

CUSTOMS PROBE REVELATIONS

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ly at variance with such facts as the recommendation is drawn to elicit a decision to which such accounts for the fact that the report upon the evidence was in many instances preceded by a conference and recommendation was dictated by intelligent anticipation of the minister's wishes in the premises.

UP TO OFFICERS.

The committee is of opinion that the administrative duties of the department of customs and excise should be left to the executive officers of the department. Where the value of the goods or the amount in question is \$100 or more, the procedure should be automatic and not subject to ministerial interference. Where the goods in question are under \$100, the case would fall under the heading of petty offences, and the minister's action might then find a proper basis for its exercise.

The committee finds that theft of vehicles has frequently been reported with smuggling on the Quebec customs frontier. The procedure followed by the department in dealing with cars stolen and smuggled has

sulted in an advantage to the thief and receiver as against the owner of the car.

CHANGE SUGGESTED.

In the opinion of the committee the procedure might be modified so as to provide that when the owner has his title to the satisfaction of the department the car should be forthwith released to him under bonds to re-export it, and upon payment of charges for storage, etc., such release to be made at a time and place which notice should be given to the person in whose possession it was at time of seizure in order that he may take such legal proceedings as are competent to him to assert any claim thereto or lien thereupon.

FALSE SAILING PAPERS.

10—The committee finds that it is the common practice of the vessels laden wholly or in part with liquor for the United States or allegedly bound for a foreign port, but admittedly sailing to "rum row" and that false landing certificates have been produced to obtain clearance of cargoes so cleared.

The committee further finds that a strong presumption is raised that some proportion of the liquor so shipped and cleared finds its way back into Canada for consumption.

We, therefore, recommend that excise and sales tax be levied on all Canadian-made intoxicating liquors released from bond, no matter where they are carried and consumed and that duty and sales tax be levied on all alcoholic liquors entering Canada, whether in bond or otherwise, irrespective of their ultimate destination.

Doubts have been cast upon the sufficiency of existing legislation to prohibit or authorize regulations prohibiting the illegal export of intoxicating liquors to the United States. To the extent to which such legislation may be insufficient the committee recommends that it be amended. The committee further recommends that, as soon as possible, regulations be made to prohibit clearances being granted to vessels carrying liquor as cargo, sailing from a Canadian port to a United States port, such regulations to make an exception in favor of liquor being imported into the United States in accordance with the laws of that country.

11—Sub-section 4 of section 171 of the excise act provides that "no spirits subject to excise which have not been warehoused for at least two years, shall be entered for consumption."

By reason of special circumstances arising out of the excise act, on the first day of July, 1920, chapter 82, 10-11, George Fifth, section four, the act was amended so as to provide a proviso empowering the Governor-General to suspend the operations of the said sub-section during such period or periods as he may deem necessary. From sessional paper No. 84, 1926, it appears that by order-in-council, the following distilleries have been permitted to enter for from consumption the spirits manufactured during the period of nine months or less from the date of distillation:

Gooderham and Worts, P. C., 641, April 17, 1926.

Distillery Corporation Limited, P. C., 1646, Sept. 14, 1925.
Manitoba Distillery Company (Limited), P. C., 1903, Oct. 20, 1925.
Consolidated Distilleries of Manitoba, P. C., 29, Jan. 7, 1926.

RELEASE IS INJURIOUS

In the opinion of the committee such unadmitted spirits are unfit for human consumption, and their release is injurious to the public health. The committee therefore recommends that section 4 of chapter 82, 10-11 George Fifth be repealed at the present session of Parliament and that the order-in-council issued thereunder be thereupon forthwith cancelled. The committee further recommends that the technical regulations now governing the denaturing of alcohol be revised by competent experts so as to render all classes of denatured alcohol non-portable and that where the regulations under section 171 of the excise act provide for the warehousing of potable liquor they shall provide for the maturing of such liquor in wood for a period of at least two years.

SUITS RECOMMENDED

12—The committee recommends that the following firms and companies should be proceeded against in the proper form to recover the sums, if any, now owing by them to the crown:

John Gaunt Company, Dominion Distillery products and associated enterprises; B. B. Glove Company, Jas. A. Gilmore Company, Globe Suspenders Company, Perfecto Garment Company, Peerless Overall Company, R. and G. Manufacturing Co., Reliable Garment Co., Standard Manufacturing Co., W. M. Pike and Sons, Standard Manufacturing Company, Telford Bros. Garment Company, Telford and Chapman, Jenkins Overall Company, Limited, Rock Island Overall Company, Alco Dress Company, O. B. Earle Company, Royal Cloak Company, Miracle Dress Company, Hollinger and Packery, Klover Dress Company, Snagproof Ltd., Poyaner group of companies, and Woolens Limited.

DISTILLERY AUDIT ASKED.

With reference to the distilleries, the committee has not had time to investigate them all. The committee recommends that a thorough audit and examination be made of the records and accounts of all the distilleries in respect of all matters relating to a loss of customs, excise and sales tax revenue.

