

1932.

Kenya

No. 18013

SUBJECT

C0533/419

Production of a Power Alcohol  
from Maize

Born von Boretz's scheme

Previous

See 15604/29.

(Power Alcohol  
-Fungus Growth)

Subsequent

See 15212/5/35 (Economic)

Asks for an interview to discuss a Power Alcohol Scheme.

DESTROYED UNDER STATUTE

2 Note by Sir C. Bottomley of the interview with Baron von Roretz on the 12th January.

The Allies  
Sir C Bottomley

Thorough search and enquiry has failed to reveal any trace of the alleged telegram of August 1931. No has Major Dale my recd of a letter to T. & I. O.; he has, however, drawn attention to the annexed account from the E. African Standard of 21. Oct 1931.

Mr. Goswami has produced the attached S. Rhodesian Hansard (20.11.31), and a D.O. paper showing that Gen. Hertzog has displayed emphatic hostility to a very similar scheme in the Union.

I refer letter herewith, after speaking to Sir

C. Bottomley

*[Signature]*  
14/1

W. Keen

14/1/32

W. Keen 15.1.32

3

To Gen. 12 - cons -

15/1/32  
15/1/32

Seen, thank you? With regard to the reference to Malaya it would not appear that the scheme will be of value to these Territories, since the production of maize is not shown separately in the Blue Book (but is, presumably, under other crops) the exports and imports of maize for the last three years average about 2 and 250 tons respectively (including maize meal).

*[Signature]*

*[Handwritten notes]*

22

*Handwritten notes:*  
\* Nipah Distillation Ltd.

The F.M.S. Govt. helped to finance a power alcohol project in Malaya. The company is now bankrupt & the whole project is likely to collapse. There were serious difficulties about marketing the mixture of petrol & power alcohol. E.A. Dept. should study the Malaya papers if there is any proposal for Govt. assistance to this project.

J. H. Calder  
2.2.32

Answer reply to 3

G. A. ...  
2 etc

Would it not be a good plan to ask the O. N. I. D. C. & the D. S. I. R. whether they know anything of this process & of the various motor schemes?

G. L. ...  
4 1/2

If we make any such enquiry I should circumscribe the scope very carefully. I am under the impression that there are immense masses of literature about power alcohol schemes, & I have always doubted them, with low-temperature carburettors & power from the tide, ~~with~~ <sup>as</sup> schemes which are convincing on paper but always ruin their promoters in practice.

T. V. ...

4.2.32

I think it would be better to be sufficient to indicate that we are not interested in

his schemes for getting alcohol from residues (molasses, still waste, etc), but I do not mind still further circumscribing the enquiry by making it clear that we are concerned with power alcohol. [I don't know what Baron v. Rosely had in mind for Malaya - the use of rubber seed for alcohol (see)]

So noticed

Wed. 24/2/32

accc

As we are short, w. you kindly to ...  
Date: ...  
572

- 4. To Dept of Science & Industrial Research
- 5. To Bureau Mechanical Transport Director (etc) } 2 coins
- 6. for Kenya — 42 — 27/1/32

States that Govt approached the Govt. of S. Rhodesia on this subject & the matter was referred to Baron v. Rosely who visited Nairobi last year. Negotiations took place between the Baron & the Kenya Farmers' Association, which were broken off by the Baron.

No action is necessary on this.

await replies to 4, 5.

H. E. ...  
25/1/32

Handwritten note at bottom left of page 2.

(2)

One is left with the impression that the Baron is hardly - prone to be regarded very seriously. He told Sir C. Bottomley that "he had no financial interest" in the project; This is not consistent with his letter enclosed in the despatch.

The honoree makes no reference to the telegram alleged by the Baron to have been sent to the Co. in August; one can only conclude that the Baron was mistaken.

Sir C. Bottomley to see on return.

Put by  
A. P. 26/12

Looks a little like a flat-catering scheme, but I may be wronging the Baron

G. L. M. Cannon  
26/12  
as above

7 Overseas Mechanical Transport  
Directing Committee - 29/12/32  
five references to reports issued  
on the trials carried out in S. Rhodesia.

8 Dept of Science & Ind Research - 1/1/33  
Pro. memorandum summarizing the  
information relating to Rhodesia,  
2 additional memoranda.

7-8  
As we now know from 6 that  
Kenya is in touch with S. Rhodesia  
in regard to the investigations of  
the latter colony concerning the

production of pure alcohol from maize  
it seems unnecessary to pass on any  
of these documents.

? a copy of the two abstracts  
mentioned in 7 should be made  
for this file and the O.M.T.  
Bulletin should then be returned  
to the Overseas M.T.D. Ctr. and  
the instructions to 8 should  
return with thanks to the Dept of  
Science.

In the first instance however  
G.D. should see.

H. P. 31/3/32

A. P. 1/5

The O.M.T. Bulletin file belongs to the  
Library, so there is no question of sending  
it back to the Ctr. a copy taking  
copies for this file.

The encl. to 8 are I think a  
free gift to us, & unless we are  
asked for them back I shall be  
inclined simply to keep them.

So ? put by both.

Sir C. Bottomley  
to see on return.

G. L. M. Cannon  
1/3  
A. P. 7/1

H. P. 8/3/32

Baron v. Roobly

give me the impression that we should  
be

he bearing from Kenya about  
his scheme, but as he has  
himself closed down the  
negotiations we cannot expect  
much.

I think we must wait for  
him to make the next move - it  
is not as if we had any strong  
conclusions about the process.

Paddy Wood

14.3.52

DEPARTMENT OF SCIENTIFIC & INDUSTRIAL RESEARCH

Telephone: Victoria 7940.  
Telegrams: Resciendus, Parl, London.  
Any reply to this letter should be  
addressed to "THE SECRETARY"  
and the following number quoted.



16 OLD QUEEN STREET,  
WESTMINSTER, S.W.1.

1st March, 1932.

RECEIVED  
2-MAR-1932  
COL OFFICE

Fuel 13/14/2.

Sir,

I am directed by the Committee of the Privy Council  
for Scientific and Industrial Research to refer to Mr. Allen's  
letter (18013/32) of 24th February, and to enclose for the  
information of Secretary Sir Philip Cunliffe-Lister a  
Memorandum which summarizes the information which the  
Department possesses on the Production of Alcohol for Power  
Purposes in Rhodesia.

I am also to enclose two additional memoranda  
entitled

"The Use of Alcohol in Internal Combustion  
Engine Fuels";

"Development in the Production of Absolute  
Alcohol in France and other Countries  
and its Employment in the Motor Industry",

which may be of assistance.

I am, Sir,

Your obedient Servant,

*J. E. Smith*

The Under-Secretary of State,  
Colonial Office,  
Downing Street, S.W.1.

6

# On His Majesty's Service.



The Under-Secretary of State,

Colonial Office,

Downing Street,

S.W.1.



16542 N.

CONFIDENTIAL



MEMORANDUM  
ON THE  
PRODUCTION OF ALCOHOL FOR POWER PURPOSES  
IN  
RHODESIA.

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Fuel Research Division,  
Department of Scientific & Industrial Research,  
March 1930.

8

**Memorandum**  
**on the**  
**Production of Alcohol for Power Purposes**  
**in**  
**Rhodesia.**

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A questionnaire concerning the production of alcohol for power purposes, prepared in the Fuel Research Division of the Department of Scientific and Industrial Research was issued to the Dominions and Colonies by the Colonial Office on the 25th April 1930.

A copy of this questionnaire, a summary of the replies from Southern and Northern Rhodesia, and a statement explanatory of the position in these colonies is attached. A copy of a letter from the North Eastern Rhodesia Farmers' Association dated the 25th October 1930 advocating the manufacture of commercial alcohol from surplus maize and sweet potatoes accompanies the explanatory statement. A

A consideration of the information thus obtained led to the conclusion that it would not be commercially possible to produce alcohol for power purposes in these colonies, owing to the cost of the indigenous raw materials.

