

BRITISH EMBASSY,
WASHINGTON, D. C.,
June 30th, 1939

No. 696

My Lord,

116/3

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With reference to my despatch No. 238 of the 28th February and to connected correspondence regarding the exemption from United States customs duty of spares etc. for Messrs. Imperial Airways, I have the honour to transmit herewith copies of a note from the United States Government in reply to the application contained in Mr. Mallet's note of the 21st December, 1938, copies of which were enclosed in his despatch No. 1121 of that date to Your Lordship.

2. So far as it goes, the enclosed note appears to be satisfactory in that it concedes privileges "substantially reciprocal" to those granted by the United Kingdom. Your Lordship will however observe that it does not expressly cover the refund of customs duties paid by Imperial Airways since July, 1937 nor, in referring to Customs duties, does it appear to cover the question of the Federal tax on the gasoline and oil used by the Company.

3. As regards the first of these points the Financial Adviser to this Embassy had a conversation on May 26th with one of the Counsel in the Customs Bureau who informed him that he thought it prima facie very doubtful whether the Administration

had/

The Right Honourable

The Viscount Halifax, K.G.,

etc., etc., etc.

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had power to grant exemption effectively before the date (May 2nd, 1939) of the letter in which the Department of Commerce had informed the Customs Bureau that corresponding privileges were already granted in the United Kingdom. It was this official's opinion that it would be better if Imperial Airways, should they wish to press the point, were to raise the matter in the form of a demand for a specific list of refunds to the Customs Office in New York. I think that Imperial Airways should be advised to proceed in this manner.

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4. As regards the question whether fuel and oil are amongst the supplies which are now to be granted privileges, I should inform Your Lordship that the action suggested in paragraph 2 of the American Department letter (A 3368/90/45) of the 23rd May was held in abeyance since it appeared likely to cause further delay in the receipt of the present answer from the State Department on the main question of principle.

5. I propose to approach the United States Government again in an endeavour to make certain that the Federal tax on gasoline and oil is in fact covered, as it should be, by the phrase "substantially reciprocal privileges" in the State Department's note, and I shall inform Your Lordship of the result in due course.

I have the honour to be,
with the highest respect,
My Lord,
Your Lordship's most obedient,
humble servant,

(SGD) R. C. LINDSAY