has no value. We note also that Dominion Breweries itself has never claimed that its wastage, including bottling losses, exceeded 2·56 per cent.

766. It follows that in 1941 the Waitemata Brewery was selling, free of excise duty, the difference between 10 per cent. and 2·56 per cent.—*i.e.*, 7·44 per cent.—of the gross quantity brewed, ready for sale in bottles or casks. Speight's Brewery was selling 4·22 per cent. of its gross brewings in the same advantageous way.

767. Even allowing for all the heads of wastage which the Comptroller has allowed, the inquiry shows a net loss in gallons for revenue purposes of 763,988 gallons for the year 1941. The average excise duty for New Zealand for the year 1944 was 2s. 10·8d. (para. 754, *supra*). If the loss of gallons for revenue in 1944 were only what it was in 1941, the loss of revenue amounted to £110,788.

768. Another striking aspect of the Comptroller's inquiry is that the breweries with a wastage of over 10 per cent. pitched for fermentation in 1941 only 5,221,468 gallons of worts. This amount includes 3,303,605 gallons, being the total quantity pitched for fermentation by the Lion Brewery at Auckland. This quantity is included only because the Comptroller was allowing wastage in bottling as a source of wastage within section 55 and because this brewery's wastage is stated to rise from 7·98 per cent. to 11·68 per cent. solely because of wastage in bottling (R. 7438). If bottling is not included, the Lion Brewery's wastage was under 10 per cent.

769. The breweries with wastages of under 10 per cent., even including their bottling wastages, pitched for fermentation in 1941, 18,148,559 gallons of worts. This quantity excludes the total of the Lion Brewery; and of the Waikato Brewery, whose wastage was exactly 10 per cent.

770. Even on the Comptroller's basis for allowing wastage, it seems extraordinary that the allowance of 10 per cent. should be thought to be justified because there is an average wastage of 13·16 per cent. in the manufacture of 5,250,000 gallons of beer when there is an average wastage of only 6·60 per cent. in the manufacture of more than 18,000,000 gallons of beer.

The Comptroller recommended that no immediate action should be taken, but suggested that, if the Minister so desired, he (the Comptroller) might present another report in September, 1943. No further action has been taken.

771. It seems clear that the whole question of wastage in the breweries of New Zealand should be reviewed in the light of the true requirements of section 55 of the Finance Act, 1915.

772. We conclude :—

(1) The question of providing a materials' check in New Zealand as in England should be investigated. There seems no reason why a sound estimate should not be made of a minimum quantity which should be produced by a brewer of reasonable skill from the actual materials used in New Zealand with a plant kept up to a reasonable state of efficiency. This estimate might best be made by some independent person or persons of high qualifications. Once the quantity was determined, the English system might be adopted of allowing 4 per cent. from the theoretical quantity and comparing the net result with the amount shown to have been produced by the brewer at the brewing in which the materials (from which the theoretical quantity is derived) were used.

(2) As an important question arises on the meaning of section 55 of the Finance Act, 1915, it should be interpreted by the Court so that the meaning of the allowance for wastage may be authoritatively ascertained.

(3) If the allowance does not include bottling losses then, clearly, the 10 per cent. for wastage should be substantially reduced. Furthermore, manufacturers with inefficient bottling plants should be induced to make them efficient.

(4) In our view, the Customs Department should have ascertained the true meaning of section 55 before carrying out its inquiry into wastage in 1942. In failing to do this the Department may have carried out its inquiry on a basis much too favourable to some brewers. An inquiry so carried out was not satisfactory.