On the 5th February 1935, the Chief Government Agriculturist of Southern Rhodesia called at the Fuel Research Division and the question of alcohol production in the Colonies was discussed. The raw materials for the purpose which were considered were native grasses, maize and sweet potatoes. It was agreed that the cost of harvesting the grasses made their use out of the question, and that maize would also be too expensive; it might, however, be possible

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to use the sweet potato.

In February 1925 notes on cassava, sweet potatoes and yams as sources of alcohol for power purposes, prepared in the Fuel Research Division, of which copies are attached, were sent out by the Colonial Office to the Dominions and Colonies. The Chief Chemist of the Department of Agriculture, Southern Rhodesia, to whom these notes were referred, submitted a report dated 1st April 1925 on the general question of producing alcohol from crops for power purposes on a commercial scale, and arrived at the conclusion that alcohol could not be regarded as a competitive fuel with petrol except perhaps where a cheap supply of raw material such as molasses or cheap <sup>by-</sup>products were available, or when a practical method of converting cellulose into fermentable carbohydrates had been discovered. A copy of this report is attached. **B**

The question of the manufacture of alcohol for power purposes was raised again by Colonel F. Johnson, a member of the Rhodesian Legislative Assembly, who visited the Fuel Research Division on the 7th September and the 15th October 1927; the raw material suggested by him was maize.

After going into the matter, it was decided to approach the Distillers Company Limited in order to ascertain whether the Company would

- (1) Advise in connection with the erection and working of a distillery in Rhodesia.
- (2) Erect a distillery at Government expense for a fee.
- (3) Erect a distillery at its own expense as a commercial venture, the Government guaranteeing 5 per cent of the capital cost.

\* The matter was also discussed with Mr. H. Jamieson of the Rhodesian Exploration Co. Ltd. on the 11th November 1925 & a note of the interview is attached **C**

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The question of erecting an experimental plant for investigating the possibilities of producing alcohol from waste vegetable materials by the Helten Heath process was also considered.

The above three proposals were discussed with Mr. W.H. Ross, Managing Director of the Distillers Company Limited on 18th October 1927, but for various reasons he did not see his way to advise his Company to entertain any of them, and Colonel Johnson was duly informed.

Some correspondence took place subsequently and Colonel Johnson was given the names of two firms, Messrs. Egrot and Grange of Paris, and Messrs. Blair, Campbell and McLean of Glasgow, who would furnish him with particulars and estimates for distillery plants using maize as the raw material. He was also informed, as regards the production of alcohol from grasses, etc.; that if his Government decided to carry out large scale experiments on the lines discussed with him, it would probably communicate with the Colonial Office and request the Department of Scientific and Industrial Research to advise. Nothing farther however has happened in this connection.

Fuel Research Division,  
Department of Scientific and Industrial Research,  
March 1930.

*Note. Two abstracts are attached dealing with Government action concerning the use of alcohol as an ingredient of motor fuel in the Colony. D*

February 1932

A

R H O D E S I A  
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A S  
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A S O U R C E O F P O W E R A L C O H O L  
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January, 1921.

RHODESIA AS A SOURCE OF POWER ALCOHOL.

Replies have been received from Northern and Southern Rhodesia to the questionnaire relative to power alcohol production sent out by the Colonial Office on the 26th April, 1920 at the request of the Department of Scientific and Industrial Research. A letter, on the same subject, dated the 25th October, 1920 has also been received from the Northern Rhodesia Farmers' Association. Summaries of the replies and a copy of the letter are attached.

The following is a tabular statement of the production and price statistics given in the replies:-

	Area under European Cultivation.		Yield in short tons per acre.		Price per short ton.	
	Northern	Southern	Northern	Southern	Northern	Southern
Sweet cane.	-	Nil	-	6-10	-	£2-£3 (estimated)
Maize.	25,682	177,000	900 lb. (cleaned grain)	$\frac{1}{2}$ -1	£7-£10	£7.10 - £12.10
Kaffir corn.	-	380	-	$\frac{1}{2}$ - $\frac{1}{2}$	-	"
Rapoko	-	386	-	$\frac{1}{2}$ - $\frac{1}{2}$	-	"
Munga	-	50	-	Unknown	-	"
Rye	-	260	-	$\frac{1}{2}$ - $\frac{1}{2}$	-	Unknown
Buck-wheat	-	498	-	$\frac{1}{2}$	-	"
Potatoes	-	1,600	-	2-4	-	£7.10 - £12.10
Sweet Potatoes	50	500	-	2-4	-	£6-£10
Cassava.	-	-	-	Unknown	-	£5-£7

Sugar-cane, sugar-beet, wheat, rice and barley are also produced in Southern Rhodesia, but the materials are stated not to be available, as the first four are too valuable for food, and the brewers utilise all the barley.

As regards Northern Rhodesia, the Farmers' Association, consisting of some 450 members, suggests in the letter above referred to, the use of maize and sweet potatoes for the manufacture of power alcohol, and states that as regards maize, which is their staple product, there is a danger of its being over-produced. The letter goes on to say there was a surplus of about 50,000 bags last season, and that it is considered that there might be a surplus of 100,000 bags this season, and that sweet potatoes also could be grown in large quantities.

The average yields of 95% alcohol per short ton of maize and sweet potatoes may be taken at 73 and 31 gallons respectively. A bag of maize is presumably 200 lb., therefore the quantities of 95% alcohol from 100,000 and from 50,000 bags of maize would be 730,000 and 305,000 gallons respectively, a relatively small quantity.

According to the replies to the questionnaire by Mr. H. J. R. Hatchwell, Assistant Superintendent of Agriculture, Northern Rhodesia, dated 15th September 1920, maize was selling at from £7 to £10 a ton. At this figure the price of the raw material alone, per gallon of 95% alcohol, would be from about 2/- to 2/8 $\frac{1}{2}$ ; prices at which it would not be commercially possible to use maize. Mr. Hatchwell, however, considers that if maize falls to pre-war prices, viz:- from £4.10 to £6 a short ton, the manufacture of alcohol would be practicable. These prices would mean 1/2 $\frac{1}{2}$  to 1/7 $\frac{1}{2}$  for the raw material per gallon of 95% alcohol, and it might be just possible to produce it commercially at the lower figure. No price for sweet potatoes is given in Mr. Hatchwell's report, but in the memorandum from Southern Rhodesia, dated the 6th August, 1920, in reply to the questionnaire, the price of sweet potatoes per short ton, is given at from £6 to £10. At these prices

the cost of the raw material, on a yield of 31 gallons of 95% alcohol per ton, would be from about 4/- to 6/5½; quite prohibitive figures.

According to the replies to the questionnaire, in addition to the crops under European cultivation in Southern Rhodesia as dealt with above, all of which, except cassava, could be readily produced in large quantities if a strong market developed, 1,200,000 acres are cultivated by natives, of maize, Kaffir corn, munga, rapoko, rice, sweet potatoes, other root crops and various beans. Sweet cane is also grown to a small extent by natives; it thrives on poor soil and could be produced in immense quantities. Kaffir corn, rapoko and maize also thrive on relatively poor land, and their production could be greatly increased without difficulty. It was also stated that the current season's exportable surplus of maize is estimated at 40,000 tons. This, on a yield of 73 gallons per short ton, would produce 29,200,000 gallons of 95% alcohol.

As regards the so-called "sweet cane", probably used mainly for cattle feeding, this has been the subject of considerable experimental work in New South Wales, with the object of determining its value as a raw material for the production of power alcohol. These experiments indicated a yield of about 7½ tons of cleaned cane per acre, and a yield of 95% alcohol of about 4 gallons per ton of cane, that is to say 29 gallons per acre, a poor result.

Kaffir corn, munga, rapoko are of similar composition to maize, and should therefore give about the same yield of alcohol per ton; the price per ton is also about the same, but they do not appear to be as suitable, because the output per acre is only about half that of maize.

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18  
4.

