

MEMORANDUM ON ILLICIT DISTILLATION AND SMUGGLING.

MEMORANDUM for the Hon. the COMMISSIONER of CUSTOMS.

THE questions raised in the Memorandum by the Hon. the Colonial Treasurer which has been referred to me, I presume have reference only to such goods as Spirits, Tobacco, &c., the high duties on which afford such strong temptation for smuggling; for, with respect to the measurement and low duty goods, I think it may be assumed that the rates of duty do not hold out sufficient inducement to traders to attempt to smuggle them, and on this account, as well as from their generally bulky nature, that the duties are fairly collected on all that are imported. I shall, therefore, only allude to the articles liable to the higher rates of duty.

With respect to spirits, there can be no question that the increase in the duty in December, 1864, from nine to twelve shillings per gallon, had the effect of increasing contraband trade, principally, I believe, in the shape of illicit distillation, for smuggling could not be undertaken to any very large extent on account of the difficulty of obtaining the spirits, as the countries we principally trade with (Great Britain and the Australian Colonies) only export spirits under bond, and full particulars are always sent by the Customs with every shipment. Unquestionably, however, smuggling is carried on by means of the small vessels which trade to the South Sea Islands, principally from the port of Auckland. These vessels clear for the South Sea Islands with spirits and tobacco, shipped from the warehouse under bond, ostensibly to be used in trading with the Islands, but I believe many of them land the principal part of their cargoes before leaving the coast of New Zealand. The numerous bays, creeks, and harbours in the Province of Auckland, and the large fleet of coasting vessels constantly trading about, afford unusual facilities for this contraband traffic, and it will be very difficult, if not impossible, at present to suppress it.

The Sydney manufactured tobacco also affords a strong temptation to the contrabandist to defraud our revenue, and I have no doubt this is taken advantage of. Only the other day 14 kegs, weighing 1,255 lbs., were being smuggled into Hokitika, concealed in hogsheads purporting to be hogsheads of eggs. These were fortunately seized by the Customs.

It is very generally believed that illicit distillation is being carried on to a considerable extent, and I have no doubt the revenue suffers more from this cause than from the introduction into the country of uncustomed goods.

No less than fifteen Illicit Stills have been seized by the Customs and Police in various parts of the Colony within the last two years; many of these were of the rudest possible description, and the spirits distilled in them must have been of too inferior a quality for general consumption, but yet no doubt such as would readily be disposed of in the outlying districts and among the Natives. In a sparsely populated country like New Zealand it is not to be expected that illicit distilling can be entirely put down, but it may be suppressed to a considerable extent by means of rewards offered to informers. With this view a notice was recently published, and copies have been distributed throughout the Colony offering rewards from £5 to £50 for information which may lead to the conviction of persons engaged in illicit distillation. Very soon after the issuing of this notice information was received which led to the suppression of two Illicit Stills at Hokitika, and the imprisonment of their owners. In one case the still was most ingeniously placed in a cellar under a house, and so contrived as to render detection impossible if information had not been given by a person acquainted with the place. The most effectual way of suppressing Illicit Stills will no doubt be by bringing into operation the proposed regulations for legalizing distilling. Each licensed distiller will then have a direct interest in putting down the illicit trade; and the lower rate of excise duty, combined with the superior quality of the rectified spirits from the large distilleries, will also operate powerfully against the small stills.

I enclose a return showing the quantities entered for consumption of the principal high duty goods and the revenue received thereon during the years 1864, 1865, and 1866, and the population in those years. From this it will be seen that in 1865 there was an immediate decrease of 38,096 gallons of spirits entered for consumption, and of 84,016 lbs. tobacco. Supposing the rate of consumption to have been the same in both years, the decrease would be—spirits 91,000 gallons, and tobacco 140,000 lbs. There has been an increase in the spirits and tobacco duty paid in 1866 over 1865; but having regard to the increase of population, the quantity is not so great as it ought to be, as compared with the rate of 1864, by 56,000 gallons of spirits and about 28,000 lbs. of tobacco.

Other points, such as the relative prosperity of the community during the different periods stated, I am aware ought to be considered in any calculation of the Customs revenue based on population, still the figures I have given will be sufficient to show generally how the revenue is being affected. It seems impossible to resist the conviction that the heavy increase which was made in the duties by the New Customs Duties Act in December, 1864, led immediately to a large increase in smuggling and illicit distillation.

If the duties had been reduced in the session of 1865, much of this contraband trade might, I believe, have been checked; but now those who are engaged in smuggling have, I fear, during the past two years and a half so far systematised their operations that nothing short of a very considerable reduction of the rates of duty would break up their trade.

With regard to the tariff of last session, I think I am justified in saying that it has fully realized the expectations which were formed regarding it. The amount of revenue estimated has been received, and the collection of it has been unattended by those endless and constantly recurring disputes between the Customs and the public as to the interpretation of the tariff which existed under previous Customs Duties Acts.

In the course of a day or two I shall have completed a return in detail of the duties received on each item in the new tariff during the first six months it was in operation.

Custom House, Wellington, 14th June, 1867.

WILLIAM SEED,
Secretary and Inspector.