

only two per cent. The reason for the allowance is to put a check upon any dishonesty or inefficiency.

Mr. BENNETT: Or dilution.

Mr. ILSLEY: Yes. That would be either inefficiency or dishonesty or both.

Mr. STEWART: What is the effect of this? Is it to permit an increase in the allowance as it has existed in the past?

Mr. ILSLEY: We had a hard time determining that question. It is disputed. In some cases the distillers have asked for a three per cent maximum instead of two per cent, and I really cannot answer the question. For gin there is no doubt that the present deficiency is greater than this, while for whisky it would appear to be somewhat less so far as I can ascertain.

Mr. BENNETT: Computed on the 40 degrees Fahrenheit basis.

Mr. ILSLEY: Yes.

Mr. STEWART: I remember a debate that took place some years ago in this house on the subject matter of this amendment. It was pointed out by a gentleman who was quite familiar with what he was speaking about that the custom had grown up of storing distilled spirits in enamel tanks and other containers in which there was practically no evaporation or absorption, and he contended that, under these circumstances, they were getting allowances which, under the former practice of storing in wood, would have been fair and reasonable but, which under the new practice, were quite the opposite. The minister, I am sure, has considered that. What is the answer?

Mr. ILSLEY: The problem mentioned by my hon. friend would, I think, come under subparagraph V rather than subparagraph IV. It would be a loss in warehousing rather than in what is called distillery stock. What we are talking about now is an evaporation or loss in what is called distillery stock, that is before the spirits are warehoused.

Mr. BENNETT: Spirits in the vats, not warehoused.

Mr. ILSLEY: I think the hon. member is talking about warehoused stock.

Mr. BENNETT: The warehoused stock is dealt with in the next subparagraph. Subparagraph IV deals with the distillery stock in vats.

Mr. ILSLEY: Section 142 of the Excise Act provides for a difference in the abatement allowances as between wooden and

metal containers. In the case put by my hon. friend a large abatement allowance does not mean that the distillers necessarily make any more money; they have just a little more leeway for inefficiency or something else. The distiller is obliged to account, not for the original amount of stock less the allowance, but for all he has when the time comes to account; but if that is more than a certain percentage less than he started with he is allowed only that particular percentage.

The next subparagraph deals with warehoused stock, that is stock which is warehoused in wooden barrels. This subparagraph provides for an abatement allowance not exceeding three per cent of the quantity originally warehoused in wooden barrels. It provides that this abatement may be allowed for wood absorption. The department has been doing that for a year or two now. There was nothing corresponding with this particular allowance. This takes the place of the rinsing or "grogging" which they were carrying on. They had a practice of taking the barrels which had been drained of the spirits and running live steam in, which had the effect of extracting from the wood some spirits that they otherwise would not have got. We were obliged to credit that to them. In Great Britain no such practice is permitted, and in 1936 the department passed a regulation forbidding that practice. This three per cent allowance is to compensate the distillers for doing away with that practice.

Mr. BENNETT: The truth is that the liquor is measured out of the vats into barrels, and they become responsible for  $x$  gallons. Then, when it is withdrawn, they have a margin of three per cent to play with.

Mr. ILSLEY: Right; to make up for wood absorption. There are other abatements in addition to that.

Section agreed to.

On section 14—Least quantity to be warehoused or ex-warehoused.

Mr. BENNETT: Why decrease it from 100 to 30 gallons?

Mr. ILSLEY: They are allowed now to put in as little as they take out; to warehouse as small a quantity as they are allowed to ex-warehouse. There is no particular reason why they should be obliged to put in 100 gallons if they are allowed to take out 30.

Section agreed to.