The cellulose-containing materials referred to in the replies to the questionnaire from Southern Rhodesia could not be used for the production of cheap power alcohol by any of the known processes of acid hydrolysis, for the reasons given in the reply to the questionnaire, namely the cost of importing the necessary acids, as well as for other reasons, but if a cheap and simple process results from the research work now in progress by the Department of Scientific and Industrial Research, they would constitute cheap and readily available raw materials.

A consideration of the above facts and figures, leads to the conclusion that at present rates of production and at present prices, it would not be commercially possible to produce power alcohol in Rhodesia from maize, sweet potatoes, or from the various varieties of Kaffir corn, if the present prices for these materials had to be paid by the distillers. They could all be grown apparently, however, in large quantities and at comparatively low cultivation costs in view of the cheapness of native labour, if it is available. Moreover, fuel is cheap and water plentiful for the actual processes in the production of alcohol.

An alternative procedure which might, therefore, be considered is the production of both the raw material and the 95% alcohol on a co-operative basis. Under such a scheme the farmers would supply the raw materials to the distillers at say the cost of production, and of the materials referred to in the foregoing remarks maize would appear to be the most suitable, and share with the distillers the profits on the finished article. The farmers would also take over at some agreed price, the residues from the distilleries which would be valuable cattle food, and these again would be returned to the land as manure.

It is suggested that the feasibility of some such

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It is suggested that the feasibility of some such

arrangements as these might be investigated by the Rhodesian Department of Agriculture, or by some other representative body in the Colony.

January, 1921.

NORTH WESTERN RHODESIA FARMERS' ASSOCIATION.

Kafus, Northern Rhodesia.  
25th October, 1920.

H.M. Stanley, Esq., C.M.G.,  
Imperial Secretary,  
CAPE TOWN.

Sir,

I am requested to write you and inquire if any steps have been taken by the Committee of the Privy Council for Scientific and Industrial Research relative to the manufacture of Commercial Alcohol in Northern Rhodesia.

We have been informed that this Committee has made inquiries, but the Administration of this Territory appear to have given no encouragement for the Manufacture of Commercial Alcohol in this Territory.

I am directed to say that owing to the influx of new settlers, (mostly soldiers) into this country, who will be growing maize, there is great danger of maize being over-produced in this Territory during the present season, and any assistance you are able to give us in getting a Plant for the Manufacture of Commercial Alcohol in this country to dispose of the surplus maize, would be greatly appreciated by the farmers of this territory who comprise the greater part of the population.

Maize is our staple product, and as it has a high alcoholic content it should pay to produce Commercial Alcohol on the spot.

It is considered that there might be 100,000 surplus bags of maize produced during the present season.

This last season approximately about 50,000 bags of maize were produced over the local requirements.

Sweet potatoes could be grown in huge quantities and it is said that they have a higher alcoholic content than maize.

This Association of 450 members is very representative of the farming community of this territory. We are looking for other markets than those we have at present, and an internal market would be invaluable to this territory. Further, Commercial Alcohol manufactured in this territory should be of great service to the British Empire.

It is suggested that should market prices be offered to farmers on their farms large quantities of maize would be available.

An ideal place for the manufactory would be Kafus, owing to its being the geographical centre of the country, and being equi-distant from the two great maize growing districts, and also to its unlimited water supply.

Yours faithfully,

BERTRAM PULLON.

Secretary.

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Yours faithfully,

BERTRAM PULLON.

Secretary.

N O R T H E R N R H O D E S I A .

Mr. H.J.R. Hatchwell. Acting Secretary for Agriculture.

- a) None.
- (b) Maize, sweet potatoes.
- (c) None.

Maize, 25,682, sweet potatoes 50 acres.

Maize 900 lb. cleaned grain per acre.

About 12,900 tons of maize.

From £7 to £10 a ton of maize according to crop.

Railway and ex wagon, cost varying according to distance.

Skilled 15/- to 35/- a day, unskilled 6d to 1/- a day.

Ample wood at about 10/- a cord of 128 cu.ft. Coal about

£1 to 30/- a ton according to distance from colliery. Ample water from rivers.

None.

With the fuel and water facilities and cheap labour, and when

maize reaches the pre-war price of 9/- to 12/- a bag or

£4.10. to £5 a short ton, the manufacture of alcohol would

become practicable. If the present price could be given

it might be possible now.

S O U T H E R N R H O D E S I A .

1. (a) Sugar-cane, sugar-beet, sweet cane, a variety of Kaffir corn probably (*sorghum vulgare*)
- (b) Maize, wheat, Kaffir corn, Rapoko, munga, rye, barley, buckwheat, potatoes, rice, sweet potatoes, cassava.
- (c) Maize stalks, elephant grass, sunflower stalks, ground-nut shells. (*Tambookie grasses*)

2, 3, 5, & 6.

Material.	(2) Area under cultivation. acres.	(3) Yield in short tons per acre.	(5) Price per short ton.	(6) Rates per short ton
Sweet cane ( <i>Sorghum</i> )	Nil ( <i>by Europeans</i> )	6 to 10	£2 to £3 (estimated)	Special rates could be obtained.
Maize	177,000	½ to 1	£7.10-£12.10	210d + 25% 10 ton minimum.
Kaffir corn	680	½ to ½	" "	"
Rapoko	386	½ to ½	" "	"
Munga	60	Unknown	" "	"
Rye	260	½ to ½	Unknown	102d + 25%
Buckwheat	498	½ to ½	"	281d + 25%
Potatoes	1,600	2 to 4	£7.10-£12.10	10 ton minimum.
Sweet Potatoes	500	2 to 4	£6.- £10	ditto.
Cassava	-	Unknown	£5.- £7	210d + 25% 10 ton minimum.

Notes. 2 (a) Only the above are dealt with as only from these could 95% alcohol be commercially produced. (b) In addition to the area cultivated by Europeans, about 1,200,000 acres are cultivated by natives of maize, Kaffir corn, rapoko, munga, rice, sweet potatoes, other root crops and various beans. Sweet cane is grown to a small extent by natives. It thrives on poor soil and could be produced in immense quantity, Kaffir corn, rapoko and munga also thrive on relatively poor lands, and their production could be greatly increased without difficulty.

4. Surplus production above local consumption. - such surpluses do not exist at present (August 1920) on any commercial scale except in the case of maize, the current season's exportable surplus of which is estimated at 40,000 tons. All the above products, except cassava, could be readily produced in large quantities if a strong market existed.
5. Railway. For rates from centres of production to the coast see above.
6. Skilled European labour 15/- to 30/- a day, unskilled native labour 10/- to 40/- a month.
8. Good supplies of coal 31/- a short ton f.o.r. Salisbury, and wood fuel in most districts from 15/- to 25/- a cord.
9. No.

SOUTHERN RHODESIA (Contd)

10. Yes from the materials mentioned in reply 2. It could not be from any of the cellulose-containing materials mentioned in reply 1 (c) chiefly owing to the great cost of importing the necessary converting acids. It could also be produced from sugar-cane, sugar-beet, wheat, rice and barley, but these materials are not available, as the first four are too valuable for food, and the brewers utilise all the barley.

The following are the analyses of the three native grains and maize.

	Dry matter.	Ash	Protein	Fat	Fibre	Carbohydrates by difference.
Maize	89.58	1.20	10.10	4.61	1.89	71.78
Unga	92.15	2.09	12.53	4.27	1.50	72.76
Chaffir Corn	89.95	1.38	10.59	2.17	1.93	73.88
Mapoko	90.15	2.20	6.50	1.26	2.89	77.30

Remarks. In considering the possibility of establishing local distilleries, the following points are important:-

- I. It is difficult to procure metal containers which are necessary in this dry climate for the storage of alcohol to prevent evaporation.
- II. Factory sites should be as near as possible to the centre of production of the raw materials selected.
- III. The site should be at or near a distributing centre, so that the bye-products available for cattle food could be economically distributed to cattle raisers.

QUESTIONNAIRE RELATIVE TO POWER ALCOHOL PRODUCTION.

