The U.S. note refers to the contract
to "supplies and equipment," which is
satisfactory, and does not again specify
articles which are to be accorded
revenue privileges by the U.S. Customs.

? Now write to S.O. as at (A)
in Mr. Rumbold's minute of June 1 on
my/1/, and copy same to O.O. of
with cover explaining no tactics.

This seems quite satisfactory as far as it goes.
But I am not entirely clear whether it embraces customs
drawback in respect of payments already made since July
1937. (see para. 6 of 215/20/1938). I fancy not. Nor, on
looking at the papers again, am I any longer clear as to
the question of fuel exemption. Group-Captain Pirie in his
minute of June 13th (on 116/11/1939) mentions a considerable
"duty" item. But presumably I.A. do not import fuel but
purchase it in the U.S. and there is no import duty as in
the U.K.. Is the reference therefore to an export duty? In
other words what precisely is that I.A. would wish to
be exempt from?
As regards the recovery of customs duties already paid, see the minutes of my conversation with Mr. Johnson on 26/5, para 2.

As regards fuel, see my minute of 14/6.

It must surely be the Federal excise tax, which is in question. The S.D. letter refers only to customs duties. I think our inquiry must take the form: "Does this arrangement cover, or will you extend it to cover, Federal taxes on gasoline and oil?" It does not cover Federal taxes on gasoline and oil, seeing that P.A.A. are exempt from corresponding taxes in U.K. and British possessions.

June 19th

A.A.

This is most satisfactory. Can we now write back to the State Dept. presuming that their decision is retro-active, as P.A.A. have been exempted from paying customs duty since July 1937 and that gasoline and oil Federal taxes (amounting to $1 a gallon on gasoline and $4 a gallon on lubricating oil) are also covered? P.A.A. are exempted from our very heavy taxes on petrol and oil.

June 19th

C.P.

Let us then send a copy of this note now to the F.O. with a short coverer pointing out that it is satisfactory as far as it goes express but that it does not appear to cover the two points of a) drawback from July 1937 and b) taxation on fuel and oil and that we propose to approach the S.D. again to make sure that they intend that it should cover b).

But regards a) that we [281 282] that we [271 272] I.A. during all in his name. So his official at B. If that June 20th 1939.

Let us also with the S.D. on this tax a substantially reduced.