

THE SURTAX ON RUM.

A COUNTERVAILING DUTY IMPOSED BY THE BRITISH GOVERNMENT ON BRITISH COLONIAL SPIRITS.

At the present time the Customs duty on spirits produced in British Colonies and imported into the United Kingdom is 10s. 10d. per gallon, while the duty on spirits produced at home is only 10s. 6d. per gallon. In the House of Commons on April 25, 1898,* Mr. W. F. Lawrence, M.P., asked Sir Michael Hicks-Beach why this surtax or extra duty of 4d. per gallon was imposed on Colonial spirits, or, in other words, why the British distiller is protected to the extent of 4d. per gallon on his produce against the British Colonial distiller. In reply, the Chancellor of the Exchequer stated that the surtax was imposed on Colonial spirits to *countervail* the Excise disability under which British distillers carry on their manufacture.† Now, for over twenty years the West India Committee on behalf of the planters and merchants in the West Indies have urged successive British Governments to abolish this countervailing duty, and it may at first sight appear inconsistent of them that, while on the one hand they are urging the Government to countervail the operation of the foreign sugar bounties, on the other hand they are petitioning the same Government to remove a countervailing duty, but it is easy to prove that this is not so. The policy of the surtax is, that Excise restrictions to which British spirits are subject in the United Kingdom should be compensated for by a countervailing duty on Colonial and foreign spirits; West Indians claim that the Excise restrictions in the West Indies are in every way as strict as those imposed on the British distillers at home, and that they are therefore *as much entitled to a countervailing duty against the foreign distiller, who is subject to practically no Excise restrictions at all, as is the British distiller.*

* Appendix C, page 16.

† The Chancellor referred Mr. Lawrence to the twenty-eighth Report of the Board of Inland Revenue for the calculations on which the Surtax is based. See Appendix E, p 21.

The History of the Surtax.

Briefly—and it has not been deemed necessary to dwell on the question prior to 1860—the history of the Rum Surtax is this:—In the year 1861 the Excise duty on British spirits was 10s. per gallon; the Customs duty on Colonial spirits, 10s. 2d. per gallon, and on foreign spirits, 10s. 5d. per gallon.

The reason for the countervailing duty on Colonial spirits was explained in the "Report of the Commissioners of Inland Revenue upon the Duties under their Management, c. 82, 1870." It was decided that the Excise restrictions to which British spirits were subject in the United Kingdom should be compensated for by a countervailing duty of 2d. per gallon on Colonial spirits, which was a surtax of very great importance upon a commodity which was then intrinsically worth on an average about 1s. 6d. per proof gallon.

The above-mentioned report actually states that "upon plain spirits an allowance of 1 $\frac{3}{4}$ d. is sufficient to compensate the home distiller for the Excise regulations to which he is subject." Even supposing that the home distiller were subject to Excise restrictions more stringent than those imposed in the Colonies on the Colonial distiller—which is not the case—a surtax of 2d. per gallon was thus admittedly in excess of the actual requirements.

The Surtax increased by Mr. Gladstone.

In 1881, Mr. Gladstone, the then Chancellor of the Exchequer, persisted in his determination to raise the tax on imported Colonial rum from 10s. 2d. to 10s. 4d., and to reduce the tax on foreign spirits from 10s. 5d. to 10s. 4d.

In vain it was argued that even a surtax of 2d. was excessive, as, even supposing that the home distiller was subject to a disadvantage of 1 $\frac{3}{4}$ d. per gallon, owing to the Excise regulations imposed on him, there must be set against that, the fact that the Colonial manufacturer was liable to the expense of a long voyage, involving freight, insurance, and other expenses, amounting to quite 3d. or 4d. per gallon. It was further argued that, in the settlement of these countervailing duties, no allowance was made for the Excise regulations in the Colonies, which were in every way as strict as those at home; but the Chancellor of the Exchequer defended his policy by declaring that the surtax not only represented an allowance to compensate the home distiller for Excise restrictions, but, in addition, for the expense and loss which fell on the home compounder and rectifier, Colonial spirits being imported into the United Kingdom fit for consumption (which was not the case), and that if Colonial distillers were subject to the same Excise restrictions as home distillers, it was a question for the Colonial Governments to decide whether an export allowance should be made or not.*

* The effect the granting of such an export allowance would have, is obvious. As the Royal Commissioners say, "If this advice were followed generally by the Colonies and foreign countries, the inevitable result would be practically to NULLIFY THE EFFECTS OF THE WHOLE SYSTEM. (Vide "Report of West India Royal Commission," § 101, Appendix B page 15.)

A Petition from British Guiana.

The question was discussed in the House of Commons in 1881, and the matter was brought before the Secretary of State for the Colonies by a resolution passed by the legislature of one of the principal rum-producing Colonies—British Guiana—and forwarded in a despatch by the Governor to the Earl of Kimberley in 1881.

The Chancellor of the Exchequer's will, however, prevailed, and in 1881, an Act (44 Vic., cap. 12) was passed abolishing all denominations previously existing, and placing a uniform duty of 10s. 4d. on *all* imported spirits, leaving the Excise duty on home spirits at 10s.

The matter was again brought under the consideration of the Government in 1882, and many protests have since been made to successive Governments, both Liberal and Conservative, but ineffectually.

The duty on British spirits was subsequently raised to 10s. 6d., and that on all imported spirits to 10s. 10d. per gallon.

In 1890 a letter was addressed to the Right Hon. G. J. Goschen, M.P., the then Chancellor of the Exchequer, by the West India Committee, pointing out the above facts, and praying him "in justice to the Colonies . . . to propose to Parliament either the entire abolition of the surtax on Colonial spirits, or at least a reduction to its former level of 2d."

This letter was duly acknowledged, but no steps were taken to place the Colonial distillers in a less disadvantageous position.

In May, 1897, Her Majesty's Commissioners, Sir Henry Norman, G.C.B., Sir Edward Grey, M.P., and Sir David Barbour, K.C.S.I., appointed to inquire into the condition of the West Indian Colonies, took the evidence of Mr. G. H. Murray, C.B., Chairman of the Board of Inland Revenue, on the subject of the Rum Surtax ("Report of the West India Royal Commission," Vol. I., 3,821, p. 138). After reciting the early history of the Surtax, Mr. Murray stated that:—

The Principle of a Surtax.

"The principle of the Surtax is this, that if for revenue purposes the State imposes special restrictions on a particular industry, it is right, in order to put that industry on a fair footing in its own market, so far as our legislation is concerned, that the *foreign* competing article should pay a duty equivalent to these restrictions, and that is fixed in England at this moment at 4d., and has been so since 1881."

The Royal Commissioners Condemn the System.