- (1) Which of the following materials does the Colony/Dominion produce:-
  - (a) Sugar or sugar-containing materials.
  - (b) Starch or materials containing starch or similar carbohydrates.
  - (c) Cellulose-containing materials, apart from wood and textile fibres?
- (2) What areas are under cultivation for the above materials?
- (3) What is the normal yield of these materials in tons per acre?
- (4) What quantities of these materials could be made available for distilling purposes?
- (5) At what price per ton could supplies of these materials be available at the point of cultivation?
- (6) What transport facilities are available and what would transport of these materials cost per ton?
- (7) What is the cost of skilled and unskilled labour in the Colony/Dominion?
- (8) What fuel and water are available for manufacturing purposes and at what price?
- (9) Is alcohol of 95% strength being produced on an industrial scale in the Colony/Dominion and if so:-
  - (a) From what raw material.
  - (b) In what quantity.
  - (c) At what price per gallon of 95% strength?
- (10) If not, is it thought probable that 95% alcohol could be commercially produced in the Colony/Dominion, from the material mentioned?

SECRETARY OF STATE.

No. 102

Governor's Office,  
Salisbury,  
Southern Rhodesia.

9th April, 1925.

Sir,

I have the honour to acknowledge the receipt of your despatch No. 58 of the 20th February transmitting copies of notes on (1) Cassava (2) Sweet Potato and (3) Yams, as sources of Power Alcohol, which have been prepared by Sir Frederic Nathan, Power Alcohol Advisor to the Fuel Research Board of the Department of Scientific and Industrial Research.

2. At the request of my Ministers I forward herewith a copy of a report furnished by the Chief Chemist of the Department of Agriculture, Southern Rhodesia, in regard to Power Alcohol.

I have the honour to be,

Sir,

Your most obedient,

humble servant,

J. B. CHANCELLOR

GOVERNOR.

The Right Honourable

L. C. M. S. Amery, P.C., M.P.,

Colonial Office,

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port  
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port  
9th April,  
1925.

COPY.

Agricultural Laboratory,  
Salisbury,  
1st April, 1925.

Acting Secretary,  
Department of Agriculture.

Power Alcohol.

I have read with much interest the notes upon cassava, sweet potato and yams as a source of power alcohol, which have been prepared by Sir Frederic Nathan, Power Alcohol Adviser to the Fuel Research Board of the Department of Scientific and Industrial Research. This information will be of considerable value should conditions ever arise which will enable alcohol to compete commercially with petrol for power purposes. At present alcohol cannot be regarded as a competitive fuel with petrol, except perhaps in local centres where the price of petrol is high and a cheap supply of raw material for making alcohol, such as molasses, is available.

The question of producing alcohol from crops for power purposes on a commercial scale in this Colony has frequently been raised and the following observations thereon are submitted, for the information of the Minister:-

(1) From information supplied (a) by a sub-committee on Motor fuel appointed since the War by the British Government's Standing Committee on the Investigation of Prices (reports issued 1920/21), and (b) by Monier-Williams in his treatise on Power Alcohol, the following estimate of cost of manufacture and marketing of alcohol (apart altogether from the cost of the raw material) has been prepared:

£ Cost of manufacture of alcohol (95%)	Per gallon. 9d.
(Interest on capital )	
(Cost of denaturation )	5d.
(Cost of Excise supervision )	
Marketing (i.e. charge incurred between the refinery and consumer)	1/4d.
	<hr/>
Estimated total cost of manufacturing and marketing alcohol (95%) of gallon (exclusive of the cost of the raw material)	2/6
	<hr/>

Making no allowance for the value of the by-products for feeding purposes, the estimated total cost of manufacturing and marketing alcohol, apart from the cost of the raw material, is 2/6 per gallon.

£ Gebhard in 1921, when acting as Consulting Engineer to the proposed Company "Penrol (South Africa) Ltd." for the production of Power Alcohol from maize, estimated the cost of manufacturing 95% alcohol in South Africa at 3.84d per gallon, apart from cost of raw material.

(2) The sub-committee referred to in the previous para: estimated the actual cost of production of petrol and delivery to seaboard in the country of origin at not more than 10d. per gallon. This sum apparently includes all overhead charges and may be considered as the maximum cost of production. According to some estimates the actual cost is as low as 6d. to 7d. per gallon. When these estimates are compared with the above estimated cost of manufacturing alcohol, denaturation, Excise supervision and interest on capital (exclusive of cost of raw material), it is reasonable to infer that alcohol cannot compete in the world's markets with petrol for power purposes under existing conditions.

(3) Should the demand for petrol exceed the supply, alcohol might then come into use as an alternative fuel for internal combustion engines.

26

(4) Where cheap by-products suitable for the manufacture of alcohol are available, or when a practical method of converting cellulose into fermentable carbohydrates has been discovered so that raw material such as the natural wild grasses may be used, the production of alcohol as a commercially competitive fuel for internal combustion engines may become possible.

(5) If Excise regulations could be framed so that a farmer could manufacture alcohol for power purposes on the farm, and thereby avoid distribution costs, an enquiry into costs of power alcohol production in such cases would be worth while.

(Signed) E. H. BLACKSHAW.

CHIEF CHEMIST.

Note of Interview  
with  
Mr. HUGH JAMESON  
11th November, 1925

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Mr. Hugh Jameson, of the Rhodesia Exploration Company, Limited, called by appointment.

One of the representatives of his firm in Rhodesia, recently raised the question of the production of power alcohol from maize, and he was desirous of obtaining some further general information.

He had apparently already been to the Hammersmith Distillery, and had been given various facts and data.

After a discussion I told him that I saw no reason why, given cheap mealies, there should be any difficulty in producing power alcohol on a commercial basis, particularly in view of the high price of petrol, which he said cost about 5/- a gallon.

The main difficulty would appear to be the question of malting, in view of the fact that there was very little barley in Rhodesia, and there were the usual objections to the use of acid. He said that he had been informed that one could malt maize. I told him that I had never heard of this possibility, and before accepting the statement he should make very careful enquiries. In my opinion, however, the solution of the difficulty was the employment of the Boulard process.

I told him that the Distillers Co. Ltd. had the British Empire rights in the process, and that they would no doubt give him further information. I lent him the French pamphlet describing the process.

I also gave him a prospectus of "Acetol" Limited.

(Sgd.) F. L. NATHAN.

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Extract from  
OVERSEA MECHANICAL TRANSPORT BULLETIN

I.1932.3.159-160.

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1931.X. A select committee of the Legislation Council was appointed to investigate the question of legislation to provide for the inclusion of 20 per cent. of 99.8 per cent. alcohol, manufactured locally by the Merck process, in all petrol sold in Southern Rhodesia. The tests of this fuel in Ford, Austin, Chevrolet, Crossley, Willys Knight and Morris Minor cars and Thornycroft lorries are summarised. As a result the Government have agreed that when a sufficient quantity of alcohol is available for sale they will grant a rebate on petrol of 3s. a gallon, on the basis that the rebate shall be granted on 4 gallons of imported petrol in respect of each gallon of alcohol utilised in conjunction with petrol as a fuel.

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Extract from  
PETROLEUM TIMES

. 1932.27.152.

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1932.II.6. The Government of Southern Rhodesia, in order to encourage the manufacture in that Colony of power alcohol from locally grown vegetable products for petrol blending purposes, has decided to grant a substantial rebate of duty on blended petrol containing home-made power alcohol of the required standard of purity.

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CONFIDENTIAL

THE USE OF ALCOHOL IN INTERNAL COMBUSTION ENGINE FUELS

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Fuel Intelligence Section,  
Department of Scientific & Industrial Research,  
19th October, 1921.

THE USE OF ALCOHOL IN INTERNAL COMBUSTION ENGINE FUELS

The almost universal desire for an indigenous material to take the place of petrol as a fuel for internal combustion engines, has resulted in many countries in the study of the production and use of alcohol for the purpose.

The chief reason for this is the relative ease with which alcohol can be made from vegetable materials containing sugar, or bodies easily converted into sugar, such as starch, and the fact that such vegetable materials are widely available and are continuously being renewed as a result of the sun's energy.

