

1873.

NEW ZEALAND.

REPORT ON THE DISTILLERY BRANCH, CUSTOMS DEPARTMENT.

Presented to both Houses of the General Assembly by Command of His Excellency.

Mr. W. SEED to the Hon. the COMMISSIONER of CUSTOMS.

Customs Department (Distilleries Branch), Wellington,
30th September, 1873.

Sir,—

I have the honor to furnish the following information regarding the working of the Distilleries Branch of the Custom Department.

As this is the first occasion on which a general report on this subject has been submitted to you, it may be well, before describing the routine work of carrying out the provisions of "The Distillation Act, 1868," to shortly refer to the several enactments that have been passed relative to distillation.

The first law that was passed was in 1841, and was framed with the object of prohibiting distillation; it was entitled "An Ordinance for prohibiting the Distillation of Spirits within the Colony of New Zealand." In 1844 an Ordinance was passed to repeal the Ordinance of 1841, but it was not to come into operation until after it received the Royal confirmation. It never was confirmed, so that the Ordinance of 1841 remained in force until 1865, when "The Distillation Prohibition Ordinance Amendment Act, 1865," was passed, which authorized the Governor in Council to make regulations for licensing persons to carry on the business of distillers. In January of the following year an application was made for a license to distil under this Act. The applicant was informed that the regulations under which licenses would be granted would be in general character such as were contained in the Victorian Distillation Act, but no further communication was received from him. The Act above referred to was made to lapse at the end of the next Session of the Assembly. In the next Session, "The Distillation Prohibition Ordinance Amendment Act, 1866," was passed, which continued the provisions of the Act of the previous year for a similar period, and contained several stringent regulations against illicit distillation, which considerably improved the law on that head. During the recess another application for a license to distil was received; and although it came to nothing, as in the previous case, the Government decided to learn the experience of the Victorian Government on the subject, with a view to introducing a general measure for the regulation of distillation; but it was found that the requisite information could not be procured in time to introduce such a measure during the Session of 1867, so the provisions of the Act of the previous Session were again re-enacted in an Act entitled "The Distillation Act 1866 Amendment Act, 1867," with further provisions designed for still more effectually suppressing illicit distillation; and it was determined that I should be despatched to Melbourne and Sydney, "for the purpose of acquiring an insight into the working of the distilleries and Excise Departments there."

On my return I recommended the repeal of the previous imperfect and disjointed Acts, and the consolidation of the whole into one comprehensive measure, to be laid before the next Session of the General Assembly. The information I had collected enabled me to undertake the preparation of such a measure, which took the form of the Act now in force, ("The Distillation Act, 1868,") and became law from the 1st of January, 1869.

In a report on my mission to Australia I furnished a brief description of the licensed distilleries then at work in Victoria and New South Wales, and of the Government departments established for their supervision, and pointed out the arrangements which would have to be made for the supervision of any distilleries that might be started in New Zealand. I suggested the engagement in Melbourne of a competent Inspector, and also that one of our Customs officers should be sent there for six months to learn, by actual service in some of the distilleries, the work of the department, so that he might be able independently of outside aid to train other officers for the same duty. The Government having acceded to my recommendation that the supervision of the distilleries should be carried on as a branch of the Customs Department, did me the honor to appoint me to be Chief Inspector of Distilleries, and authorized me to undertake all necessary arrangements for giving effect to that recommendation. I accordingly commenced at once to organize a staff. The Victorian Government readily