In 1897 the Report of the Royal Commissioners was issued. The Commissioners declare that the principle on which the extra duty is levied appears to them to be unsound. They further say (§ 99):* "We are unable to find any good reason for imposing an extra charge on imported spirit, and paying what appears to us to be a bounty on exported spirit, which would not equally apply in the case of a

* Appendix B, page 15.

liability to pay compensation for accidents to workmen imposed on employers by the Legislature." They add: "We cannot but think that the imposition of this duty entails some hardship upon the West Indian Colonies. These Colonies have regulations of their own with reference to the distilling of rum, **and it may fairly be urged that the distiller of rum incurs some expense analogous to that incurred in the manufacture of spirits at home**, though it may be either greater or less in amount. The answer of the Home Government has been that it lies with the Colonial Governments themselves to redress the grievance by giving an equivalent drawback," but the Commissioners do not consider this answer satisfactory, and they say that "if this advice were followed generally by the Colonies and foreign countries, the inevitable result would be practically to nullify the effects of the whole system."

The Distillers' Deputation to Sir Michael Hicks-Beach.*

On March 31, 1898, a deputation of British distillers had an interview with the Chancellor of the Exchequer to protest against the report of the Royal West Indian Commission, which recommended the removal of the surtax on foreign and Colonial spirit. **Mr. Lothian Nicholson**, who introduced the deputation, rightly said that the **West Indians wanted equality with the home distillers**, and did not want any change made in the duty on *foreign* spirit. Mr. R. Glen stated that the abolition of the surtax would lead to the importation of an enormous quantity of cheap foreign spirits. "It seems to me," he said, "that if the surtax were removed the great advantage of its removal would accrue, not to the West Indies, but to the producers of foreign cheap spirits." West Indians do not base their case entirely on the report of the Royal Commissioners. By all means let the surtax on *foreign* spirits be retained, and even increased if necessary, but the Excise regulations in the West Indies are in every way as strict as those at home; and, moreover, they are controlled by the home Government through the Colonial Office, therefore we claim to be quite as much entitled to the 4d. per gallon as the home distiller, and *there is nothing in the representations of the distillers to show that they would in any way object to this*, nor is there anything in the Chancellor of the Exchequer's remarks contrary to this view. The Chancellor of the Exchequer quoted the words of the Commissioners: "The removal of it will not save the sugar industry." Possibly not, but that is no reason for the continuance of what is undoubtedly a grave injustice to the Colonies. As a matter of fact the abolition of the surtax would assist the sugar industry more than is generally believed.† Perhaps the most astonishing statement in the Chancellor's speech is that of his belief that "one or two Colonies actually at the present moment

* See Appendix D, page 18.

† Especially having regard to the fact that roughly speaking 35 gallons of spirit is obtained from every ton of sugar. 35 gallons at 4d. = 12s. per ton of sugar; therefore in the total production of the West Indies (250,000 tons) the surtax = £150,000.

themselves impose an export duty on rum of considerably higher amount than 4d. per gallon." A levy is nominally made on rum in Trinidad at the rate of 5s. per 100 gallons; but it is not really a tax at all, but an assessment upon the planters for their proportion of the cost of introducing Coolies from India, as reference to the Colonial Office would have shown.

Mr. Chamberlain refers the Matter to the Chancellor of the Exchequer.

On April 19, 1898,* the West India Committee asked Mr. Chamberlain as Secretary of State for the Colonies, to receive a small deputation from their body on the subject, but Mr. Chamberlain declined, stating that "The question is one which more properly concerns the Chancellor of the Exchequer, as it involves other than Colonial interests." A letter was accordingly written to Sir Michael Hicks-Beach, on May 4,† asking as an act of justice that in the case of those Colonies whose Excise regulations are imposed and approved by the Minister of State for the Colonies, spirits, the produce of those Colonies, should be admitted to the United Kingdom at a duty of 10s. 6d. per proof gallon.

Debate in the House of Commons.‡

In the House of Commons on June 13, 1898, in the debate on the Finance Bill, Mr. Price moved as a new clause that "the duties of Customs payable on rum imported from the British Crown Colonies shall be reduced from 10s. 10d. to 10s. 6d. per gallon." The Chancellor of the Exchequer's speech on this occasion was a practical repetition of that which he delivered to the distillers, and which is commented on above. It contained absolutely no argument for the retention of the surtax. He said that he could not attach the importance Mr. Price did to this matter from the point of view of the West Indian Colonies.

The Nature of the Grievance.

We hold that the matter is one of very great importance, especially having regard to the depression under which their staple industry is now suffering, for the following reasons:—(a) That West Indian rum for methylation is at present excluded altogether from British markets, as before it is admitted for methylation the duty of 4d. per gallon is exacted, while British spirit for methylation is duty free; (b) were the surtax abolished a large quantity of rum would be used for blending with other spirits, and the demand for rum would thereby be largely increased.

The Chancellor stated that the Commissioners adduced some articles in favour of the abolition of the surtax, which appeared to him to be utterly baseless, and they recommended that it should be remitted,

* Appendix A, I., page 9.

† Appendix A, III., page 9.

‡ Appendix C, page 16.

and said, in making the recommendation, that they attached no real importance to the matter, and did not believe it would make any appreciable difference to the Colony. This is not the case at all; that the Royal Commissioners *did* attach importance to the question is shown by their admitting evidence upon this subject, and by paragraph 102, page 16, of their report, which states* :—“We do not wish to attach very much importance to this question of the extra duty on rum in connection with the present inquiry. The removal of it will not save the sugar industry, nor even materially improve its condition; but it is felt as a hardship, and its levy seems to us to be unsound in principle.” This statement cannot be interpreted to mean that the Commissioners in making their recommendation attach no real importance whatever to the matter, and that they did not believe it would make any appreciable difference to the Colony.

The Chancellor said that Mr. Price proposed “to upset all the fixed rules by which we have for years past regulated our Customs, and issue a preferential duty in favour, not of all Colonies, but of Crown Colonies alone.” How the removal of the surtax from rum coming from those Colonies whose Excise regulations are practically imposed by the British Government would “upset all these fixed rules” was not explained.

The position of the West India Colonies with regard to the Spirit Surtax question differs from that of most other spirit-producing Colonies, inasmuch as, while the latter impose their own regulations, the Excise restrictions in the West India Colonies are practically imposed by the British Government, and as those restrictions are in every way as stringent as those existing at home, we claim to be as much entitled to the compensating 4d. per gallon as are the British distillers.

The Chancellor admits the Hardship of the Surtax.

At last, on August 6, 1898,† a reply was received from the Chancellor of the Exchequer. Of this reply, the most noteworthy feature is that the Chancellor “**recognised that it (the surtax) might operate in some measure to the disadvantage of the West Indian Colonies,**” a point which the Committee have endeavoured to impress upon him ever since he assumed office, and on which their whole case is based. “**The Chancellor therefore,**” (the letter continues) “**agreed that the assistance to be given by the Imperial Government should be on a more liberal scale than that recommended by the Commission, in order that the Colonies might be enabled to deal with the difficulty themselves,**”‡ a singularly misleading statement, in face of the fact that absolutely **no Imperial assistance has been given to British Guiana, Jamaica, or Trinidad, the three principal rum manufacturing and exporting Colonies of the West Indies,** while, moreover, in the case of the other islands the measures of relief agreed to by the House of Commons in August, 1898, and all the money which was then voted for specific purposes, had absolutely no connection with rum!

* Appendix B, p. 16. † Appendix A, V, p. 11. ‡ *Id.*, by giving an equivalent drawback.

The Chancellor joins issue with the Commissioners.