Alcohol alone, however, is not suitable for use in existing internal combustion engines, mainly because they are not designed to stand the compression necessary to enable alcohol to develop its full power, and also because of the difficulties of starting from "cold" with it. Moreover to make it in sufficient quantities to replace petrol entirely would be impossible in some countries, for instance, in this country, because the raw material could not be made available in sufficient quantities and at a price to make its use possible commercially.

On the other hand, added to other liquid fuels, it imparts to them valuable antiknock properties, as well as fulfilling the primary object of reducing the consumption of imported petrol.

The ordinary fermentation and distillation processes for the manufacture of alcohol produce a spirit of 45 per

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On the other hand, added to other liquid fuels, it imparts to them valuable antiknock properties, as well as fulfilling the primary object of reducing the consumption of imported petrol.

The ordinary fermentation and distillation processes for the manufacture of alcohol produce a spirit of 95 per

cent. by volume. Alcohol of this strength is not miscible in all proportions and at all temperatures with petrol. To get over this difficulty, it has been the practice to add a promoting solvent to the alcohol-petrol mixture, and the one usually employed is benzol.

Benzol has the disadvantage that in many cases it is no more available than petrol, or in sufficient quantities. These considerations have led to research in connection with the commercial production of absolute alcohol, which is miscible in all proportions with petrol. As a result there is now more than one process in existence working on a manufacturing scale, and fuels for internal combustion engines composed of mixtures of absolute alcohol and petrol are being produced in several countries where, moreover, the use of such mixtures is required by law.

The latest information on the subject is given in the following abstracts from literature and from the "Oversea Mechanical Transport Bulletin" X.1931, 2, 73-77.

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Motor Fuel in Argentina.

Petrol. Ens. S.V.1931.22.626.

It is proposed to establish a national fuel for Argentina to consist of 90 per cent. of motor spirit (petrol) and 10 per cent. of alcohol.

Alcohol Motor Fuel in Brazil.

Ind. Aust Min. Stand. 16.IV.1931.  
From U.S. Government Commerce Reports.  
See also Oil & Gas J. 1931.22.122.

"Unga" has been on the market since June 1927. It is said to be a mixture of 42 deg. alcohol with 20 per cent. of ether and 5 per cent. of benzene.

"Asulina", manufactured since April 1930, is said to consist of 48 deg. alcohol (Cartier) mixed with 15 per cent. of ether and a trace of methylene blue. Statistics are given of gasoline imports, production of alcohol motor fuels and motor fuel consumption, also of Unga and Asulina production. The current price for gasoline at service pumps in Pernambuco is equivalent to 26 cents a gallon, while Unga and Asulina cost the consumer about 25 cents. The gasoline companies estimate that 30 gallons of Asulina yield the same mileage as 20 gallons of gasoline. On this basis the net saving in the cost of fuel to users of Asulina is 10 per cent. The manufacturers of Unga and Asulina, however, claim higher efficiency for their products, and maintain that there is a saving of between 25 and 30 percent.; moreover they appear to be in a position to reduce prices considerably and still realize a good profit, since the cost of producing by-product alcohol, the principal ingredient, is very low. They also undoubtedly will be able to obtain tax and freight rate reductions, which will not apply to imported gasoline.

Le Carburant National a Base d'Alcool Absolu.

G. Petrik.

Chim. et Ind. III.1930.Special No.211.

The national liquid fuel in Czechoslovakia, "Dymalkol", is composed of:-

80 kg. absolute alcohol sp.gr.	0.7955	=	litre	37.71	\$	28.85
<u>70</u> petrol	0.755	=	<u>92.25</u>	<u>71.15</u>		
100			130.67	100.00		

The absolute alcohol is made by the osmotic patent of Ricard Allouet et Cie., the cost of the alcohol by this process is high however.

Petrol. Tms. 1950.22.870-2.

In Hungary the law prescribes that the motor fuel "Motalka" shall consist of 20 per cent. alcohol and 80 per cent. petrol of specific gravity 0.755 to 0.758.

### Alcohol Industry in Italy.

Ind. Eng. Chem. News Ed. 20.V.1950.2.5.

The manufacturers as well as importers of first-grade alcohol are required to hold in reserve not over 25 per cent. of the amount manufactured or imported of at least 95 per cent. of alcohol for the importers of gasoline and manufacturers of liquid fuels. No alcohol can be marketed to any but gasoline fuel merchants or manufacturers, until the amounts specified for their use have been set aside. Gasoline importers are required to add the allotted alcohol to the product, so that at least 20 per cent. alcohol shall be present. The surtax is remitted on alcohol which is used in combination with motor spirit, providing the denaturants are added at once. This alcohol must be sold to motor fuel dealers for not more than 150 lire per hectolitre in the anhydride and must be at least 95 per cent. Rectified spirits derived from wine products in taxable uses must be at least 90 per cent.

### Fuel Alcohol.

Information Paper, Imperial Fuel Research Institute, Japan, 1931.2.66.

The production and use of fuel alcohol both in Japan and other countries are discussed in this paper, and the author suggests that the molasses alcohol of Taiwan should be widely adopted as a motor fuel, by mixing it with suitable proportions of gasoline, and further that simpler and cheaper denaturants should be legalized in order to extend the application of fuel alcohol.

### Alcohol-Petrol Motor Fuel for Latvia.

Petrol. Tms. 1931.22.468.

The Latvian cabinet recently approved the proposed law providing that all fuel for internal combustion engines must contain 25 per cent. of alcohol.

### Power Alcohol.

Ind. Aust. Min. Stand. 29.I.1931.

The suggestion put forward to the Federal Committee of Inquiry investigating the sugar industry in Queensland that the overproduction of sugar cane in Australia, with advantage to the Commonwealth, be directed to the production of power alcohol, and its use ensured by the compulsory admixture of 15 per cent. alcohol with all petrol sold, is discussed in the above issue of the Industrial Australian and Mining Standard.

It is stated that with sugar cane at £1.15.0 a ton equal to 20 gallons of alcohol - the cost of raw material to produce a gallon of alcohol is approximately 1/6 plus this, with say 9d. a gallon for cost of manufacture, and another 6d. to 9d. for distribution, and one is faced with a price of at least 2s. 1/2d. a gallon for power alcohol free from excise duty (7s. a gallon), a concession that would cost the Federal authorities nearly a million pounds and consequently not likely to be conceded.

The Shell Co. of Australia Ltd. has for some time been marketing throughout Queensland a motor fuel known as "Shellol" which has a 15 per cent. alcohol content. It is distilled from Shell molasses procurable at free of a ton. Shellol is marketed in Queensland at the same price as standard petrol, and it is stated that its use has been satisfactory in every way.

### Alcohol for Power Purposes.

Fuel Conference 1930. Vol. III. p. 1262.

A motor fuel known as Isotributyl, consisting of 75 per cent. petrol and 25 parts of 99.5 per cent. alcohol from sulphite lyes has been made in Germany. The cost of production of sulphite spirit is (1929) so high, however, that it is found that it cannot compete with imported petrol, although there is a tax of 6 Marks per litre (say 2/6 a gallon) on the latter. The same difficulty occurs in Norway. In Germany sulphite lyes are a small source of alcohol for power purposes.

F.L.S.

35

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It is stated that with sugar cane at 21.15.0 a ton - equal to 80 gallons of alcohol - the cost of raw materials to produce a gallon of alcohol is approximately 1/6 plus this, with say 9d. a gallon for cost of manufacture, and another 6d. to 9d. for distribution, and one is faced with a price of at least 2s. 11d. a gallon for power alcohol free from excise duty (7s. a gallon), a combination that would cost the Federal authorities nearly a million pounds, and consequently not likely to be conceded.

The Shell Co. of Australia Ltd. has for some time been marketing throughout Queensland a motor fuel known as "Shellol" which has a 15 per cent. alcohol content. It is distilled from Shell molasses procurable at free of a ton. Shellol is marketed in Queensland at the same price as standard petrol, and it is stated that its use has been satisfactory in every way.

### Alcohol for Power Purposes.

Fuel Conference 1929, Vol. III, p. 1868.