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

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

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

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

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

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

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

System of Check in operation.—Owing to the rate of duty on New Zealand spirits being fixed at one-half of that charged for the time being on imported spirits, the duty is levied on spirits delivered for home consumption at the rate of 6s. per liquid gallon if under proof, and at 6s. per proof gallon if over proof. The duty on spirits found to be deficient in the process of manufacture, whatever the liquid quantity may be, is uniformly charged upon the proof gallon. "Proof spirit" is defined by law to be such spirit as at the temperature of 51° Fahrenheit shall weigh $\frac{1}{11}$ of an equal measure of distilled water. In levying the duty, the principle followed is to prescribe the course of manufacture, and to establish such a system of checks and charges as shall render it impracticable for the distiller to abstract any spirits during the process of manufacture without the knowledge of the officers intrusted with the securing of the duty. There are three modes by which duty is charged: 1st. Upon the wash made in the distillery, one gallon of proof spirits being charged for every hundred gallons of worts for every five degrees of gravity attenuated; 2nd. From the quantity of proof spirits calculated to be present in the *low wines*, after deducting an allowance of 5 per cent. for waste occurring in redistillation; 3rd. From the quantity of proof spirits contained in the spirits and feints produced from the distillation of the *low wines*. The distiller is charged with duty on the greatest quantity arising from any one of these modes of charge. The first mode of charge consists of a rough estimate of the quantity of spirits at proof which the wash is capable of producing, and it is generally from 8 to 15 per cent. less than the charge from the spirits and feints, the percentage varying according to the quality of the materials used. In order to obtain a correct account of the various distillery operations, the officer has to gauge the utensils, and frequently to survey the premises and utensils, and to examine and take an account of their contents. The distiller is required to give previous notice of each brewing; and when the wort is collected in the fermenting utensils, he has to deliver a declaration to the officer, specifying the quantity and gravity of the wort. The wort from this stage is followed step by step during the subsequent operations until it is distilled into spirits and in a fit state for consumption. The produce of the first distillation is called "*low wines*," and it is at this stage of the process the second mode of charge is raised. The impure portion of the second distillation is called "*feints*," and the pure portion "*spirits*;" from these the third mode of charge is raised. The distilling process is placed entirely under the control of the officers, who are required to secure the stills and utensils with revenue locks, and which are not allowed to be opened except under proper notice. . . . The spirits, when distilled, are conveyed to the distiller's store, where they continue under the control of the officers, and none are allowed to be sent out without being accompanied by a permit, which serves as a guarantee that duty has been paid or secured on the spirits.*

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

Distilleries in Operation.—There are two licensed distilleries in operation in the Colony, together capable of producing over 150,000 gallons per annum. The New Zealand Distillery, in Dunedin, commenced operations in October, 1869. The buildings are substantially built of brick, and no expense seems to have been spared to make them complete in every respect, so as to form a first-class distillery capable of producing over 100,000 gallons per annum. The raw material used is mostly malt, which is malted on the premises, and rye. There are three common stills and one patent still in use.

The Crown Distillery, Auckland, commenced operations in December, 1870, in a building built of brick and stone, which had previously been used as a flour-mill. The building itself was well enough adapted to the purposes of a distillery, but it possessed little available ground around it, and the supply of water was inadequate; these and other reasons induced the proprietors, after a year's trial, to remove their plant to another place. They purchased the extensive premises known as Kirkwood's Brewery, in Stanley Street, which they proceeded to adapt to their purposes. The result is, that with very little addition to their plant, they are now able to turn out a larger quantity of spirits and of better quality than was possible in their former premises. They commenced operations in their new premises in April last. The present producing capacity of this distillery is about 50,000 gallons per annum, but the works are capable of considerable extension. Molasses, imported from Honolulu, has been extensively used in the production of spirits at this distillery.

Appended hereto will be found returns showing the quantity of spirits manufactured, the quantity of each kind of material consumed in the manufacture, and the quantity of the spirits which have entered into consumption during each year since the commencement of licensed distillation in the Colony. The return of the quantity of spirits cleared for consumption at each port has been brought down to the end of June last.

The arrangements made for the revenue supervision of these two distilleries I am satisfied have worked well up to the present time. Personal inspection has assured me that the officers have faithfully and zealously discharged their duties, and I am gratified at being able to report that this conscientious discharge of their duties has not prevented them working harmoniously with the proprietors.

Licensing of Brewers.—In requiring brewers to take out licenses under the Distillation Act, the practice in Victoria was followed. The license fee is only £1 per annum, but the breweries are subject to inspection, which has for its object to check adulteration, and to prevent their brewery plant from being used for the illicit production of spirits. Samples of beer have been collected from the principal breweries in the Colony, with the exception of those on the West Coast of the Middle Island; these samples have been subjected in the Colonial Laboratory to a searching examination for deleterious ingredients, but in no case were traces of such ingredients discovered. The average number of breweries licensed under the Act each year since it came into operation has been 109. They are distributed over the various Provinces as shown in the return No. 3 appended hereto.

Licensing of Wine and Spirit Merchants.—The average number of wine and spirit merchants licensed under the Act each year since it came into force has been 499. They are distributed over the Colony, as shown in return No. 3.

Licensed Small Stills.—These are principally required by chemists and photographers. If under three gallons capacity they are allowed to be used under permit, which secures their registration, and, without requiring them to be licensed, subjects them to periodical inspections. Any above the capacity of three gallons must be licensed, the fee for which is two guineas.