The letter goes on: "It is clear that the arguments on which the Commissioners base their opinion would apply to the surtax on foreign spirits, as well as to that on Colonial rum. The Chancellor of the Exchequer is not aware that anyone in this country would desire to abolish the surtax on foreign spirits; while the distillers of the United Kingdom, having asked for an opportunity of stating their case, urged strongly that its removal would be injurious to their interests, and would unfairly disturb the relations between duties on home and foreign spirits respectively." As is stated above, West Indians do not base their argument entirely on the Commissioners' report. The West Indians are not asking for a reduction of the duty on foreign spirits. All they claim is "equality of opportunity" with the British distiller. So long as it is part of the fiscal policy of the United Kingdom to allow a countervailing duty to redress the disadvantage of Excise regulations, and so long as the distillers in the West Indies are subject to similar Excise regulations, imposed by the same authority as are the home distillers, it is clear that they are entitled to a similar countervailing advantage. The Chancellor avers that an "alteration of the surtax would amount to a return to a system of differential duties in favour of the Colonies: a change far too great to be made on account of a matter of very small importance." No one asks for differential duties in favour of the Colonies. All that the West Indian distillers claim is to be placed on the same footing as the distillers at home. The anomaly existing in the duty levied on spirits of Colonial production as compared with British, is exemplified by the fact that Colonial spirit for methylation is excluded altogether from competition. If required for methylation, British spirit pays absolutely no duty, while the surtax of 4d. per gallon continues to be exacted on Colonial spirit. But this the Chancellor will not admit, saying that "such questions as to the precise amount of expense to which producers of rum are subjected by Colonial regulations, or the extent to which the removal of the surtax would increase the use of rum for methylation or blending with other spirits, are open to considerable differences of opinion, and could not be settled without a careful scrutiny by experts." Such a scrutiny would be welcome, though there cannot be much doubt on these points, and a letter was written to the Chancellor on October 21, 1898,* accordingly.

As a consequence, the Chancellor of the Exchequer's statement that the surtax might act in some measure to the disadvantage of the West Indian Colonies, and that therefore he agreed that the assistance to be given by the Imperial Government should be on a more liberal scale than that recommended by the Commission, the Secretary of State was, on August 24, 1898,† asked by the West India Committee to inform them when British Guiana, Jamaica, and Trinidad might expect to receive such assistance as would enable them to deal with the difficulty themselves in the manner suggested by the Chancellor of the Exchequer (*i.e.*, "by making allowances on the export of rum similar to those which are made in the United Kingdom on the export of British spirits in consideration of the

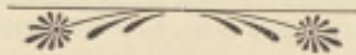
* Appendix A, VIII., p. 14.

† Appendix A, VI., p. 13.

Excise restrictions under which they are produced, or in such other ways as may seem to them appropriate to place the export of rum on a more satisfactory footing"). On August 30, 1898,* Mr. Chamberlain wrote that he was unable to give a specific reply.

At a conference of delegates representing Jamaica, British Guiana, Trinidad, Barbados, and Antigua, held at Barbados on September 3, 1898, the surtax was unanimously condemned; and again, at a large public meeting held at Jamaica, on September 24, 1898, the following resolution was unanimously passed:—"This meeting would strongly urge upon the Imperial Government the injustice of the surtax imposed upon Colonial rum for the protection of Imperial spirits. Having regard to the serious depression under which the staple industry of the West Indian Colonies has been, and is still suffering, this meeting would urge upon the Government the abolition of the tax of 4d. per gallon on rum. By this means a large quantity of rum would be used for blending with other spirits, and the demand for rum would be largely increased."

The existing state of the Spirit Duty is one of openly upheld protection in favour of British spirit as against Colonial spirit. The equalisation of the Duty would be a material assistance to the Colonists, and gratefully received, although only an act of justice. It seems strange to have to plead for Free Trade in Great Britain in the year 1899.



* Appendix A, VII., p. 14.

APPENDIX A.

I.—West India Committee to the Secretary of State for the Colonies.

West India Committee, April 19, 1898.

SIR,—We venture to call your attention to the grave injustice to which rum producers in the British West India Colonies are at present subject, owing to the imposition of a surtax of 4d. per gallon on Colonial spirits imported into the United Kingdom.

As you are aware, Sir, the Excise restrictions in the West India Colonies are in every way as strict as those in the United Kingdom; yet, while home manufactured spirits are subject to a duty of 10s. 6d. per gallon, the Customs duty on colonial spirits amounts to 10s. 10d.

Her Majesty's Commissioners, appointed to inquire into the conditions and prospects of the West India Colonies, laid especial stress upon this extra duty of 4d., which they declared to be unsound in principle, and a hardship to the Colonies.

From the tone of the speech delivered by the Chancellor of the Exchequer to a deputation of representatives of English, Scotch, and Irish Distillers, who waited upon him on March 31 last, we are led to believe that he has no intention at present of removing this extra duty; we would, therefore, respectfully request you to receive, at as early a date as convenient to you, a small deputation from the West India Committee, who are anxious to have the grievance under which they have so long suffered, remedied.

We have the honour to transmit to you herewith a statement of the history of the Rum Surtax Question.

I have, &c.,

(Signed)

N. LUBBOCK.

II.—The Under Secretary of State to the West India Committee.

Downing Street, April 26, 1898.

SIR,—I am directed by Mr. Secretary Chamberlain to acknowledge the receipt of your letter of the 19th instant, in which you request him to receive a deputation upon the question of the Surtax levied upon Colonial Spirits.

The question is one which more properly concerns the Chancellor of the Exchequer, as it involves other than Colonial interests. Mr. Chamberlain is accordingly of opinion that no good purpose would be served by his receiving a deputation, and he therefore regrets that he cannot comply with your wishes in the matter, and must refer you to the Chancellor of the Exchequer.

I am, &c.,

(Signed)

C. P. LUCAS.

III.—West India Committee to the Chancellor of the Exchequer.

West India Committee, May 4, 1898.

SIR,—On April 19 last we addressed a letter to the Secretary of State for the Colonies, calling his attention to the grave injustice to which rum producers in the British West India Colonies are at present subject, owing to the imposition of a Surtax of 4d. per gallon on Colonial spirits imported into the United Kingdom, the duty on home-made spirits being 10s. 6d. per gallon, and the Customs duty on Colonial spirits being 10s. 10d. per gallon, and begging him to receive a deputation upon this question from the West India Committee.

To this letter a reply has been received from the Secretary of State, to the effect that this question more properly concerns you, sir, as Chancellor of the Exchequer, interests other than Colonial being involved, and that in consequence no good purpose would be served by his receiving a deputation, and that he must refer us to you.

We would respectfully point out to you, sir, that the Excise restrictions in the West India Colonies are in every way as stringent as those imposed at home, to compensate for the disadvantages of which the surtax of 4d. has been imposed, and, moreover the Excise restrictions in the West India Colonies being actually imposed by the British Government through the Colonial Office, and not, as in the case of other Colonies, by the Colonial Government, we feel justified in appealing to the British Government for the redress of this grievance.