A motor fuel known as Leatthentyl, consisting of 75 per cent. petrol and 25 parts of 90.5 per cent. alcohol from sulphite lyes has been made in Germany. The cost of production of sulphite spirit is (1928) so high, however, that it is found that it cannot compete with imported petrol, although there is a tax of 5 Euro per litre (say 2/6 a gallon) on the latter. The same difficulty occurs in Norway. In Germany sulphite lyes are a small source of alcohol for power purposes.

F.L.S.

R. 552 N 37

CONFIDENTIAL

DEVELOPMENT IN THE PRODUCTION OF ABSOLUTE ALCOHOL  
IN FRANCE AND OTHER COUNTRIES AND ITS EMPLOYMENT  
IN THE MOTOR INDUSTRY

2. Spiritusind. Beiheft 29.I & 5.II.1931.54.30-1,36-7

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RESEARCH DIVISION

Fuel Intelligence Section,  
Department of Scientific & Industrial Research,  
November, 1931.

38

Development in the Production of Absolute Alcohol  
in France and other Countries and its Employment  
in the Motor Industry

N. Spiritusind. Beiheft 29.I & 5.II.1931.24.30-1,36-7.

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The following is extracted from a brochure having the above title, issued by the "Distilleries des Deux-Sevres" at Melle, which appeared in November 1930.

Ten years have not yet elapsed since absolute alcohol was regarded as a laboratory product. At the present day more than a million hectolitres of spirit are annually dehydrated and the development of the use of fuels which have absolute alcohol as a basis extends to all countries, which are rapidly installing the necessary arrangements for the dehydration of increasing quantities of spirit.

This matter concerns France from a two-fold point of view; firstly because these distilleries were the first in France to recommend the use of spirit as a fuel, and because the process employed everywhere for the production of absolute alcohol is a French one.

At the Congress held at Beniers in 1923 the first 200 hectolitres of absolute alcohol produced by the old lime process, recently improved by M. Loriette were on view. The new fuel produced from alcohol and petrol was warmly commended as it enabled the considerable stock of spirit remaining over from the war period to be utilised by the "service des alcools." It was, however, necessary to find a process suited to large scale production in order to dehydrate the large quantities of spirit, as it was not possible by the ordinary process of distillation to obtain

more than 96.5% and the mixture of such spirit with benzol was not homogeneous at low temperatures.

Using special methods of distillation based on a theory propounded by the English scientist Dr. Young, the distilleries of Deux-Sevres have now evolved a process which from the time of its first employment in France has spread over the whole world. The following statement refers only to the applications of this process.

FRANCE.

In France the development of the 'national fuel' based on absolute alcohol was hindered by the high cost of production of spirit. In order that it may be profitably substituted for petrol the alcohol must be on sale at 1.50 francs or less per litre. But the "Service des alcools" which holds a monopoly for the buying and selling of spirit for industrial purposes buys it from the distilleries at about 3 francs per litre. Hence there is a loss to the administration of about 1.50 francs per litre which has to be adjusted. With this object in view the decree of 28th February 1923 provides for a tax of 3 francs per hectolitre of imported petrol, the collection of which renders it possible to devote 450,000 hectolitres of absolute alcohol annually for motor fuel purposes. Up to 1929 this quantity had not been approximately reached, as the alcohol administration was unable to deliver it owing to insufficient spirit production and the needs of the industry for a low priced spirit. A large number of distilleries in the north of France were destroyed during the War and have not yet been rebuilt. Also the production of spirit

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from beetroots was restricted in favour of the production of sugar and growing of corn. Besides this France does not produce any serious crop of potatoes at a cheap rate so that the production of spirit from beetroots and malasses has decreased; recently a small quantity of spirit has been produced synthetically.

There is legislation in France, which it is true does not prohibit the mixture of absolute alcohol and petrol, but requires the purchase of a quantity of alcohol by the importers of petrol, which alcohol the administration supplies. Further regulations have defined the percentage (today 20%) which in fact is not attained. Up to the present moment the "national fuel" has not been employed in as great a quantity as one could have wished. In certain districts it has been much used, i.e., in Paris and its environs as well as in central France, but it is employed principally by certain bulk consumers and preferably for lorries.

The following table gives the quantities of alcohol which have been supplied for motor purposes since 1923.

1923-1924	215,937 HL
1924-1925	228,495 "
1925-1926	290,100 "
1926-1927	174,280 "
1927-1928	202,745 "
1928-1929	221,030 "

In consequence of the large production of spirit in 1929-30 the administration hopes to attain a sale of 250,000 HL of motor spirit in the course of the year 1930. The available quantity of water-free alcohol will probably

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The following table gives the quantities of alcohol which have been supplied for motor purposes since 1925.

1925-1926	215,957 HL
1926-1927	228,495 "
1927-1928	298,100 "
1928-1929	174,500 "
1929-1930	202,745 "
1930-1931	221,000 "

In consequence of the large production of spirit in 1929-30 the administration hopes to attain a sale of 450,000 HL of motor spirit in the course of the year 1930. The available quantity of water-free alcohol will probably

41

exceed this figure for the year 1930-1931.

The mixture sold in France at the present time under the name "Carburant National" must contain 50% petrol and 50% absolute alcohol.

Since 1924 there have been 3 or 4 establishments in operation for dehydrating spirit, but these were not sufficient to deal with the quantity disposed of to-day by the administration. New factories therefore have had to be created. There are nine factories in operation in France today which can produce 2500 HL a day or 750,000 HL annually of absolute alcohol. These French factories have been in existence for four or five years and do not therefore represent the most recent improvements which the process has undergone. They can only employ refined spirit which has already been subjected to repeated distillation. On the other hand the dehydration plants are not as a rule incorporated in the distillation so that considerable freight charges are incurred. It can be assumed that the cost of dehydration is now 25-40 francs per hectolitre/ = 4.10-5.25 Reichsmarks) which assumes modern improvements such as exist abroad.

However, new plant is being created in the distilleries which will permit absolute alcohol to be made directly from wash or from raw spirit.

#### FRENCH COLONIES.

In the French colonies petrol commands a higher price; in several the cost must be expected to be as much as 5 francs a litre. One would have thought that absolute alcohol would have commanded more value than in the Netherlands. Up till now that has not however been the case. The absolute alcohol is made at Surinam

case. Senegal alone is concerned with its manufacture. The spirit originates as a by-product in the production of sisal-fibre. The "Distilleries du Sina" Company have recently constructed a dehydration plant at Kayes which produces absolute alcohol and the purified product at one operation from a wash containing 2 to 6% spirit.

#### ENGLAND & COLONIES.

In England, the land of petrol, alcohol as a fuel has met with difficulty in development. There is only one dehydration plant whose output, scarcely more than 10,000 HL, is entirely employed as a solvent in the varnish industry.

The English colonies and the Dominions have interested themselves for a long time in this question. In Natal especially a mixture of alcohol and ether was employed known as "Natalite". As a high mean temperature prevails there as in most of the English colonies, the mixture is not suitable as the ether which boils at 36° is easily volatilised. By the time therefore that it arrives at the carburettor the fuel has already lost a large part of its most fluid component which entails a loss of money and power. Many attempts have finally ended in failure. Natal has therefore given up the product bearing this name and the Natal Cane Bye-Products has converted its plant to the manufacture of absolute alcohol by the French process.

In Australia the development of Natalite has not been possible as consumers have declined it. The Australian National Power Alcohol Company therefore put up two years ago a plant for the production of absolute alcohol. The mixture of absolute alcohol and petrol has been well patronised. The absolute alcohol is made at Narina

(Queensland) and it is intended to build two new factories in order to cope with the ever growing consumption.

Australia is one of the few countries in which the petrol companies, recognizing their own interests, are not hostile to the new fuel. The "Shell" Company has undertaken to market the alcohol mixture under the name of "Shellol". Several of the other English colonies possess factories of little importance. Amongst others the Malay States may be mentioned, where alcohol is obtained from the "Nipah" palm and is dehydrated by the "Nipah Distilleries of Malaya."

