose labour and material are the same as at home, in order to make a profit how many gallons would you require to sell daily?—I am scarcely prepared to answer that question. I should have to go into figures.
177. *Mr. Reid.*] I wanted to know whether Mr. Cawkwell could tell in about what time the distillers would be in such a position that they could carry on profitably at 9s. duty. The revenue has already suffered a little, and it is quite possible that the colony might be prepared to let it suffer a little more, if they saw that distilleries could be carried on? As the surrounding circumstances are now, the New Zealand distilleries could not pay 9s. against 12s. on the imported spirits.
178. We will just assume that you give your workmen £2 per week?—If we employ skilled and intelligent men, we have to give them £2 10s. or £3 10s. a week. The Government are giving 6s. or 7s. a day to labourers, unskilled men.
179. *Mr. Bryce.*] Supposing that the present proposal was to lower the duty on imported spirits instead of raising the excise duty, would you still prefer a claim for compensation?—In that case, we should expect our duty to be lowered too.
180. But suppose they were going to lower the import without altering the other?—The warning states that I must not expect a reduction if the import is reduced, but the 60th clause of the Distillation Act tells me distinctly that I shall have it.
181. But would you prefer a claim for compensation in that case?—I think I should, unless the proportion were maintained.
182. If the proportion was altered, then you would prefer a claim for compensation as you do now?—Yes; I think I should.
183. *Captain Kenny.*] You rest your case on the terms of the Distillation Act. You hold that you are entitled to a proportionate reduction with the import duties?—Yes. If the customs duties were lowered, we should expect the excise duties to be lowered also.
184. You maintain that you have a right to expect the proportion between the two to be kept up?—Yes.
185. In your letter of June 27th, you stated that you had had several interviews with the Sub-Inspector of Distilleries. Did you address him in his official capacity of Sub-Inspector of Distilleries?—I do not think I addressed him otherwise than as "Mr. McKellar."
186. It appears to me that if your remarks in this letter are to have any weight, we should know whether he accepted the official position of Sub-Inspector of Distilleries. Do you seriously base any part of your argument upon what occurred between you and that officer, because you say you had several interviews with him, and that you fully stated your intentions to him but received no warning. Now if he accepted his official position, it appears to me that you might very properly refer to the fact that he did not give you any warning?—I do not think I addressed him as the Sub-Inspector of Distilleries, but merely as Mr. McKellar.
187. Then am I to understand that you withdraw from the position you took up in this letter?—No. I received the warning and then combated it, and the whole of the correspondence has that bearing, but we always go back to the Act.
188. It appears to me to be very important that it should be made clear whether you hold the position you took up in this letter; because you distinctly say you received no discouragement or warning from this officer, and place on record your claim for consideration on that ground. If you addressed that officer as the Sub-Inspector of Distilleries, and he accepted the position, I think you may very properly lay stress upon it. If you addressed him simply as a Custom House officer or a private friend, then the position you take up here is untenable?—Being intimate with him, I did not address him as the Sub-Inspector of Distilleries, but I certainly considered that I addressed him as an officer of the Distillation Department.
189. *The Chairman.*] Can you tell me what the duties of a Sub-Inspector of Distilleries are?—I know that his duty is to protect the revenue.
190. Yes, that is all. He could not give you a license, nor could he order you to alter a building. He has simply to do with the manufacture of spirits and to protect the revenue?—I did not know exactly what his duties were.
191. *Captain Kenny.*] You say in your letter that before committing yourself to any expenditure you had several interviews with the Sub-Inspector of Distilleries at Auckland, and communicated your intentions to him, but received no warning or discouragement. I understand that to mean that you deliberately went to a gentleman whom you believed to be a representative of the Government in Auckland, expecting to receive from him full information and any warning that might be necessary. I understand you to say that you really did not apply to him as a Sub-Inspector of Distilleries, but simply as a Custom House officer. Did you apply to him in his official capacity, and did he so understand you?—I certainly applied to him in that capacity, and he must have been very dull of comprehension if he did not so understand it.
192. Did you let him understand that you were about to embark capital in a distillery?—Yes; I produced my plans, &c., connected with the affair. I interviewed him to see whether he thought I was all clear before I incurred so much expense. I told him what I was going to do, and he gave me no warning nor discouragement whatever.