We would therefore venture to ask that, as an act of justice, in the case of those Colonies whose Excise regulations are imposed and approved by the Minister of State for the Colonies, spirits, the produce of those Colonies, should be admitted to the United Kingdom at a duty of 10s. 6d. per proof gallon.

I have, &c.,

(Signed) N. LUBBOCK, Chairman.

IV.—West India Committee to the Chancellor of the Exchequer.

West India Committee, July 1, 1898.

SIR,—I have the honour to remind you that on May 4th ult. we addressed a letter to you urging, as a matter of justice to the West Indian Colonies, that Her Majesty's Government would be pleased to propose to Parliament the abolition of the surtax imposed upon Colonial rum for the alleged protection of British spirits. To the above letter we received on May 6 a preliminary acknowledgment, but your expected reply has not yet been received.

We notice that the subject was discussed on the 12th inst. in the House of Commons in connection with the present Finance Bill, and with regard to the statements you then made, I beg respectfully to inform you that (1) this matter is of very great importance to the West Indian Colonies, especially having regard to the depression under which their staple industry is now suffering, for the following reasons:—(a) That West Indian rum for methylation is at present excluded altogether from British markets, as before it is admitted to the United Kingdom for methylation the duty of 4d. per gallon is exacted, while British spirit for methylation is duty free; (b) were the surtax abolished, a large quantity of rum would be used for blending with other spirits, and the demand for rum would thereby be largely increased. (2) The fact that the West Indian Royal Commissioners do attach importance to the question is shown by their admitting evidence upon this subject and by paragraph 102, page 16 of their report, which states: 'We do not wish to attach very much importance to this question of the extra duty on rum in connection with the present inquiry. The removal of it will not save the sugar industry nor even materially improve its condition, but it is felt as a hardship, and its levy seems to us to be unsound in principle.' We would humbly submit that this statement cannot be interpreted to mean that the Commissioners in making their recommendation attach no real importance whatever to the matter, and that they did not believe it would make any appreciable difference to the Colony. We would further submit to you, sir, that the removal of the surtax from rum coming from those Colonies whose Excise regulations are practically imposed by the British Government would not 'upset all the fixed rules' (*sic*) which for years past have regulated Her Majesty's Customs.

The position of the West India Colonies with regard to the spirit surtax question differs from that of most other spirit-producing colonies, inasmuch as, while the latter impose their own regulations, the Excise restrictions in the West India Colonies are practically imposed by the British Government, and as those restrictions are in every way as stringent as those existing at home, we claim to be as much entitled to the compensating 4d. per gallon as are the British distillers.

We respectfully venture to think that the view expressed by you that the British distillers are opposed to the abolition of the surtax on British Colonial rum is a misapprehension, as we have reason to believe that the British distillers would in no way object to the removal of the surtax on rum coming from those colonies whose Excise restrictions are controlled by the British Government; and, even though they did object, we feel that we have every right to be placed on the same footing as the British distillers, subject as we are to the same Excise restrictions.

With reference to your statement that not one of the Colonies asked for the reduction of this surtax but imposed an export duty on rum, we would remind you that the matter was brought before the Secretary of State for the Colonies by a resolution passed by the legislature of one of the principal rum-producing Colonies—British Guiana—and forwarded in a despatch by the Governor to the Earl of Kimberley in 1881, and we emphatically deny that any of the Colonies impose an export duty on rum; in the case of one island only—Trinidad—a levy is nominally made on rum at the rate of 5s. per 100 gallons, but this is not a tax at all, but merely an assessment on the planters for their proportion of the cost of introducing coolies from India.

We would therefore request that you would be pleased to reconsider this matter, and grant the concession to the British rum-producing Colonies which they have so long requested.

I have, &c.,
(Signed) N. LUBBOCK, Chairman."

V.—The Chancellor of the Exchequer to the West India Committee.

Treasury Chambers, August 5, 1898.

SIR,—I am desired by the Chancellor of the Exchequer to reply to your letter of the 1st ultimo urging the abolition of the surtax of 4d. a gallon on Colonial rum imported into the United Kingdom.

I am to say that the Chancellor of the Exchequer can add little to the statements already made by him in his reply on March 31 last to a deputation of distillers of the United Kingdom, and on June 13 in the House of Commons in committee on the Finance Bill.

Since the Report of the Royal Commission was issued, he has given his most careful consideration, in conjunction with the Secretary of State for the Colonies, to the financial difficulties of the West Indies and the best means of relieving those difficulties. A scheme for this purpose has been drawn up, approved by Her Majesty's Government, and agreed to by the House of Commons.

It was decided not to include in the proposed measures of relief any attempt to deal directly with the question of the surtax, for the following reasons:—The Commissioners do not, in their report, treat the matter as urgent, or refer to it in their formal recommendations. They sum up their conclusions on the subject as follows:—"We do not wish to attach very much importance to this question of the extra duty on rum in connection with the present inquiry. The removal of it will not save the Sugar industry, nor even materially improve its condition; but it is felt as a hardship, and its levy seems to us to be unsound in principle." It must be remembered, in reading these words, that in the first part of the quotation, the Commissioners speak with full authority, having heard all possible evidence as to the effect of the surtax on the Colonies, while the concluding words—"its levy seems to us to be unsound in principle"—amount to little more than an expression of opinion, based on admittedly imperfect evidence, on a wide question, with which the Commission, to use their own words, felt "considerable hesitation in dealing." The opinion, moreover, is based on arguments which the Chancellor of the Exchequer cannot admit as valid. The Commissioners urge that they cannot find any good reason for imposing an extra charge on imported spirit which would not equally justify an import duty on foreign goods, in order to countervail the disadvantages to which British industries are subjected by the liability to pay compensation to injured workmen, the limitation of the hours of labour, or the special regulations affecting the working

of British ships. I am to point out that, in the case of the distillers, the product of a special industry, carried on by a very limited number of persons, has been selected as a means of raising part of the Revenue required for the public service, and the State, having determined to tax the consumers of alcohol, finds that the best way of doing so is to levy the tax in the first instance on the producers. For this purpose, and for purely fiscal reasons, provision is made that the industry shall only be carried on by duly licensed persons, and under very strict regulations, which add materially to the cost of production. None of these conditions apply to the other instances of restrictive legislation referred to by the Commissioners. It appears, therefore, to the Chancellor of the Exchequer that no parallel such as that indicated by the Commissioners can properly be drawn between the two cases.

The opinion of the Commissioners, though not, as shown, either a strong one in itself, or strongly urged by them, was, however, carefully considered by the Chancellor of the Exchequer, with the result that it became evident to him that it was not advisable to move in the direction they indicate. It is clear that the arguments on which the Commissioners base their opinion would apply to the surtax on foreign spirits, as well as to that on Colonial rum. The Chancellor of the Exchequer is not aware that anyone in this country would desire to abolish the surtax on foreign spirits—while the distillers of the United Kingdom, having asked for an opportunity of stating their case, urged strongly that its removal would be injurious to their interests, and would unfairly disturb the relations between the duties on home and foreign spirit respectively. Without entering at length into their arguments, it is at least clear that the surtax is only one item in the system by which those relations have been adjusted, and could not be dealt with apart from the reconsideration of other difficult and complicated points that bear also upon the subject.