### GERMANY.

As is the case with all the countries of Central Europe, Germany also is suffering from the lack of proper selling facilities for the spirit which it is able to produce. At the present time its production amounts to approximately 3.2-3.4 millions of hectolitres, of which about two thirds is potato spirit, whilst the remainder is produced from molasses, corn and sulphite lye.

The existing establishments, however, contemplate an increased production up to approximately one million HL alcohol from potatoes, 350,000 from sulphite lye and 300,000 from molasses.

The question of the employment of alcohol as fuel was a very pressing one for Germany during the war as it helped to remedy the shortage of petrol arising out of the Allied blockade. From this period date the plants for obtaining alcohol from the lyes of the sulphite-cellulose factories. These lyes can be fermented and yield an alcoholic wash which is extremely dilute (ethyl alcohol content 0.8 to 1.0%). This liquor is extremely impure;

it contains bodies difficult to eliminate, especially 2 to 3% of methyl-alcohol, and it is quite unfit for consumption as a beverage, and unsuited for the majority of industrial methods of application.

The German Alcohol-Monopoly Administration first of all endeavoured to apply Young's process for the manufacture of absolute alcohol but did not succeed in putting it on an industrial footing. On this account it extended its endeavours to fuels derived from ternary mixtures, of which several were marketed in succession under the name of "Monopolin."

The Imperial Power Spirit Company has tried a mixture containing 80% benzol, 25% tetralin and 25% alcohol. Then followed a second mixture containing 87% benzol, 9% tetralin and 34% alcohol. These mixtures have not been satisfactory so that a mixture of 65.5% alcohol, 35.5% petrol and 2% ether was tried.

In all these mixtures the mistake has been made of employing alcohol in an insufficiently purified state, which has given rise to considerable difficulties in the form of a tendency to carbonizing in the motor.

Finally the ether was replaced by benzol, and the following mixtures were introduced gradually:-

40%	rectified alcohol.	40%	petrol,	20%	benzol.	
45%	"	"	45%	"	10%	"
50%	"	"	30%	"	20%	"

These mixtures have also had to be abandoned as they caused great difficulty in starting up, and it was also necessary to use a special design of carburettor jet.

Whilst the Germany monopoly was occupied with these

experiments, the decision had been arrived at abroad to produce absolute alcohol on a large scale. Now Germany also has pronounced in favour of a fuel derived from absolute alcohol and petrol which has been definitely adopted.

The researches carried out by Prof. Wawrsinick of the Dresden Institute of Motor Fuel Technology at the instigation of the Monopoly, had also proved the extraordinary superiority as a fuel of the mixture of absolute alcohol and petrol, especially over mixtures with common alcohol at 96%.

The Administration at that time possessed several establishments for dehydration by the old lime process. This process, which gave rise to considerable losses of material, had been introduced into the lye distilleries, where these losses were considered as of little account, as the alcohol was treated as a by-product and its value not sufficiently appreciated.

Attempts had been made in Germany to improve the process by placing the apparatus under pressure; this is, however, a very dangerous procedure, as it involves the subjection to high pressure of large quantities of liquid. This has been demonstrated by two explosions, one at Steckstadt, the other at Kahl.

In 1927 the German Administration introduced the French system which is employed in the factories at Berlin Reinickendorf and Berlin-Lichtenberg and others.

Hitherto the adoption of the mixture of alcohol and petrol has not been compulsory; nevertheless this fuel has enjoyed great success, and everywhere in Germany the blue distributors are to be met with - the fuel itself

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Hitherto the adoption of the mixture of alcohol and petrol has not been compulsory; nevertheless this fuel has enjoyed great success, and everywhere in Germany the blue distributors are to be met with - the fuel itself

being of a green colour. The following table shows the increase which has taken place from year to year in the employment of alcohol for fuel purposes:-

1923/24	6,327 hl.
1924/25	54,102 hl.
1925/26	99,137 hl.
1926/27	167,472 hl.
1927/28	179,065 hl.
1928/29	277,616 hl.

The question of the employment of alcohol for fuel purposes has recently been finally settled as the alcohol-petrol mixture has been made compulsory by the law which was passed in the Reichstag on 15th April 1930. By an ordinance which has been in force since 1st August 1930 the French process is followed and the obligation has been laid on the importers of petrol to buy a definite percentage of alcohol from the Administration.

This percentage is at present and until the 31st March 1931 fixed at 2.5% by weight or 3.15% by bulk. As the importation of petrol for the year 1930 is estimated at 1.8 million tons, approximately 378,000 hl. alcohol have been employed as fuel from 1st August 1930 until 31st March 1931, which would amount to 567,000 hl. for a whole year. This figure corresponds roughly to the output of the dehydration plants, but numerous new establishments are under projection. The Finance Minister may raise the percentage to 3% or even 3½% for the financial year 1931-32. If the Administration is able to sell alcohol at a price below 70 RM per hectolitre, the percentage may be increased to 3½ or 4%. If it be assumed that fuel consumption continues to increase at the present rate of 15% per

annum, then the following figures are arrived at for the consumption of absolute alcohol at the various possible percentages:-

	2½%	3%	3½%	4%
1931	652,000 hl.	782,000 hl.	912,000 hl.	-
1932	750,000 "	-	1,050,000 "	1,200,000 M

As above stated it is quite possible for Germany to produce from 1.5 to 1.7 million hectolitres more than at present. There is therefore a possibility that the percentage of alcohol which the importers may have to take up may be fixed at 10%.

This percentage of alcohol that has to be taken up should not be confused with that which has to be mixed with the petrol in the production of the fuel. The composition of "Monopolin" at the present time is 20% absolute alcohol and 80% petrol.

When the financial charges are considered which arise from the new legal mixture, it is evident that the compulsory purchase, and the possibility of giving back the alcohol as "Monopolin" at a retail price of 15 RM. means for the importer a supply of alcohol at 65 RM. per hecto. This corresponds to an increase in price of 2.05 Pf. a litre. On the other hand, however, the raising of the duty by the law of 18th April 1930 amounts to 2.8 Pf. a litre. This rise was passed to the consumer as an extra payment of 5 Pf. a litre, a sum which has been considered by the commercial companies as justified. It is also evident that the commercial companies can bear without any ill effect the raising of price of 2.05 Pf. a litre arising from the new law, as this rise was already included in the

5 Pf. which is demanded of the consumers. In addition it should not be forgotten that the world price for petrol has, since the beginning of the year, dropped by  $\frac{1}{2}$  cent. per gallon, that is to say, to 0.55 Pf. per litre. If the position created in Germany by the new fuel law is considered, it must be admitted that there has been an advance owing to it. This is due both to the support that agriculture gives, as well as to the improvement of the trade balance. The diminution in the import of petrol bears a relation to the diminution in the import of cattle to be slaughtered, as Germany is enabled to improve the condition of her livestock by reason of <sup>in the quality</sup> the improvement of the residues issuing from the country distilleries.

#### CZECHOSLOVAKIA.

The States which have succeeded to Austria have been in a very precarious position since the war in regard to the production of spirit. It has been necessary to ration, as the rivalry between potato spirit and that derived from molasses has been very keen. The distilleries are at present working at very low pressure.

Czechoslovakia sought a remedy for this state of things and first of all evolved a special fuel called "Dynamal", whose composition resembled that of Natalite. In the year 1928-29, 52,739 hl. of spirit were employed for motor-fuel purposes. Following the examples of France and Germany a change over was then made to absolute alcohol. At present there exist two dehydrating plants at Prague and Raasditz, and four such plants are under construction, namely at Mährisch-Ostrow, Jungbunzlau, Lieben and Kolín. These factories have been created by private enterprises.

before a State ordinance was issued regarding the employment of the new fuel.

**HUNGARY.**

In Hungary the National Association of the Spirit Trade has organized the production of absolute alcohol.

Since November 1929 the mixture petrol-absolute alcohol has been compulsory in Hungary, in spite of the vigorous campaign conducted by the Petroleum Company against the new fuel, which is called "Metalkol".

