

charged on New Zealand spirits under their consideration, and propose to bring in a Bill to raise the duty :—

1s. per gallon on the 1st July, 1875.
 1s. " " 1877.
 1s. " " 1879.

As we stated in our letter on the 18th of April, 1873, we were satisfied that the Act of 1868, fixing a rate of duty on colonial spirits varying in proportion to the duty on imported spirits, was intended to meet the contingency of alterations being made, and to settle once for all the relative duties to be paid by the two classes of spirits. We respectfully submit that to speak of the proposal now made by the Government as settling the duty hereafter to be charged on New Zealand spirits is deceptive. If the arrangement of 1868 was not a settlement, much less can an alteration in 1874 be viewed in that light. To make that alteration would, we believe and declare, be a breach of good faith, and, so far from being itself a settlement, would form a ready precedent for further alterations.

We have nothing to add to our former letter beyond a declaration that another year's experience has fully satisfied us that we were right in our statements and views, and that in order to get rid of a business rendered by the Government worrying and vexatious, we are now more than ever desirous that the alternative suggested in our letter of the 18th April, 1873, of taking our plant and premises off our hands on reasonable terms, should be adopted.

The Chief Inspector of Distilleries, Wellington.

I have, &c.,
 W. J. CAWKWELL.

No. 16.

Mr. CAWKWELL to the Hon. the COMMISSIONER of CUSTOMS.

SIR,—

Vulcan Lane, Auckland, 18th May, 1874.

In the correspondence that has taken place in reference to the proposed increase of duty on colonial spirits, I have expressed myself as being willing to give up the business of a distiller on reasonable terms. As I am now prepared to offer definite terms, which will effect this object without subjecting the proprietors of the Crown Distillery to a pecuniary loss, and which will at the same time prove advantageous to the colonial revenue, I do hope that the Government will favourably consider my proposal, and enable me to retire from a business which has proved, through the action of the Government, harrassing and vexatious.

The proprietors of the Auckland Distillery are willing to give up distillation, and sell their plant to the Government, disposing of their stock of spirits, subject to a duty of 12s. a gallon, for a sum of money not exceeding the estimated loss the revenue will sustain during the next two years by the continuance of their operations. For the purpose of fixing the amount, they are willing to assume that their sale of spirits will amount to 20,000 gallons per annum during the next two years (a considerable under-estimate, as, during the last four months, they have sold 8,430 gallons, and their business is increasing), and they are willing to accept the sum which will be lost to the Government, notwithstanding the proposed increase of duty, by the sale of that quantity of colonial spirits, namely, eleven thousand pounds (£11,000). Thus, without any loss during the first two years, the revenue (making no allowance for increased consumption) will gain thirteen thousand pounds (£13,000) during the following three years. I say nothing of any gain after that, because no New Zealand distillery can possibly live subject to a duty of 9s. a gallon on colonial spirits.

It may be said that it would be useless for the Government to make terms with one distillery if the other now in operation should continue and others could commence. My answer is, that the distillers at Dunedin are willing to come to terms for shutting up their establishment, and in such case the duty on colonial and imported spirits could be equalized; and if they did not come to terms, the increase in duty proposed by the Government, if imposed, would certainly shut them up, and effectually deter others from entering on the business.

The Hon. the Commissioner of Customs, Wellington.

I have, &c.,
 W. J. CAWKWELL.

P.S.—As a similar question seems to have arisen in Tasmania some years ago, I send you an extract on the subject from "West's History of Tasmania," Vol. I., page 219.

(Extract from the "New Zealand Herald," Tuesday, May 19, 1874.)

REFERRING to the notice lately taken of the action of the New Zealand Government towards our local distilleries, we extract from "West's History of Tasmania" that which appears to be a similar case, and where, after much evasion and defrauding the revenue had occurred, and the two distilleries in existence were young and insignificant, the Government of Tasmania considered it their duty to make ample reparation for the injury they inflicted by an alteration of the law, when for many years large profits had been made :—

"The claims of the Churches on the Treasury (1838) soon threatened the Government with serious difficulties. It was resolved to increase the revenue by prohibiting colonial distillation. This trade had often been interrupted by the Ordinances of the Governors, but when the Crown ceased to purchase wheat at a high fixed price, it was deemed unfair to the farmer to restrict the local market for his produce. Duties were imposed, but they discriminated between sugar and cereals, and between colonial and imported grain. This distinction offered ample opportunity for evasion. The distillers employed these various articles at their own pleasure, and paid the lowest duty. Colonial spirits were sold as foreign, and the permits of the Police Office covered the transit of quantities greater than they specified. From £5,000 to £7,000 were annually lost. The Bill introduced to extinguish the trade was resisted by Mr. W. E. Lawrence and other leaders of the country party. They objected both to the suppression of a lawful trade and the injury inflicted on those who had embarked their capital. The Government proposed to include in the Bill a provision for the