The complete abolition of the surtax being therefore inadvisable, your Committee have asked for its partial removal in favour of rum coming from the West Indies. But this proposal is open to two special objections. The present uniform surtax on all imported spirits was deliberately adopted in 1881, after discussion in Parliament, and its alteration would amount to a return to a system of differential duties in favour of the Colonies—a change far too great to be made on account of a matter of comparatively very small importance. Moreover, apart from this question of principle, the concession could not be confined to West Indian rum, but would necessarily extend to other classes of spirit which could not for practical purposes be distinguished from it, with the probable result that the producers of West Indian rum would be in no better position than they are at present.

But the Chancellor of the Exchequer, though not prepared to alter the surtax, recognised that it may operate in some measure to the disadvantage of the West India Colonies. He therefore agreed that the assistance to be given by the Imperial Government should be on a more liberal scale than that recommended by the Commission, in order that the Colonies might be enabled to deal with the difficulty themselves. Once placed on a sounder financial basis, they should be in a position to free their exports from any fiscal burdens and even, if they choose, to make allowances on the export of rum similar to those which are made in the United Kingdom on the export of British spirits in consideration of the Excise restrictions under which they are produced, or in such other ways as may seem to them appropriate to place the export of rum on a more satisfactory footing.

The Chancellor of the Exchequer hopes that the above explanation will make clear to you his position on the general question of the surtax.

He does not propose to deal at length with the special points raised in your letter. Such questions as the precise amount of expense to which producers of rum are subjected by Colonial regulations, or the extent to which the removal of the surtax would increase the use of rum for methylation or blending with other spirits, are open to considerable difference of opinion, and could not be settled without careful scrutiny by experts. As the retention of the surtax has, on broad grounds of general policy, been decided on, it does not seem to the Chancellor of the Exchequer that any practical end would be served by a detailed discussion of particular arguments for its abolition.

With regard to the question of export duties on rum levied by the Colonial Governments, I am to point out that the report of the Chancellor of the Exchequer's speech from which you quote is not accurate. If you refer to

Hansard of the 13th of June, you will see that his words were :—"At least one of the Colonies asking for the reduction of this surtax imposes an export duty upon rum." This is strictly correct, for, according to the last edition of the Statistical Abstract for the Colonies, the following Colonies levy an export duty on rum, in addition to an export duty on either sugar or molasses, or both—St. Vincent, St. Kitts, Dominica, and Trinidad. The Chancellor of the Exchequer cannot reconcile these facts with your contention that none of these Colonies imposes an export duty on rum, nor can he admit your argument that a duty like that levied in Trinidad, to which you specially refer, is "not really a tax at all, but merely an assessment upon the planters for their proportion of the cost of introducing coolies from India." That may have been the original motive of the tax, but the duty appears to him to be none the less a genuine export duty, for it would have to be paid by every exporter alike, whether he employed coolies or not.

I am, Sir, your obedient servant,
L. A. GUILLEMARD.

VI.—West India Committee to the Secretary of State for the Colonies.

" West India Committee, August 24, 1898.

SIR,—On April 19 last we addressed a letter to you calling your attention to the grave injustice to which rum producers in the British West India Colonies are subject, owing to the imposition of a surtax of 4d. per gallon on Colonial spirits imported into the United Kingdom, and requesting you to receive a small deputation from the West India Committee on the subject.

On April 26 you were pleased to reply that "the question is one which more properly concerns the Chancellor of the Exchequer, as it involves other than Colonial interests," and that in your opinion no good purpose would be served by your receiving a deputation, that you regretted your inability to comply with our wishes in the matter, and that you must refer us to the Chancellor of the Exchequer. Accordingly on May 4 last we addressed a letter to the Chancellor of the Exchequer calling his attention to your communication above referred to, and earnestly praying him as an act of justice, in the case of those Colonies whose Excise restrictions are imposed and approved by the Minister of State for the Colonies, that spirits, the produce of those Colonies, should be admitted to the United Kingdom at the same duty as that levied on spirits produced at home, *i.e.*, 10s. per proof gallon.

To this letter we were not favoured with a reply. On July 1 last we again wrote to the Chancellor of the Exchequer on the subject.

On the 5th instant we received a reply (a copy of which I have the honour to transmit herewith), written by Mr. Guillemard, by desire of the Chancellor of the Exchequer.

In this reply we would especially call your attention to the following paragraph :—"But the Chancellor of the Exchequer, though not prepared to alter the surtax, recognised that it may operate in some measure to the disadvantage of the West India Colonies. He therefore agreed that the assistance to be given by the Imperial Government should be on a more liberal scale than that recommended by the Commission, in order that the Colonies might be enabled to deal with the difficulty themselves. Once placed on a sounder financial basis, they should be in a position to free their exports from any fiscal burdens, and even, if they choose, to make allowances on the export of rum similar to those which are made in the United Kingdom on the export of British spirits, in consideration of the Excise restrictions under which they are produced, or in such other ways as may seem to them appropriate to place the export of rum on a more satisfactory footing"—and would respectfully ask you to be pleased to inform us when the principal rum producing and manufacturing Colonies in the West Indies, namely, Jamaica, British Guiana, and Trinidad, may expect to receive such Imperial assistance as will enable them to deal with the difficulty themselves in the manner suggested by the Chancellor of the Exchequer.

I have, &c.,
(Signed) N. LUBBOCK, Chairman.

VII.—The Under-Secretary of State to the Chairman of the West India Committee.

Downing-street, August 30, 1898.

SIR,—I am directed by Mr. Secretary Chamberlain to acknowledge the receipt of your letter of the 24th instant, on the question of the surtax of 4d. per gallon on Colonial spirits imported into the United Kingdom, and inquiring when the principal rum-producing Colonies in the West Indies may expect to receive such Imperial assistance as will enable them to abolish their export duties and make a compensatory allowance on exported spirits, and to inform you that the subject of your letter will receive attention, but that Mr. Chamberlain is not prepared to give you a specific answer at the present time.

I am, &c.,
(Signed) C. P. LUCAS.

VIII.—West India Committee to the Chancellor of the Exchequer.

West India Committee, October 21, 1898.

SIR,—I have the honour to acknowledge the receipt of Mr. Guillemard's letter of August 5 last, written by your direction in reply to our's of July 1 last urging the abolition of the surtax of 4d. a gallon on British Colonial rum imported into the United Kingdom from those Colonies whose Excise regulations are under the control of the Home Government.

We note with satisfaction, Sir, that you recognised that the surtax might operate in some measure to the disadvantage of the West Indian Colonies, but with regard to your statement that you therefore agreed that the assistance to be given by the Imperial Government should be on a more liberal scale than that recommended by the Commission in order that the Colonies might be enabled to deal with the difficulty themselves, this, we venture to think, is made under a misapprehension, as not one of the measures of relief recently agreed to by the House of Commons applies to the three principal rum manufacturing and exporting West Indian Colonies, viz., British Guiana, Jamaica, and Trinidad, and, moreover, all the money then voted was voted for specific purposes, all of which are entirely unconnected with rum.

