

755. On the other hand, it was suggested that even this loss of beer duty was not important, because the greater the allowance for wastage, the less the amount of taxation deductible from profits and therefore the greater the income-tax. The trade, however, does not adopt this view, nor does the Customs Department. Counsel for the trade said that the retention of the 10 per cent. wastage allowance was a matter of outstanding importance to the trade (R. 7435). Again, Mr. R. Francis Joyce (who had been assistant brewer at Staples Brewery, Wellington, from 1910 to 1920 and was subsequently employed at Manning's Brewery, Christchurch, and was later manager of the brewery at Kaiapoi, but who has been for many years a radio electrician) gave evidence that an enormous revenue was lost through allowing 10 per cent. for wastage instead of 6 per cent., which he thought was more than generous (R. 5452). In any event, the allowance for wastage ought to be properly and fairly allowed as such.

756. In answer to questions, the Comptroller suggested that the reason why the wastage allowance was higher in New Zealand than in England was that the small New Zealand breweries were inefficient and therefore that an ample allowance for wastage for all breweries was necessary in order to meet the needs of the smaller breweries (R. 6415). When asked, however, whether he suggested that the small brewers in New Zealand had worse types of equipment than the English brewers had in 1880, he said he would not suggest that (R. 6384).

757. In evidence before us the Customs Department included bottling losses in the wastage allowance, provided that those losses were incurred by brewers. The Department did not go so far as to make any allowance to bottlers who did not themselves manufacture beer. This may have been because bottlers are not brewers. Yet the brewer would get a wastage allowance over all his beer before, say, selling to a bottler. If the allowance is simply on the beer before bottling or casking, then the basis is rational, and is also consistent with the fact that from three-fifths to two-thirds of the beer which is manufactured in New Zealand to-day is not bottled at all.

758. By the year 1942 it appeared that two of the largest breweries in New Zealand, Speight's and Dominion Breweries, had reduced their wastage much below the 10 per cent. The wastage at Dominion Breweries was down to 2.56 per cent., including wastage in bottling; and at Speight's where there was no bottling, to 5.78 per cent. In 1941 the total gross brewings of these two companies were 8,543,947 gallons, or 39.5 per cent. of the total of all breweries in New Zealand, for the year. Together, these two breweries were estimated to have sold about 400,000 more gallons of beer than the total quantity upon which together they paid duty. Thus, in 1941, on an increasing rate of beer duty, these brewers were receiving a decided advantage in their trading operations over the smaller companies, which had less efficient plant. So far as that result was the reward of the efficiency of these two breweries, they are fully entitled to the advantage. So far, however, as that result was due to an excessive allowance to all companies for wastage, they were not entitled to it, just as no other company was entitled to it.

759. In 1942, the Comptroller of Customs, at the request of the Acting Minister of Customs, instituted an inquiry to determine whether there was an excessive allowance for wastage. The wastage which the Comptroller thought should be allowed for this purpose was wastage which he stated occurred in certain ways which we summarize (see file 31/7/9; memo of 3rd June, 1942, pp. 2 and 3):—

- (1) During fermentation, where there is evaporation and overflow and sludge;
- (2) During runnage from the fermenting-vessels into butts, where there is overflow of froth;
- (3) During "topping up," where there is further overflow from the butts;
- (4) During filling into smaller containers for sale, where there is spillage;
- (5) During bottling for sale, where there is sludge from the filter and spillage in filling; and
- (6) By the consumption on the premises by employees and customers.