193. When you wrote this letter, you felt that the warning ought to have been given to you by that officer, if any was required?—Yes. I should then have anticipated all the trouble and annoyance I have had since starting. *Mr. Cawkcwell.*
29th July, 1874.

194. *Mr. Macandrew.*] You expressed yourself strongly as to the loss the colony has sustained in connection with distillation. Now, assuming that the revenue loses 6s. per gallon on spirits produced in the colony, does this represent an equal loss to the colony to that extent?—I consider that one-half the duty which we pay would be lost to the colony, because it would be supplied by illicit distillation. Illicit distillation can only supply a limited amount of liquor, and if trade increases no doubt we should interfere with the imported article.

195. What is the average price of spirits in bond now?—Greenlees and Colville's whisky is now 6s. 6d. or 7s. in bond in Auckland.

196. What money is sent out of the country: does not that represent a loss to the country?—Yes.

197. What amount of profit or loss, if any, has arisen out of your undertaking up to the present time?—In my pamphlet I say that latterly the profit and loss account about balances. The loss was very heavy in establishing the business for the first two years, but we have pulled that up, and we are now about square.

198. I understand you to say that up to the present time your profit and loss account is fairly balanced: would you be prepared to submit your books to be examined with the view of verifying that statement?—Yes; I have already offered to do so.

199. You commenced business three and a half years ago, in December, 1870: how many years does it take you to overcome the difficulties incidental to the successful commencement of such a business?—We commenced in December, 1870. I consider the difficulties overcome now, if the rate of duty is allowed to remain as at present.

200. What would you consider a fair time over which the differential duty as at present fixed, if extended, would render the business profitable to the distiller?—I should say ten years from the date of starting; six years from the present time.

201. And at the end of ten years do you think you will be disposed to agree to the duty being equalized with the imported article?—I am scarcely prepared to answer that question, but I think that at the end of that time the profits might allow of an extra duty being paid.

202. *The Chairman.*] You say that the profit and loss account at present about balances. At the first, then, there was a heavy loss?—Yes.

203. Did you not in the first place commit a blunder in taking wrong premises; I mean those at Mechanics Bay?—I saw a brewery for sale, and I saw that it would be to our advantage to buy those premises and transfer our plant to them.

204. But had you not to pump up salt water for condensing purposes?—Yes; but it answered the purpose very well. It was not used for manufacturing.

205. Then you do not anticipate that you have lost anything in that way. Can you state what your loss has been in consequence of having started in one place and removing to another?—The only loss was the cost of removing, about £600 or £700. I do not include that in the profit and loss account. If I had done so, it would have been so much to the bad.

206. *Mr. May.*] The terms contained in "The Distillation Act, 1868," in clause 60, were they the cause of your embarking in the distillation business?—Yes. I would not have commenced had it not been for the inducement held out in the 60th clause.

207. What will be the effect if the duty as now proposed be levied?—To close up the establishment.

208. We have had some observations with regard to a letter of yours, in which you say you were paying 8s. a gallon duty on rum. According to the returns furnished to the Government, it would not take 24 lbs. of molasses to produce a gallon of rum?—I shall explain. There are four different kinds of molasses. Melado is the best, and then there are the first, second, and thirds. It takes about 15 lbs. of Melado to a gallon of spirits. The thirds has taken as much as 33 lbs. to a gallon of spirit, so that in making my statement I took the average quantity.

209. *The Chairman.*] When you used the thirds you paid 2s. 9d?—Yes, sometimes.

210. By the Return given in by the Distillery Department, taking the quantity of molasses and sugar that you have consumed in distilling, it will be 12 lbs. of sugar, 15 lbs. of molasses, and 10 gallons of beer?—There must be some inaccuracy.

211. *Mr. May.*] Are you aware what is the difference of the production of sugar and molasses?—I think sugar will give 1 gallon to 12 lbs. The "melado" is always difficult to obtain, and we are obliged to take the good with the bad.

212. What does the best of the molasses cost you, and what the worst?—I think the worst would cost about 1½d. duty paid—that is ¾d. per lb.: the best would cost about 1¼d., that would be about ½d. of difference.

213. You have several times alluded to the difficulties you had to encounter. Are you aware that there is a great difference between the prices of labour here and in England?—Yes; the first distiller I had was an Irishman, and he said that he only paid 1s. per day to his men in Ireland.