We maintain that this surtax is a far more serious matter to the British West Indies than you, Sir, or the Commissioners are aware of. It cannot in fairness be contended that foreign spirits or even spirits from Colonies, which are not subject to the Excise regulations imposed by the Home Government, can justly claim as we do the abolition of the surtax.

Spirit producers in the British West Indies are subject in every way to as strict Excise regulations imposed by the same authority as is the British distiller. In the West Indies, as in the United Kingdom, only duly licensed persons are allowed to produce spirits, and they under very strict regulations. That they add to the cost of production is a matter of opinion, but that they are as strict in the West Indies as in Great Britain there can be no doubt.

We do not base our case entirely on the report of the Royal Commissioners. It is no part of our question to deal with the duty on foreign spirits. So long as it is a part of our fiscal system to allow a countervailing duty to redress the supposed disadvantage of Excise regulations, all we can urge is that inasmuch as we in the West Indies are subject to similar Excise regulations imposed by the same authority as are the Home distillers, we are entitled to a similar countervailing advantage. We can hardly suppose that Her Majesty's Government will argue that, whilst they enforce these regulations in the Crown Colonies, they will at the same time treat them as in the same position as foreign countries.

We cannot admit that this is any question of differential duties, we claim for our Crown Colonies simply the same duties as are charged in like circumstances upon spirits produced at home. As we stated above, the question is one of far greater importance than you, Sir, or the Commissioners are aware. You state that such questions as to the precise amount of expense to which producers of rum are subjected by Colonial regulations or the extent to which the removal of the surtax would increase the use of rum for methylation or blending with other spirits are open to considerable differences of opinion and could not be settled without a careful scrutiny by experts. To such a scrutiny we would gladly submit these

questions, though we cannot feel that there can be much doubt about them. The fact that West Indian spirits cannot be used for methylation is a most serious disadvantage; moreover, it is obvious that on spirits intrinsically worth about 1s. per gallon, an extra duty of 4d. per gallon must be prohibitive for purposes of methylation.

Coming to your remarks, Sir, concerning the export duty on rum in the West Indies, we would again remind you that as to this point you are entirely under a misapprehension; this duty is imposed on all rum, sugar, and molasses expressly in order that the planter may be compelled to contribute to the expenses of the Coolie system. This, Sir, is no argument on our part as you state, it is a simple question of fact as to which there can be no doubt. We would therefore earnestly beg you, Sir, to reconsider the matter.

(Signed)

N. LUBBOCK.

APPENDIX B.

Extract from the Report of the West India Royal Commission, pp. 15 and 16.

§ 96. It was represented that an extra duty of 4d. a gallon is levied upon rum imported from the Colonies into the United Kingdom, and it was argued that in consequence West Indian rum is unfairly handicapped in competition with home-made spirit. This duty is imposed on all foreign spirit imported into the United Kingdom, and its history and the reasons for imposing it will be found in the evidence of Mr. Murray, the Chairman of the Board of Inland Revenue.

97. The levy of this extra duty is defended on the ground that it is necessary to ensure that the expense entailed upon distillers at home by the Excise regulations shall not handicap them in competing in the home market with spirit distilled in the Colonies or abroad. In further recognition of this principle a payment of 4d. a gallon is made on all British spirit when exported from the United Kingdom.

98. Under any circumstances we should feel hesitation in dealing with such a question from a theoretical point of view, and this feeling is increased by the fact that the arrangement which we criticise has received the sanction of the British Legislature. Nevertheless, we feel bound to say that the principle on which the extra duty is levied on import, and the payment made on export, appears to us to be unsound.

99. It is argued that as the disadvantage, estimated to amount to 4d. per gallon in cost of production, is imposed by the action of the Legislature, measures should be taken to counteract it by levying an equal charge on foreign spirit imported, and giving an equivalent bounty on British spirit exported. We desire to point out, however, that the course adopted does not get rid of the loss caused by the Excise regulations; it merely attempts to remove the disadvantage under which British spirit labours by imposing a charge which must, in the case of imported spirit, fall to a considerable extent on the British consumer, and which is paid by the general taxpayer in the case of exported spirit. We are unable to find any good reason for imposing an extra charge on imported spirit, and paying what appears to us to be a bounty on exported spirit which would not equally apply in the case of a liability to pay compensation for accidents to workmen imposed on employers by the Legislature. The same line of argument would justify compensation at the cost of the State for extra cost of production due to a limitation of the hours of labour by statute, or for increased cost of working British ships caused by special regulations effecting them. We do not think that any such principle has been or should be generally accepted, and we hold that all disadvantages in production should, on economic grounds, be treated in exactly the same way, whether they arise from natural causes or from special restrictions which the Legislature, doubtless for good and sufficient reasons, sees fit to impose on British industries. Any other course would, as it seems to us, be economically unsound, and, if generally adopted, would be productive of much loss and great inconvenience.

100. Apart altogether from the theoretical aspect of the question, we cannot but think that the imposition of this duty entails some hardship upon the West Indian

Colonies. These Colonies have regulations of their own with reference to the distilling of rum, and it may fairly be urged that the distiller of rum incurs some expense analogous to that incurred in the manufacture of spirit at home, though it may be greater or less in amount.

101. The Home Government has in previous years been approached upon the subject of this extra duty, and the answer given has been that it lies with the Colonial Governments themselves to redress the grievance by giving an equivalent drawback upon the rum exported. We cannot consider this answer to be satisfactory, inasmuch as the revenues and financial condition of the Colonies do not enable them to follow the example or adopt the advice given by the richer mother country, and if this advice were followed generally by the Colonies and by foreign countries the inevitable result would be practically to nullify the effects of the whole system.

102. We do not wish to attach very much importance to this question of the extra duty on rum in connection with the present inquiry. The removal of it will not save the sugar industry, nor even materially improve its condition, but it is felt as a hardship, and its levy seems to us to be unsound in principle.

103. The extra duty of 4d. per gallon on imported spirit is stated to bring in a revenue of about £137,000 yearly, while the corresponding bounty on export causes an expenditure of £36,000. The abolition of the system would therefore cause a net loss to the revenue of about £100,000 yearly, but against this loss would have to be set the gain to the consumers of spirit in the United Kingdom.

APPENDIX C.

Mr. Lawrence's Question in the House.

In the House of Commons on April 25, 1898, in answer to Mr. W. F. Lawrence, Sir Michael Hicks-Beach, the Chancellor of the Exchequer, said: "Imported spirits, other than liquors and perfumed spirits, pay a duty of 10s. 10d. per gallon, while spirits distilled here pay 10s. 6d. The surtax of 4d. a gallon is imposed on Colonial spirits to countervail the Excise disability under which British distillers carry on their manufacture. With regard to the calculations on which the surtax is based, I would refer the hon. member to the 28th report of the Board of Inland Revenue published in 1885.^a Since the date of the calculation which is there given, some of the items have changed, but I am advised that the effect of these changes would not, on the whole, justify a reduction of the amount of the surtax."

Debate in the House of Commons.

In the House of Commons on Monday, June 13, 1898, Mr. Price (Member for Norfolk, E.) moved the following new clause to the Finance Bill:—

"The duties of Customs payable upon rum imported from the British Crown Colonies shall be reduced from 10s. 10d. to 10s. 6d. per gallon."

