

store located in the United States had smuggled large quantities of liquor into Canada.

Although there was insufficient evidence to warrant prosecution of the manager of the duty-free store, the two officers were dismissed and the collector of the port was allowed to retire voluntarily.

As the control of our ports of entry is very important, plus the fact that the public must have confidence and trust in the customs officers, they meet at the border ports, and further because the Crown is a self-insurer and does not require a fidelity bond as is usual in the commercial world, your Committee recommends that the Department of National Revenue make a most thorough examination of the background and character of prospective employees before placing them in such position of trust. Moreover, if an employee is dismissed for a criminal offence, then, excepting for reasonable and humanitarian causes, legal action should be taken.

*Paragraph 153. Calculation of duties of excise on spirits distilled or brought into a distillery.*

Examination of this paragraph revealed that Section 137 (1) of the Excise Act R.S. c.99 defines five separate methods for the determination of duty on spirits and directs that the "method of computation which yields the greatest amount of revenue, shall, in all cases, be the one upon which the distiller shall pay duty".

Only one of these methods provides for abatements of the duty on the spirits for shrinkage by evaporation while maturing and it is this method which is used by the Department of National Revenue notwithstanding the fact that it produces less revenue than the alternative methods.

It appeared upon questioning of departmental officials that this amount of \$50 million shortfall of revenue represented the potential revenue on four million proof gallons of spirit which never reached the market as it was lost in evaporation while maturing.

However the Committee is aware that there is some difference of opinion as to the best method of ensuring that the Crown receives its just share of duty and in view of these differences of opinion and the substantial sum involved, your Committee recommends that expert technological advice be sought by the Department to see that the Crown receives its just revenue from these transactions and if necessary the Act be amended.

*Paragraph 241. Accounts receivable.*

Of the \$338 million of accounts receivable at March 31, 1968, \$295 million was applicable to the Department of National Revenue and of this approximately \$17 million was owing the Customs and Excise Division. Collection action is being taken on 10,538 accounts totalling \$9 million and the remainder, \$8 million, had not been collected for various reasons.

Your Committee examined the departmental officials of the Customs and Excise Division on steps recommended by this Committee in its Eighth Report to the House, 1964-65, and Fifth Report to the House, 1966-67.

Your Committee is pleased to report that there has been a credible attempt by the Customs and Excise Division to correct some of these omissions brought to their attention and also a general tightening up of their procedures in applying the regulations.