214. That would be lower than the usual wages paid in the United Kingdom?—Yes; but Ireland is a whisky-producing country.

215. Do you consider that if you paid a man here double the amount of wages he would receive in England you would be doing fairly?—Yes.

216. Has it not been difficult for you to obtain raw material in the shape of grain and malt?—Yes. Malt is imported, and sold in Auckland at 10s., and sometimes even 9s. a bushel; and I have paid that price for colonial malt.

217. *Mr. Reid.*] What is the price of barley in England?—I do not know.

218. *Mr. May.*] There has also been a great prejudice against your spirits; the importers have always run them down, have they not?—Yes.

219. You have found great difficulty in overcoming that prejudice?—Yes. I have often been told by importing firms that they would do anything for me personally, but that their interests were hostile to the distillery. Another of my difficulties was in keeping spirits to give them age.

Mr. Cawkwell.
29th July, 1874.

220. Now, with regard to the loss to the colony, perhaps you would state the price in Auckland of the different kinds of spirits. For instance, what are the prices of rum, whisky, and Geneva, colonial and imported?—Colonial rum would be 17s. 30 overproof; the imported, I believe, is 22s. 6d., the difference being 5s. 6d. per gallon; colonial whisky is 12s., and imported 18s. 6d. to 19s.; Geneva (colonial) is sold in 3-gallon cases at 40s., imported is 56s.; colonial brandy is 16s., and imported 24s.

221. With regard to the future, do you think it probable that at some future day you would be able to manufacture spirits and pay equal duty? Do you say it would all depend on demand, and the prices of labour and material?—Yes.

222. *Mr. Bryce.*] How is it that the establishment of your distillery in Auckland can suppress illicit distillation throughout the Province of Auckland?—By the low price at which the liquor is sold. The quantities run so small made by illicit stills that it scarcely pays for the expense and risk.

223. *Mr. Reid.*] You say that you suffered a very heavy loss in the early stages of your proceedings in Auckland?—Yes.

224. But still that at the present time your profit and loss account is balanced. Would not that imply that that would now allow a small increase in the excise duty?—Whatever profit there is, the Government would get it if the alteration were made.

225. *Mr. Hunter.*] In your offer to sell your plant to the Government, did you put everything down at cost price?—Yes; my calculations were based on that.

226. When you sell small quantities do you charge a higher price than when you sell a large quantity?—Yes; we make a difference of 1s. 6d. per gallon if we break bulk.

LETTER from MR. CAWKWELL to the CHAIRMAN.

SIR,—

Wellington, 30th July, 1874.

I wish to add a few remarks to my evidence given yesterday.

Some gentlemen of the Committee appeared to me to dwell greatly on the letter of warning, and I am afraid that too much importance is attached to this document. But for my own part it was of value only as revealing to me that a popular and powerful Government entertained views at variance with the Act, and that I might anticipate that the attention of Parliament would be drawn to an alteration; but it yet remained to be seen whether Parliament would listen to such a recommendation. Here, then, is a review of the position.

I hold in one hand the Act of Parliament, with its tempting 60th clause; in the other hand I hold a letter of warning from a Government official, and I ask myself which is the most reliable and trustworthy document, and which shall I depend upon? It is almost superfluous to say that I threw aside the official letter and trusted to the Act itself; for if the provisions of an Act of Parliament (representing the voice of the people) is to be set aside, prejudiced, influenced, overturned, rendered valueless or inoperative by a letter from a Government official, then I do most respectfully submit that the good faith hitherto reposed in, and the virtue of an Act of Parliament, will be lost, and the Government official be master of the situation. If the letter was intended as anything more than a friendly exposition of the Government views, I can only regard it as an unpardonable interference with the wishes of Parliament. The Judges in all our Courts of justice rule that the wording of an Act of Parliament must be carried out to the letter, and instances continually occur where Government officials are defeated by other persons in Courts of justice because the Judges will not accept any other showing but the exact word for word and letter of the law. In my case, I am certain that the letter of warning would not be admitted as evidence, in the face of the Act itself.

Begging indulgence for again trespassing on your attention,—I have, &c.,

To the Hon. W. H. Reynolds,

Chairman of Excise Committee.

W. J. CAWKWELL.

Mr. Robertson.
29th July, 1874.