In support of his resolution Mr. Price made the following speech:—

"It will be seen that I have restricted in a great measure the clause which stands in my name, as, chiefly, I wish to narrow the subject in dispute. The Crown Colonies occupy a very different position to foreign, and our great self-governing Colonies, in connection with this surtax. When it was first imposed it was imposed because there were said to be taxes connected with the taxation of this country which would not apply in the case of Crown Colonies. But, whatever the facts of the case may have been then, the facts as regards the case of the Crown Colonies are not so now. At the present time there are, in the Crown Colonies distinct Excise regulations which I am informed, and believe, have increased considerably the expenses of the rum trade and distillery, quite as much as is experienced over here by the distillers by the Excise regulations enforced in this country. It is true the new Excise regulations come into existence and increase the expenditure over

^a Appendix E, page 20.

here ; but it is equally true that over there new ordinances come into force which also increase the expenditure ; and, in addition to that, the argument is used by the distillers over here that there are trade circumstances, which also affect the business, in addition to the Excise regulations. But there are trade circumstances, certainly, which also affect the trade of rum in the West Indies, and they consist of a freight which they have to pay, and the very large evaporation which takes place in the spirit while on its way here. I believe, however, in point of fact, the inequality which is supposed to exist, and which it is supposed to remedy, by this extra surtax, this extra 4d. on the gallon, is no longer in existence ; and it does seem an extraordinary thing that when we are giving money to the West Indian Government, in order to relieve their poverty, during the present session, we should be charging a surtax on the main element of produce which they possess, and which must certainly take away a large portion of the dole which we give to them. And the right honourable gentleman, the Chancellor of the Exchequer, takes the view that any relief which can be given should be done by way of drawback. But the West Indian Government is not sufficiently well off to make any drawback, or make any arrangement for taxation, and I feel that the time has come when this surtax of the Crown Colonies, at all events, should be considered by the right honourable gentleman. I do not extend this clause of the surcharge to the self-governing Colonies of this Empire, and to foreign countries, because we are not to know what the Excise regulations are which prevail in those parts, or how they affect them ; but we are in a position to know what the Excise regulations are in the Crown Colonies, because there are ordinances which emanate from here, and it may be that, as we have placed countervailing disadvantages on the Colonies, from time to time, and although we have done that, we have not reduced the surtax of 4d. on the gallon, which is felt to be such a grievance over there. Fourpence does not at the first sight seem to be a very heavy matter, but the right honourable gentleman is not, perhaps, aware of the cost price of rum before it has paid duty. I am informed that the price of rum, before it has paid duty, is from 9d. to 1s. a gallon ; if that is the case, if 9d. is the ordinary price for rum, the surtax of 4d. is an extremely high rate of duty to pay for that article, so much so that I am informed, under the present conditions, it cannot be used for the purposes of methylation. This tax is felt to be a very hard tax by the Crown Colonies, and they firmly believe that the removal of it will only mean a very small sum ; and I think the right honourable gentleman, the Chancellor of the Exchequer, if he accepts my clause, will confer a very great benefit upon the Crown Colonies, and one which will be greatly appreciated."

The Chancellor of the Exchequer : "The honourable member proposes to upset all the fixed rules by which we have for years past regulated our customs, and institute a preferential duty in favour, not of all our Colonies, but of the Crown Colonies alone. It is very remarkable, for the sake of a surtax upon rum. I confess I cannot attach the importance the honourable gentleman does to this matter, from the point of view of the West Indian Colonies. This matter was alluded to in the report of the Commission which inquired into the state of the West Indies. They adduced some argument in favour of it which appeared to me to be utterly baseless, and they recommended that this surtax should be remitted ; but they say in making the recommendation they attach no real importance whatever to the latter, and they said they did not believe it would make any appreciable difference to the Colony. Upon the recommendation being made public, the distillers of the United Kingdom took alarm, and they inundated me with memorials, and waited on me in deputation, and they established the fact that this surtax of 4d. which had been in existence was a reasonable difference between the Customs and Excise duties in this country, and that to get rid of it on behalf of other countries, foreign countries, and our Colonies generally, would be an interference with Free Trade, which would inflict upon them considerable harm. That is one side of the matter. It is treated as a small matter by the West Indian Commission upon the other. And the fact also remains that at least one of the Colonies asking for the reduction of this surtax, imposes an export duty upon rum.* I cannot agree that this surtax can be regarded as excessive, and I think we should be treating the case of the West Indies better

* The Chancellor of the Exchequer was at first reported to have said : "Not one of the Colonies asked for the reduction of this surtax, but imposed an export duty on rum."

if we adopted some other way. Any offence to our own distillers ought to be discouraged, and the proposal of the honourable member in the way it is moved raises the whole question of differential duties in the whole of the Colonies, and I do not think it is one which the Government can accept."

Mr. W. F. Lawrence (Liverpool, Abercromby): "The right honourable gentleman who has just spoken has followed very much the same line of argument as that which he adopted when the distillers came before him a short time ago. He pointed out in his speech that the arguments of the West Indian Commission were obviously bad, but I think it would have been far better had the right honourable gentleman shown in what way they were faulty. It is much to be regretted by those interested in the West Indian Colonies that more attention is not paid to the arguments adduced by the Commission in support of the proposition now before the House. It has been mentioned by the Commissioners in their report for a long time past, and it is a matter very much regretted by those who are interested in the West Indian Colonies that it has not been acted upon. I assure the House that the Colonies will view with great disappointment the way this proposition has been disposed of. The right honourable gentleman has made a statement to the effect that the West Indian Colonies already pay export duties upon rum. There is, as a matter of fact, only one instance which supports that statement, and that is the Island of Trinidad. That is the only instance upon which the right honourable gentleman can rely. I have had some experience of Jamaica, and I know something of the working of the estates in that country. I can instance two estates where the 4d. surcharge represents in the one case 10 per cent., and in the other 7 per cent., of the gross profits. I submit that no farmer in England would consider the reduction of Excise to the extent of 7 per cent. or 10 per cent. of his profits a matter of no consideration. And I think if I appeal to the right honourable gentleman, that he will appreciate such an undertaking if it is brought before him in that way. The land is worked under difficulties, and the right honourable gentleman will admit that a farmer has a right to complain. The surcharge, as a matter of fact, was based upon a condition of things which exists no longer, and I consider there is a strong *prima facie* case for the consideration of this matter."

The clause was negatived.

APPENDIX D.

The Distillers' Deputation to the Chancellor of the Exchequer.

A deputation of the representatives of English, Scotch, and Irish distillers had an interview with the Chancellor of the Exchequer, at the Treasury, on March 31, 1898, to protest against the Report of the West India Commission, which suggested that the differential duty of 4d. per gallon on spirits should be removed. Sir Michael Hicks-Beach was accompanied by Mr. G. H. Murray, C.B., Chairman of the Inland Revenue Board. The deputation was introduced by Mr. W. G. Nicholson, M.P., and Mr. Samuel Young, M.P., was also in attendance.

