

NEW RATES.

Duty on imported leaf, 3s. per pound. Excise duty on manufactured cut tobacco, 1s. 8d. per pound.

Percentage of New Zealand Leaf in the Manufactured Tobacco	100	90	80	70	60	50	40	30	20	10	All imported.
Duty on raw leaf ..	s. d. ..	s. d. 0 3-6	s. d. 0 7-2	s. d. 0 10-8	s. d. 1 2-4	s. d. 1 6	s. d. 1 9-6	s. d. 2 1-2	s. d. 2 4-8	s. d. 2 8-4	s. d. 3 0
Excise duty ..	1 8	1 8	1 8	1 8	1 8	1 8	1 8	1 8	1 8	1 8	1 8
	1 8	1 11-6	2 3-2	2 6-8	2 10-4	3 2	3 5-6	*3 9-2	*4 0-8	*4 4-4	*4 8
Difference in duty in favour of locally manufactured tobacco over imported tobacco	2 6	2 2-4	1 10-8	1 7-2	1 3-6	1 0	0 8-4	0 6	0 6	0 6	0 6

* Maximum amount payable, 3s. 8d.

A reference to the minutes of evidence will show that there were many conflicting opinions offered as to the exact incidence of the present scheme. We refer particularly to the evidence of Mr. F. O. Hamilton, director of Messrs. Buxton and Co., of Nelson; the statement prepared by Professor Belshaw, of the Auckland University College, and handed in by Dr. Horton; and the opinion of Mr. G. Husheer, managing director, National Tobacco Co., Ltd., Napier.

The system is not a simple one, and, as the Customs Department admitted, it would be difficult to put into operation, necessitating most careful supervision at the factories, and certainly would prove costly in administration. Further than that, because of the limitation imposed by section 23 of the Act, which limitation was imposed to give the company prepared to manufacture in New Zealand from 100 per cent. foreign leaf a preference of 6d. per pound over the firm who were prepared to import only manufactured tobacco, it is clear that a preference is not enjoyed by the producers of local leaf, for there is no benefit to the manufacturer by his use of New Zealand leaf unless he uses a greater proportion than $33\frac{1}{3}$ per cent. The manufacturer using 30 per cent. local leaf would have to pay just as much in combined Customs and excise duties as the manufacturer who used 100 per cent. foreign leaf.

It is clear to the Committee that difficulties can arise in the matter of claims for drawback of import duty paid on imported unmanufactured leaf on refuse stalks, clippings, and waste. The Australian regulations require that waste from imported leaf tobacco shall be kept separately from those of Australian leaf tobacco. Where this is impracticable—as, for instance, with regard to refuse after admixture—the material shall be apportioned *pro rata* to the quantities of imported and Australian leaf put into operation, and refund paid thereon accordingly. The Customs Department informed the Committee that this system is followed in New Zealand under strict supervision. New Zealand leaf arrives in factory unstripped: much of the foreign leaf has been arriving stripped. Again, in one factory the American leaf arriving with the midrib in it stripped 100 per cent.; the stems are then crushed and cut to a fine cut and used as filler in manufacture. Drawback is only claimable on foreign leaf. It would require very costly supervision to say what was and what was not foreign waste. If, again, the *pro rata* basis were followed, some New Zealand leaf has a heavier midrib than the imported. If imported strips were used in manufacture, there should be little loss in waste. Again, if the companies see fit to use the foreign midrib for manufacture, there should be a very small loss. Indeed, any such loss would not place the manufacturer at any real disadvantage in view of the higher duties paid in other countries for this imported leaf.

EFFECT OF TARIFF PROTECTION ON OTHER EMPIRE COUNTRIES.

In its Ninth Report the Imperial Economic Committee gives the following *résumé* of what has been accomplished in other Empire countries as a result of tariff protection:—

“A preference on Empire tobacco was accorded in September, 1919, by the grant of a rebate of one-sixth of the full rate of import duty. In 1925 the rebate was increased to 50 per cent. to one-quarter of the full rate, or 2s. 0½d. a pound, and by the Finance Act of the following year the preference was stabilized at this figure for ten years from 1st July, 1926. This preference represents more than the value of the leaf itself in recent years. In Canada, where the local market for leaf has expanded slowly and the import of leaf from America has increased, the growth in production is the result of the grant of preference.

“In some of the newer countries, on the other hand, notably Rhodesia and Nyasaland, it is obvious that the effect of preference on production has been direct and phenomenal. The following table shows the increase in production consequent on the introduction of preference in those countries of the Empire in which there has been special development:—

	Production, in Thousands of Lb., from Crop sown in		Increase, in Thousands of Lb.	Crop in 1926 as compared with that of 1918.
	1918.	1926.		
Southern Rhodesia	620	19,175	18,555	30 times.
Northern Rhodesia	445	2,071	1,626	4½ times.
Nyasaland	2,594	10,978	8,384	4½ times.
Canada	14,232	28,824	14,591	Twice.