Mr. R. M. ROBERTSON, of the New Zealand Distillery, Dunedin, examined.

Witness stated that he had drawn up a statement which contained substantially all the information he had to give. (Witness read the statement, for which see Appendix.) Witness stated that with regard to any valuation, they would be willing to have their statements of valuation tested or verified by the Government.

227. *Mr. Macandrew.*] You are prepared to submit these accounts to be verified?—Yes; and our books and everything.

228. I wish to ask whether Mr. Robertson is aware as to the difference in wages between his distillers and those in Scotland?—There is a very great difference. I am informed that Dunville's whisky can be supplied for 3s., whereas ours costs us 6s. a gallon. As to wages, for instance, we pay our distiller £200 a year, and a house and coal. At home that man would get from £50 to £75. For ordinary labour we pay from £2 10s., and we pay an expert in malting £5 a week. At home such a man would get £1 per week.

229. Wages are about three or four times as high as at home?—Yes; and interest on money was, when we commenced business, nearly twice as high. We had to pay nearly or about 12½ per cent. for the use of money at that time.

230. *The Chairman.*] Do you admit having received a copy of a telegram from Mr. Seed (No. 6 in printed correspondence) to Collector of Customs in Dunedin, and dated 3rd January, 1873?—Yes. Omitted by oversight in our statement.

231. *Captain Kenny.*] Referring to the printed correspondence, I wish to ask whether, although it does not appear here that you attached much importance to the warnings, you did not receive the first warning in November, 1868, prior to investing any capital in the business?—It was received in answer to an application for permission to put up premises. It was previous to investing any money, certainly.

232. *Mr. Reid.*] Did that warning give you no anxiety; did you think there was any probability there would be any reduction in duty on imported spirits?—No, we did not; not the slightest.

233. If it were proposed now to give effect to that warning, would you still think you had a claim

for consideration upon the Legislature?—That is a matter to be left to the members of the Legislature to determine whether such could be construed into a warning. *Mr. Robertson.*

29th July, 1874.

234. In the last paragraph of your statement you say that under no circumstances which you think likely to occur could distillation be carried on at a higher rate for many years to come. How long a time might we understand you to say?—Perhaps that is a strong expression; but it would be a considerable number of years.

235. I presume you anticipate a greater equalization between the rate you pay for your labour and the home rate in a few years?—We have very little ordinary labour. It is nearly all skilled labour, and it is exceedingly scarce, and is competed for by brewers and maltsters. We pay very little ordinary lump sum wages.

236. Do you think that, with a larger demand, the rate might be increased without injustice to existing distilleries?—That is a matter of overcoming the prejudice which exists, to a considerable extent, especially in the North Island, to enable us to get a higher price. If that were done, there would be a larger business.

237. According to your statement, your business is doubling itself?—No doubt the business is increasing, but there has been only a small margin of profit hitherto.

238. Do you not think that, say in four years, your business will have so increased as to enable you to carry on at a profit, and to allow a slight increase?—I think so; and there would be the likelihood of being able to yield a fair return by that time to enable us to do what we would desire, to assist the revenue.

239. *Mr. Macandrew.*] What would be the relative effect upon your business as between raising the excise duty 1s. and lowering the import duty 1s.?—By lowering the duty on imported spirits you would make our business worse by 1s. than it is at present. Parties would rather buy the imported spirit when the margin was lessened by the reduction of 1s. At present the margin is 3s. or 4s. between ours and the imported article in favour of the latter.

240. *Mr. Reid.*] I presume the fact is that you thought the one very unlikely?—We never entertained an idea of it.

241. If you had the choice, you would have no difficulty in deciding which you would prefer?—No; I think not.

242. *Captain Kenny.*] There is a difference of 6s. in this duty between the article you manufacture and the imported article; and there is about the same difference in the market price. Why is it that with a difference of 6s. you do not make considerable profit?—Home spirits could be bought at Home at 3s., while ours cost 6s.; and Home spirits were worth 3s. to 4s. more per gallon in this market.

243. You say you were subject to a prejudice which is fast wearing away?—In our part of the country.

244. If that prejudice were removed, you would then be in a position to ask the same price in the colonial market as is asked for the imported article?—No, certainly not. People would always prefer the imported spirit at the same price.