Mr. Lothian Nicholson, in stating the case for the English distillers, said the Report of the West India Commission branded with the name of bounty a system under which the Government received upwards of £100,000 a year. It attacked the principles which governed the differential duty, and drew an analogy between an Excise lock and the Employers' Liability Bill. It also proposed alterations which would involve the annihilation of the distilling industry in this country. The removal of the differential duty of 4d. per gallon would entail the stoppage of every grain distillery in the United Kingdom within a very short space of time. The West India Association of Liverpool said they wanted equality with the home distillers, but only for the Colonies of Great Britain. They did not want any change in the differential duty on foreign spirit made either on the Continent or in foreign Colonies.

Mr. Robert Glen (Chairman of the Central Association of Scotch Malt Distillers) said they represented about 130 distilleries in Scotland, and the industry was of great advantage to the country generally, and agriculturists in particular. The abolition of the differential duty would lead to the importation of an enormous quantity of cheap foreign spirit, which had already become a competitive element of a very undesirable kind.

Mr. John Jameson, on behalf of the Irish distillers, said that of late foreigners had been improving their plant, and were every year making spirits at a cheaper and lower price, whilst in this country for the last fifty years they had been going on the same lines. This was owing to the Excise restrictions, for they could not adopt the forms which were adopted abroad. The 4d. per gallon did not adequately represent the difference of their respective positions as regarded foreign and home trade. From the time they paid their licence of ten guineas to become distillers, to the time they cleared a cask and sent it away for consumption, every step they took had to be taken under the surveillance of and in accordance with Excise regulations and restrictions. These restrictions, no doubt, were very hard to appraise at their actual value, still, they did cost something, and they also caused a good deal of delay and trouble; and the 4d. duty was inadequate to meet the disabilities under which they laboured as compared with the foreigners.

The Chancellor of the Exchequer, in reply, said :—I felt it only right, after the memorial had been sent to me by those concerned in your business, to receive you to-day, in order to hear a complete statement of your case as against the proposals of the Royal Commission on the West Indies. I may say, expressing, of course, my own opinion, that I was surprised that a Royal Commission should have come to the conclusion which made a recommendation upon a matter which obviously affected the home trade as well as the West Indies without hearing any representative of the home trade on the subject. But whatever their reasons may have been for that course, I think possibly it may have been in a certain degree influenced by the fact that the Royal Commission themselves do not appear to have attached very much importance to the question from the West Indian point of view. You have called attention to the argument of the Royal Commission comparing this extra duty of 4d. per gallon on foreign and Colonial spirits with the principles of the Employers Liability Acts and other legislation of the kind. There again, I am afraid, I think you are justified in objecting to the comparison made by the Royal Commissioners. The two matters seem to me to stand on an entirely different footing. This allowance to the home trade of 4d. has been made, as you have pointed out, for many years; it has had the sanction of high economical authority among my predecessors, and has practically become a recognised part of the law under which you have carried on your business and adapted your premises for that purpose. To my mind—and I think in this I may say that I have the agreement of the Colonial Secretary (Mr. Chamberlain)—it would require a much stronger argument than that which the Royal Commissioners have adduced to justify such a change in the respective conditions of the home and foreign trade as might be made by the abolition of this extra 4d. (Hear, hear.) The Commissioners themselves observe that they do not wish to attach very much importance to this question of the extra duty on rum in connection with the inquiry into the state of the West Indies. They say: “The removal of it will not save the sugar industry, nor even materially improve its condition; but it is felt as a hardship, and its levy seems to us to be unsound in principle.” As you have observed, that is not a very strong recommendation in favour of the change which they suggest. On the other hand, certainly, it seems to me that if it were removed the great advantage of its removal would accrue, not to the West Indies, but to the producer of foreign cheap spirits—(hear, hear)—and so far as I know, however great may be your attachment to free trade, that is not a class of producers whose industry we are very desirous to encourage. I confess myself, that it appears to me, however great may be the needs of the West Indies, those needs can be met in better ways than by the abolition of this duty. (Hear, hear.) I think that one or two Colonies actually at the present moment themselves impose export duty on rum of considerably higher amount than the 4d. per gallon, and therefore they would have no particular claim as against the Mother Country in that respect. But, however that may be, I have no doubt that in the measure which may be proposed for the necessary assistance to the West Indies the matter will be fully considered, and, as I have said to you, though I cannot express my final conclusion on the subject, I see, at any rate, a great difficulty of interfering with what has been the law so long with regard to your trade, and it seems to me that it would be a wiser policy to attempt to meet the necessities of the West Indies in some other way.

The deputation then withdrew.

APPENDIX E.

The Calculations on which the Surtax is Based.

The following is the extract from the twenty-eighth Report of the Board of Inland Revenue, giving the calculations on which the Rum Surtax is based, to which the Chancellor of the Exchequer referred Mr. Lawrence, M.P., on April 25, 1898:—

	1866. AMOUNT CLAIMED BY		AMOUNT ALLOWED IN 1860.	1866. CONSIDERED ADMIS- SIBLE BY THIS DEPT.*	
	Scotch Distillers.	English Distillers.		For Uncoloured Spirits.	For Coloured Spirits.
	<i>d.</i>	<i>d.</i>	<i>d.</i>	<i>d.</i>	<i>d.</i>
1st. Compensation for duty on foreign grain	0 $\frac{3}{4}$	0 $\frac{3}{4}$	0 $\frac{3}{4}$	0 $\frac{3}{4}$	0 $\frac{3}{4}$
2nd. Prohibition against brewing and distilling at same time...	1 $\frac{1}{2}$	1 $\frac{1}{2}$	1	1	1
3rd. Against distillers mixing wort in separate vessels while in process of fermentation ...	0 $\frac{1}{4}$	0 $\frac{1}{4}$	0 $\frac{1}{4}$	0 $\frac{1}{4}$	0 $\frac{1}{4}$
4th. Loss of duty on rectification and flavouring spirits in separate premises	3	3	1	2 $\frac{1}{4}$	2 $\frac{1}{4}$
5th. Colouring matter in foreign spirits	2	2	2	nil	2 $\frac{1}{2}$
6th. Increased expense in making malt consequent on Excise restrictions	0 $\frac{1}{4}$	0 $\frac{1}{4}$	nil	nil	nil
7th. Difference in mode of charging duty in favour of foreign spirits	1	}	nil	nil	nil
8th. Duty evaded upon foreign spirits, and by samples drawn in bond	0 $\frac{1}{4}$				
	9	9 $\frac{1}{2}$	5	4 $\frac{1}{4}$	6 $\frac{1}{4}$

* Inland Revenue.

By the Act of 1881 (44 & 45 Vict., c. 12) the surtax of 5d. on Foreign Spirits was reduced to 4d. by Mr. Gladstone (in the same year the surtax on Colonial Spirits was raised from 2d. to 4d.).

"This reduction was rendered practicable," says the report, "by a change in the method of testing the strength of coloured and sweetened spirits, whereby the true strength is determined on importation by distillation, instead of charging the duty as formerly upon the strength indicated by the hydrometer, irrespective of any obscuration arising from the presence of sweetening or other matter in such spirits.

"By ascertaining in this way the true strength, the danger of foreign spirit entering this country without paying the full duty has been almost entirely avoided."