Illicit Distillation.—One of the main inducements which weighed with the Government, when they consented to bring in the present Act, was, no doubt, the belief that it would be beneficial in the way of suppressing illicit distillation, which was very rife about that time. It is, of course, impossible to know to what extent it has operated in this direction; but, judging from the small number of illicit stills that have been captured since the passing of the Act, it is pretty certain that the low rate of excise duty rendered illicit distilling unprofitable, and has put a stop to it, except in remote parts of the Colony.

I have, &c.,

WILLIAM SEED,
Chief Inspector of Distilleries.

The Hon. the Commissioner of Customs, Wellington.

No. 1.

RETURN showing the QUANTITY of all MATERIALS used in the Manufacture of NEW ZEALAND DISTILLED SPIRITS, the QUANTITY of SPIRIT made, and the QUANTITY upon which DUTY has been paid, during each of the Years ended the 31st December 1869, 1870, 1871, 1872.

Year ending 31st December.	MATERIAL USED IN MAKING.								Spirits made.	Spirits paid Duty upon,
	Malt.	Barley.	Oats.	Wheat.	Rye.	Molasses.	Wine.	Beer.		
	Bushels.	Bushels.	Bushels.	Bushels.	Bushels.	lbs.	Gallons.	Gallons.	Proof Gals.	Gallons for Duty.
1869	3,948	52	...	62	...	...	...	...	6,814·0	500·0
1870	18,361	1,479	368	406	1,024	...	...	...	46,233·8	12,845·0
1871	21,935	14,100	1,269	...	585	29,736	525	2,888	68,075·1	35,923·0
1872	26,360	1,004	...	...	1,265	246,269	...	8,233	78,175·7	51,602·0
Totals	70,604	16,635	1,637	468	2,874	276,005	525	11,121	199,298·6	100,879·0

NOTE.—There are two distilleries in operation, the first commenced in Dunedin, in October, 1869; the second in Auckland, in December, 1870. But operations at the latter were suspended during the months of January, February, and March, and part of December, 1872.

No. 2.

RETURN showing the CONSUMPTION of SPIRITS DISTILLED in NEW ZEALAND at each of the under-mentioned Ports for the Year ended the 31st day of December, 1872, and for the Six Months ended the 30th June, 1873.

	Twelve Months ended 31st December, 1872.	Six Months ended 30th June, 1872.
	Gallons.	Gallons.
Auckland	15,267·4	9,165·4
Thames	*690·0	...
Mongonui	377·3	184·5
Russell	26·0	...
Hokianga ... ..	...	61·5
New Plymouth ... ..	...	103·9
Wanganui	272·0	166·1
Wellington	283·9	158·1
Napier	567·1	246·8
Poverty Bay	434·8	366·2
Nelson ... ..	...	114·1
Westport	107·7	28·9
Greymouth	733·0	299·3
Hokitika	980·5	283·4
Christchurch	691·1	444·7
Akaroa	1,560·3	1,341·3
Timaru ... ..	...	67·2
Oamaru	276·4	322·4
Dunedin	317·4	161·6
Invercargill	26,974·1	17,114·8
Riverton	1,583·8	683·3
	459·2	222·6
	51,602·0	31,536·1

* Blended, of which the bulk is New Zealand distilled.

No. 3.

RETURN showing the NUMBER of LICENSES issued to WINE and SPIRIT MERCHANTS and BREWERS during each of the Four Years ended the 31st December, 1872.

Issued by Licensing Officer at	1869.		1870.		1871.		1872.	
	Brewers.	Wine and Spirit Merchants.	Brewers.	Wine and Spirit Merchants.	Brewers.	Wine and Spirit Merchants.	Brewers.	Wine and Spirit Merchants.
Auckland	8	33	14	58	14	36	19	42
New Plymouth	2	6	2	4	2	5	2	5
Wanganui	4	18	4	17	4	19	5	18
Wellington	8	50	6	51	5	44	11	50
Napier	3	25	4	29	4	28	4	15
Picton	3	8	5	8	6	6	5	10
Havelock ... ..	...	3	...	3	1	3	2	3
Nelson	14	18	14	21	23	18	22	17
Westport	4	35	4	42	2	31	2	35
Hokitika	5	54	5	51	5	38	4	38
Greymouth	5	21	8	21	9	32	7	20
Christchurch	14	47	17	54	19	69	23	69
Timaru... ..	2	14	1	15	2	16	2	18
Oamaru	2	14	2	8	3	9	3	11
Dunedin	10	138	14	142	14	110	15	91
Invercargill	4	20	3	20	3	20	3	22
Totals	88	504	103	544	116	484	129	464

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1873.