245. If the prejudice were removed, would not the public taste consider the colonial article as good as the imported?—I may mention, that although they do use our spirits, they never admit they do; the difference in price only inducing them to buy our spirits.

246. In your opinion, is there any difference in the colonial article?—There is a great difference in the taste. We believe ours to be as pure; but from some peculiarity in the water or the malt, we have never been able to make our whisky like Scotch.

247. In your opinion, is the spirit you manufacture as good as imported?—It is as pure.

248. If this prejudice could be removed—if the spirit you manufacture is as wholesome as that imported—if it is simply a question of taste, that might be removed, and in that case the prices could be equalized?—We never expect to see anything of that kind.

249. *Mr. May.*] The statement was made to you as to the Government lowering the duties; did you consider their requirements so great that they were never likely to lessen the duty?—That was the principal idea in our minds.

250. *The Chairman.*] In one part of your statement you say that by reason of your inexperience you sustained a heavy loss on some spirits you manufactured at first. Can you state what that loss would be?—We lost 22,000 gallons, which were put into bond, and when we examined we found that it was tasted with the kauri; that was a serious injury to our business. I could not venture to estimate the loss. It might be some thousands of pounds. In fact, it was most injurious to our business. We did not find it out till the spirits had been sent all over the country. It was found out by strangers; not by ourselves.

251. Can you tell what expenditure you have been at in enlarging your plant since receiving the notice of the 3rd of January?—I believe we have expended between £5,000 and £6,000.

252. That is since receiving the warning of the 3rd of January?—Yes.

253. *The Chairman* read a portion of Mr. Robertson's statement as to the article produced by them, and as to removing the prejudice which existed against colonial-manufactured spirits. Question put: Do you think that ultimately you will be able to remove that prejudice?—If the duty remains as at present we will be able to do so; but we will never be able to get the same price as for imported.

254. You state that your trade is increasing, and that you produced 54,000 gallons in 1873: At what rate do you expect that it will go on increasing?—That would depend very much upon the demand.

255. Supposing the duty to remain as at present, what do you think the increase would be?—10,000 to 15,000 gallons. That would be a considerable increase.

256. I am speaking of the sales. What proportionate rise would you expect for the current year's increase?—It might be 10,000 gallons.

257. Not more than 10,000 gallons?—About that. That would be considered a handsome increase.

258. In the last paragraph but one of your statement you refer to submitting to a repeal of the

Mr. Robertson. Act: supposing the House were to decide upon stopping distillation at once, what would be the compensation you would be satisfied with?—That is a matter to be arranged. We would expect to be recouped for our actual loss, as shown in the statement; and then for loss of business.

29th July, 1874.

259. I suppose you have had the matter under consideration: can you not give us an idea of what will satisfy you?—I could not state any sum at the present moment. We would much rather it were left to arbitration. I can only say, that rather than have the worry, anxiety, and annoyance we have had for years back, we would accept moderate compensation.

260. *Mr. Macandrew.*] In the event of your business being continued, is there any probability of your using anything but colonial-grown barley?—We are quite likely to be supplied. There is not the least probability of our requiring anything but colonial barley. We had a contract with a man to grow 40,000 bushels for two years.

261. You say you will have no difficulty in getting supplied within the colony?—No; notice being given.

262. *Mr. Tolmie.*] In the event of your distillery being closed, what effect would that have on your contract for supply of grain?—At present there is no contract made for this season. There were only these two which I have spoken of, and which have fallen through.

263. *Mr. Macandrew.*] Do you think parties have gone into the growth of barley in anticipation of the market?—Yes; with the Melbourne market becoming such a sure market. Between 5s. and 6s. can always be obtained in Melbourne for malting purposes.

264. *The Chairman.*] The demand for brewing also exists. The quantity used for brewing is larger than for distillation?—Yes.

THURSDAY, 30TH JULY, 1874.

The following Memoranda were handed in by the Chairman:

MR. SEED,—

The produce from 331,155 lbs. of molasses, used at the Crown Distillery, Auckland, was 20,779 gallons of low wines at proof. Deduct from this 5 per cent. for waste in converting the low wines into finished spirit, and 19,741 remains as the produce in spirits for duty; or, it has taken 16·7 lbs. of molasses to produce each gallon of spirit.

30th July, 1874.

WILSON HEAPS, Inspector of Distilleries.