CUSTOMS REPORT.

The committee finds that the following officers have been delinquent in their duties and recommends that their names be dispensed with:

1—R. P. Clerk, Inspector of the port of Montreal.
2—A. E. Giroux, superintendent of customs and excise, Montreal.
3—W. Duval, preventive officer at Montreal.
4—John Landy, customs officer, Montreal.
5—Collector E. Brownlee, of Bebe, Quebec.

RETIREMENTS ASKED.

6—Marvin A. Sawyer, customs officer at Rock Island, and that in the interests of the public service arrangements should be made for the retirement of the following persons:

1—R. R. Farrow, deputy minister.
2—W. S. Weldon, collector of customs at Montreal.
3—Henry McLaughlin, surveyor of customs at the port of Montreal.

CONDUCT OF OFFICERS.

14—The committee recommends that the conduct of the officers at the port of Windsor, Ont., and other important ports should be further investigated and that the services of such of them as are found guilty of evasion of duty, should be dispensed with.

15—The committee recommends that the evidence of J. E. E. Blinn given before this committee, with reference to his bank account for the amount of \$80,000 be transmitted to the Attorney-General for Quebec, for the purpose of comparison with the evidence given by him on the same point at preliminary inquiry at Quebec, in the case of Rex vs. Symons et al., and for such action by the said Attorney-General as he may deem proper. Further that evidence in connection with the Morris Delage Motor case be transmitted to the said Attorney-General for such further action as the said evidence may warrant.

REDUCTION IN PORTS.

16—The committee recommends that for reasons of sound economy and increased efficiency there should be a reduction made in the number of ports of entry in Canada.

In support of this recommendation we would call attention to the following facts:

The United States has 270 customs ports of entry. The United Kingdom of Great Britain and Ireland has 80 ports of entry.

On the other hand Canada has a

total of 681 places at which customs revenue is collected.

PREVENTIVE FORCE.

17—For the prevention of smuggling and of other frauds, a strong preventive force under a capable administrator, is necessary, and the committee therefore recommends:

1—That the preventive service be reorganized under a chief, possessed with the highest qualification for such office, clothed with wide powers of initiative, direction and control.

2—That such preventive officer be authorized to select his staff in consultation with the Civil Service Commission.

3—That the chief preventive officer be authorized to organize within the preventive service a secret service force, with special training in criminal investigation work, which force shall be under the general executive direction of the chief of the preventive service.

POWER OF ARREST.

4—That preventive officers and persons authorized to act as customs and excise officers be given power to arrest without a warrant persons found committing any act declared by the customs and excise acts to be an indictable offence.

5—That in connection with preventive service work, the R. C. M. P. services be used for patrol work on the border and while so engaged they be given full powers as customs officers. Pending the reorganization of the preventive, the R. C. M. P. force should be immediately detailed for patrol service on all important points on the border.

18—The evidence adduced before the committee disclosed two outstanding facts, namely:

1—The methods of appraisal are exceedingly careless and fail to safeguard the interests of the country from being defrauded by undervaluation, and secondly, persons appointed as appraisers are in many instances untrained in the branch in which they are appointed.

We recommend that the appraisal be reorganized and that all appraisers be chosen because of their competency to estimate the value of the class of goods they are appointed to appraise.

19—The committee recommends that in future the provisions of sections 213 and 214 of the customs act, which provide for the removal of buildings within 100 yards of the boundary which are made use of in smuggling operations, be strictly enforced.

GRAVE SITUATION.

The situation created by the localities of Derby Line, Vermont, at Rock Island, Quebec, as brought to the attention of the committee, is of a grave nature, and we recommend that a bond be established in each factory in which brand goods imported from the United States shall be placed until released for manufacturing purposes, and that an

officer be appointed to look after such bond at the owner's expense.

COMMERCIAL SMUGGLING.

23—The committee recommends that in cases of commercial smuggling of undervaluation, where the offenders are known, they should at once be arrested and brought to trial with the utmost promptness. The committee further recommends that the Department of Justice be requested to select at once capable and experienced counsel in important centres, and retain them to act for the Department of Customs and Excise in all future cases.

24—The real solution of the difficulties at such points as Windsor, Niagara Falls, where traffic is heavy, and where a thorough examination of vessels and vehicles cannot be carried out, will be found in the discovery in advance by investigators of the secret service of the persons who make a practice of smuggling at these points, and their arrest when passing the customs barrier. The committee recommends that at bridges, ferries and main highways, where traffic enters Canada, in addition to the regular customs supervision, vessels and vehicles should be searched at frequent, irregular and uncertain times. The uncertainty as to what vehicles will be examined, and as to when such examinations be made, such to operate as a strong deterrent of smuggling.

25—The committee recommends that such of the account books and other books and papers belonging to the firms mentioned in clause 12 of this report as may be necessary for use in any action that may be taken against the said firms, be retained by the

WOULD RETAIN BOOKS.

House in order that they may be available if required.

Your committee submit herewith for the information of the House the minutes of proceedings and the evidence taken by them.

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