HON. THE COMMISSIONER OF CUSTOMS,—

Mr. Cawkwell, in his evidence, stated that he paid a duty of 8s. per gallon on spirits made of molasses. Mr. Heaps has gone over the Distillery accounts, and finds the result given above; that is, that a duty of 1s. 4¹/₂d. is paid on molasses, for each gallon of spirits made from that material.

30th July, 1874.

W. SEED.

APPENDIX.

STATEMENT by Mr. R. M. ROBERTSON.

I BEG leave to hand in, as part of my evidence, the following statement, the whole of the facts contained in which I am prepared to vouch for as correct:—

During the years 1866 and 1867 my friend Mr. C. R. Howden and myself had frequent consultations as to our chances of success, should we agree to enter into partnership, and commence the business of distillation.

At that time the duty on colonial-distilled spirit was fixed by an Act of 1866 at 8s. per gallon; and after carefully considering the matter, we came to the conclusion that it would not pay to enter into the business with only a margin of 4s. per gallon, and we decided to abandon the idea.

Shortly after the Act of 1868 was passed, we again consulted upon the subject; and being eventually satisfied that the sliding scale of differential duty provided by that Act offered a reasonable prospect of establishing a profitable business, we determined to enter into partnership, and ultimately succeeded in inducing two of our friends, Mr. E. W. Humphreys and Mr. Larnach, to join us as partners.

It never at any time entered into our calculations that it was possible the Legislature, after having so clearly exhibited its desire to establish distillation as a local industry, would countenance any attempt to alter the terms it had offered, in order to induce persons to embark in the business, to their detriment. Had such a thought for a moment occurred to us, we should most certainly have had nothing to do with it.

Having formed our partnership, we at once proceeded to obtain the necessary permission for the erection of premises and plant, as required by the Act, and having secured a very suitable site, we erected extensive premises according to plans prepared by the best local architect. We spared no cost, either then or since, to make our buildings and plant of the most permanent and suitable character, and I may point to this as one of the facts going to prove the perfect confidence we reposed in the good faith of the Legislature.

I beg here to refer to the attached pamphlet describing our works. It was prepared in October, 1873, without any reference to this inquiry and without any personal reference to ourselves, by a local reporter for the *Otago Guardian* newspaper, but the information contained in it is in all essential particulars correct.

A reference to the printed correspondence with my firm will show, that up to the 18th August, 1873, no such warnings had been given to us as are stated in the Chief Inspector's letter of that date to have been conveyed to us on "various occasions;" but even had we received such warnings, I most respectfully submit that we should have been justified in disregarding them in the face of an Act of the Legislature to the contrary, the more especially as that Act was carried, as is admitted by the Inspector of Distilleries in his letter to Mr. Cawkwell of 22nd August, 1873, against the proposition of the Government in respect to the only point involved.

By reason of our own inexperience in the business, the impossibility of obtaining in the colony experienced hands, the inferior quality of the barley and other grain at that time obtainable, and other causes too numerous to particularize, we at first made heavy losses in the business, amongst which I may enumerate the spoiling of 22,000 gallons of spirit, in consequence of our having attempted to utilize "kauri" in making vats, the gum from which tasted the spirit, and rendered its redistillation necessary at a considerable loss, besides delaying our business for nearly a year and a half, by postponing for that period the time within which we could bring into consumption a matured and marketable spirit.

The letters and telegrams Nos. 3, 4, 5, 6, 7, and 8, in the printed correspondence, pages 9 and 10, refer to alterations in our works, necessitated partly by the discovery made as above stated, that colonial woods were unsuitable for vats, and partly by the fact that, having been deceived as to the thickness of the copper of which our stills should have been constructed, they wore out in less than three years, instead of lasting for over ten years, as they should have done, and necessitated our having others made in the colony at a cost of over £2,000. The whole expenditure, including the new vats, &c., was upwards of £6,000, besides the expense incurred in keeping our men idle during a period of over three months, and the loss involved in the stoppage of the business.

Since our renewed plant has been in working order, we have been enabled to produce a superior article, and in larger quantities, at the same expense of management, and have thus accumulated a stock of spirits over and above the quantity required to supply the demand; and this stock is gradually increasing, so that in the course of two or three years we shall be in a position to send out nothing but a fully matured spirit, and by that means we confidently hope to remove the slight prejudice which still exists against the colonially-manufactured spirit, and which is the only preventative to a successful competition with the imported article, if the differential duty is allowed to continue as at present.

From the time we commenced business in October, 1869, up to our last balance in December, 1873, we had manufactured about 179,000 gallons of spirits from 98,743 bushels of malt and grain, all of which, except about 2,000 bushels of malt made from barley imported from California (and on which a duty was paid), was grown in this colony. Of this quantity we had up to the end of the year 1873 sold 144,386 gallons at an average of about 7s. per gallon.

I may mention that the reason of our using Californian barley on the one solitary occasion on which we did so, was that the entire stock of barley in the Provinces of Otago and Canterbury became exhausted, and we were obliged, in order to prevent a stoppage of our business, to send to California for a consignment of 10,000 bushels, 8,000 of which we sold, partly to farmers as seed barley, and partly to brewers in the shape of malt.

The above-mentioned quantity of 144,386 gallons was sold in the proportions following, viz.,—

From October, 1869, to December, 1870, 20,990 gallons.

„ January, 1871, to December, 1871, 27,757 „

„ January, 1872, to December, 1872, 40,639 „

„ January, 1873, to December, 1873, 54,999 „

Showing an annually increasing demand for the spirits manufactured at our distillery.

The annual returns from our business (including sales of malt manufactured by us) have been as follows:—

	£	s.	d.
From October, 1869, to December, 1869	...	...	...
„ January, 1870, to December, 1870	...	...	...
„ January, 1871, to December, 1871	...	...	...
„ January, 1872, to December, 1872	...	...	...
„ January, 1873, to December, 1873	...	...	...
	773	6	0
	10,371	19	9
	17,360	18	2
	28,034	11	5
	41,038	13	8

Of the 200,000 bushels of barley mentioned in our petition as having been consumed in our business as distillers and maltsters, above 100,000 bushels have been converted into malt, and sold to brewers.

I may explain here that it is necessary to carry on the two businesses of malting and distilling in conjunction, for the reason that, although malt may, for certain reasons, be unsuitable for brewers, it is yet available for distilling.

From the fact of our now having acquired the necessary experience in the business, of our having secured competent hands to carry it on, and of our having accumulated such a stock as to avoid the necessity we at first laboured under of being compelled to send out an unmatured article, and for the further reason that we have succeeded to a considerable extent in removing the prejudice which at first existed against a colonially-manufactured spirit (which prejudice we hope that a few years will entirely remove),—we have not the slightest fear but that those anticipations of success, which we entertained when we first determined to enter into the business are in process of being realized, and that if we are only left to enjoy the fruition of our labours, we shall secure an adequate return for the amount of risk, time, trouble, and capital we have devoted to the business.

Having now placed before the Committee our present position and prospects, I wish to show what our position will be under the two aspects of the case, in which the matter is, as I understand it, viewed by the Government, viz.,—

1st. That the Distillation Act should be at once repealed, provision being made for the realization of stocks on hand at the present duty.

2nd. That the rates of duty should be increased 1s. per gallon on 1st July, 1875; 1s. per gallon on 1st July, 1877; 1s. per gallon on 1st July, 1879.

The following figures show our assets and their present values, based on the supposition that our business is to be continued under the present system of differential duty:—

Land, buildings, and plant (as per valuation annexed)	...	...	£27,450
Stock on hand, 70,000 gallons, at 7s.	...	...	24,500
Casks containing same	...	...	2,000
Empty casks, staves, bottles, &c.	...	...	4,000
34,000 bushels grain, at 5s. 6d.	...	...	9,350
Sacks, containing same	...	...	562
Water supply (10 years unexpired)	...	...	1,000
Sundry stock-in-trade	...	...	1,000
Total	...	...	£69,862

Supposing that the Distillation Act is repealed, the value of our assets (which we should be obliged to realize at once) would be as follows:—

Land, buildings, and plant	£13,000	0	0
Stock on hand, less cost of selling, discount on bad debts, &c. ...	21,000	0	0
Casks containing same	500	0	0
Empty casks, staves, bottles, &c.	1,000	0	0
32,500 bushels barley, at 4s. 6d.	7,312	10	0
1,500 bushels of rye, at 2s. 6d.	187	10	0
Sacks containing same	338	0	0
Water supply	...	...	...
Sundry stock-in-trade, useless except to distilleries	200	0	0
Total	£43,538	0	0

Showing a loss on our assets alone of £26,324, without taking into account the loss we should sustain on goods in transit, estimated at £1,000; compensation to servants (who have engagements ranging in time from one to five years unexpired), estimated at £1,000 more; and without any compensation for our own loss of time and capital for the six years we have devoted to the business, during which time we have drawn hardly anything from the concern (having lived principally on our private resources), nor for the good-will of an established and improving business.

The difference of over £14,000 in the value of the land, buildings, and plant in the two estimates above given is readily accounted for by the fact that the greater portion of our buildings, from their peculiar construction, are entirely unsuitable for any other business, and could only be adapted by the expenditure of a large amount of money; whilst the greater part of our plant would be utterly valueless, and in fact only saleable as old material.

Viewing the matter in the other aspect, and without speculating upon any increased demand for our spirits, our position would be this: As we cannot, in justice to our business, send out an un-matured spirit, the duty, although not to take effect until 1st July, 1875, will actually affect us injuriously on some spirits, such as whisky (of which we have now in stock about 70,000 gallons), for at least two years previously, as our present stock cannot be disposed of under two years; and if we cannot clear it prior to 1st July, 1875, it will of course have to pay the higher rate of duty. The same remarks, it will be understood, apply to the increases proposed in subsequent years.

This being so, we shall lose on our present stock—

35,000 gallons, at 1s. per gallon	£1,750
We shall lose on 55,000 gallons, to be manufactured up to July, 1875, at 2s. per gallon, 5,500	
„ on 55,000 gallons, to be manufactured up to July, 1876, at 2s. „	5,500
„ on 55,000 gallons, to be manufactured up to July, 1877, at 3s. „	8,250
„ on 55,000 gallons, to be manufactured up to July, 1878, at 3s. „	8,250
„ on 55,000 gallons, to be manufactured up to July, 1879, at 3s. „	8,250

And so on for all spirit manufactured afterwards, the maximum increase being reached in 1879, so that it will be seen that on the article of whisky, which is the principal article manufactured in our business, we shall never obtain any benefit from the graduated scale of increase so far as the period between 1st July, 1875, and 1st July, 1877 (the lowest rate), is concerned, and between the first-mentioned date and the 1st July, 1879, we shall have been deprived of profits amounting in the whole to over £36,000, without at all considering the profits we might otherwise make from any reduction in the cost of production, or any increased value which our spirit may acquire as it becomes, in course of time, better known and appreciated, and without taking into account any increase in our business, which, as has been already shown, has actually doubled itself in the last two years.

This will be our loss supposing we are able to carry on our business under the altered state of duties, but I am convinced that we shall not be able to do so, for more than three or four years at the outside. At the end of that time we shall be compelled to close the concern, as it will be impossible to carry on at a profit. We shall, under these circumstances, have worked off a portion of our stock and thereby reduced the loss on those items, but in other respects the items of loss given under the first aspect will be substantially the same.

Whilst we are earnestly desirous that our business should be carried on, provided the Act of 1868 remains unaltered, we are nevertheless willing to submit to a repeal of that Act on being compensated for the loss which will in consequence devolve upon us—in fact we would prefer this course, rather than be subjected in another Session to the serious consequences to our credit which resulted in this present Session immediately upon the resolutions of the Government being made public. Although our pecuniary position is perfectly sound, and although the resolutions of the Government could not have affected us to a very material extent within the next two years, it is nevertheless the fact that verbal contracts which we had previously entered into for the purchase of barley, to the extent of 80,000 bushels, to be delivered in 1875 and 1876, and to be paid for by bills after delivery, have been since repudiated by the contractor, who refused to sign a written contract unless we would consent to alter the terms previously agreed upon to cash on delivery; and the fact of this injury to our credit having come under our notice, induces us to fear that it may have suffered in other quarters.

We are convinced that the business cannot at present be carried on at a profit under the resolutions proposed by the Government, and that under no circumstances which we can conceive to be likely to occur, can distilling be carried on in this colony at a higher rate of duty than at present for many years to come.

I beg, lastly, to refer to the petition presented by us to the House of Representatives, the allegations in which are true in substance.