From November 1929 to April 1930, 80,000 hl. of alcohol have been employed for mixture with 200,000 hl. petrol. For the period 1930-31 more than 100,000 hl. of spirit are calculated to have been dehydrated.

The business of the industrial distillers consists of four factories in Budapest and Győr, the Leipzig, Guchwind, Kraus-Moskovits and Rember Refineries. That of the agricultural distillers owns two factories in Kivarska and Nagykanizsa. The production amounts to 750 hl. a day.

The National Association of the Spirit Trade estimates the production for the period 1929-30 at 110,000 hl. In the following year this figure should easily be exceeded.

**AUSTRIA.**

In order to combat the decreased production of alcohol, especially by the agricultural distilleries of Austria, attempts are being made there as in surrounding countries to stimulate the employment of alcohol as a fuel.

For some time agriculture has demanded the introduction of fuel having an alcohol basis, following the example of neighbouring states. Uptill now this demand has not met

with response as the production by agricultural distilleries has been very small. Quite recently, however, this desire has been taken into official consideration, and the Government in Vienna is preparing a Bill which will be submitted to Parliament. This Bill proposes to start with a rather weak alcohol mixture, which can gradually replace the present agricultural product.

The present day production of Austria amounts to 251,000 hl. of which only 58,000 hl. is contributed by the agricultural distilleries. Before the war the proportion existing between the industrial and the rural contribution was quite different, as Galicia and Bukovina were large manufacturers of potato spirit. In the Austria of today, especially in the Alpine districts, the production of potatoes is small, although there appears to have been some advance made in the last few years.

The industrial distilleries are able to produce a very cheap spirit as this industry has the monopoly of the working up of molasses, of which 80% must come from abroad, which naturally tends to an adverse trade balance.

Austria also imports every year 1,200,000 hl. of petrol which at a wholesale price of 40 groats a litre makes 48 million shillings.

By mixing 20% agricultural spirit Austria would improve her trade balance by the considerable figure of 9.6 million shillings.

A Bill is to be considered by the Austrian Parliament. The project contemplates a compulsory mixture with 5% alcohol, which would raise the average price of the fuel to 3 groats a litre.

## POLAND.

The conditions in Poland are special as the spirit fetches a low price.

Potatoes form the principal source of alcohol. The average price of potatoes is approximately 8 Fr. per 100 Kgs., which, with a yield of 10%, comes to 80 Fr. a hectolitre of crude spirit or an average wholesale price of 110 to 115 Fr. per hectolitre (of refined spirit), whereas the wholesale price of (refined ?) spirit from molasses is between 150-160 Fr. per hectolitre.

Before the war there used to be 2435 agricultural and only 33 industrial distilleries in Poland; the total production was 2,600,000 hl. a year.

The production of spirit was the accepted destination for the whole of the potato crop except that required for food and the needs of certain industries.

Since the war, however, the economic situation has entirely changed. The number of distilleries has diminished by some 50% while in consequence of rationing production has diminished by almost 75%. The average output of a distillery before the war was 1155 hl. and today is not more than 482 hl.

These abnormal conditions were bound to lead to a monopoly. This was the object of the law of 31st July 1924 which came into force on 1st January 1925.

The monopoly is concerned with the buying and selling of spirit, whilst its production remains in the hands of private interests.

Meanwhile export is controlled by the Spirit Company Ltd., of which the monopoly possesses a quarter of the capital, of which the rest is divided between the spirit-

producing and the refining industries.

During the financial period 1927-28 there was manufactured:- in the industrial distilleries 72,190 hl. and in the country distilleries 590,623 hl., a total of 662,813 hl.. The price paid by the Monopoly was 1.14 sloty/fer country spirit, 0.81 sloty for industrial spirit and 0.48 sloty for yeast spirit.

In the year 1928 50 proper refining plants were working out of 68, and of these producers who possessed rectifying plants 64 out of 166 were active. The cost of rectification was about 10.96 greats per litre in the Monopoly refineries and 13.85 greats in private refineries.

In view of the over-production of spirit (the policy of Poland being purely agrarian) it was found desirable to employ the alcohol as fuel. It must not be forgotten that Poland possesses petroleum wells and that consequently the industrial and agricultural interests are sharply divided.

The output from the Polish wells is, however, not great enough to satisfy the needs of the country, neither is the yield so economical that it can compete successfully with imported petroleum.

In order to obtain a position on the foreign market Poland has been obliged to carry out a policy of dumping and to raise the price for internal consumption in order to be able to sell at the appropriate level of price on the foreign market.

According to a tabular statement which was on view at the stand of the Polish Alcohol Monopoly at the exhibition of Commerce and Travel (1930) the conclusion

53

can be drawn from the development curve of the petroleum industry and fuel consumption, that production in 1935 will become insufficient.

Since 1927 private industry has already taken steps and has carried out a first experiment in the production of absolute alcohol at Kutna. The Polmin Petroleum Company in which the State is interested was instructed to sell a fuel composed of 70% petrol and 30% absolute alcohol. In 1929 6,000 hl. of dehydrated alcohol were devoted to fuel mixture, a very good result as there was no compulsion to buy. The advantage is being pursued further. A new company has already been founded on the pattern of the German Imperial Power Spirit Company, and it is supposed that the mixture absolute alcohol and petrol will be in general preparation in the next annual period. The annual quantity of absolute alcohol which is employed for fuel purposes is estimated at 100,000 hl. absolute alcohol.

#### U.S.A.

The petroleum industry is too huge in the United States for new sources of fuel to be thought of. Absolute alcohol is only in question for chemical factories; the amount required is estimated at 100,000 hl. per annum.

In America the employment of absolute alcohol in the lacquer and varnish industries was effected at a much earlier date than in Europe, its properties being greatly superior to those of spirit. The whole production of alcohol in U.S.A. lies in the hands of the U.S. Industrial Alcohol Company.

#### PANAMA.

The republic of Panama affords the best example of the

advantages which a new fuel possess when it is a question of competing against the supremacy of the great petroleum combines.

Although the consumption in this small country is only limited, the government has permitted the construction of a dehydration plant for alcohol. This has served as a pretext to the Petroleum Companies for a violent press campaign against the new fuel. Even if the development of the mixture is checked by this means the presence of one dehydration plant in the State of Panama will prevent the price of petrol from rising to a height that would not be justified in view of the proximity to the petroleum fields.

#### SWEDEN.

The employment of alcohol as a fuel in Sweden goes back to the year 1911. During the War Sweden suffered much difficulty in maintaining her supply of liquid fuels (mineral oil and benzol). The necessity of finding a fuel quickly led Sweden to employ insufficiently pure spirit mixed with benzol from gasworks or with turpentine, acetone and methyl alcohol from the wood carbonisation works. These products were very impure, so that Sweden well remembers the inferior fuels of the war period.

Thus it was all the easier to introduce a good fuel consisting of 75% petrol and 25% pure absolute alcohol.

This fuel is called "Lättbentyl." Contrary to expectation it rapidly conquered the market, so that today demand exceeds supply, and Lättbentyl sells at 2-3 lire over the price of petrol. The quality of this fuel must be extraordinarily good since the introduction of "Esso" (mixture of petrol and benzol) into Sweden has.

on account of its high price, come to grief.

Sweden's alcohol production amounts to 800,000 hl. which covers about 20% of present requirements.

The principal source of alcohol is the sulphite-cellulose factories. These have not all been equipped for alcohol production, and the few that are produce absolute alcohol by processes which are obsolete.

Although Sweden was one of the first countries to concern itself with the question of alcohol as a fuel it may be said that she is in the last rank as regards technical efficiency. The processes employed involve an absolute waste of material to which no special value is attached as it is only a by-product of paper manufacture.

#### ITALY.

After a decided campaign of propaganda had been undertaken by private industry and agricultural circles to introduce a fuel on the basis of alcohol, the Government has now taken measures which aim at creating a powerful Italian alcohol industry with unlimited possibilities.

The fuel based on alcohol has been the object of special attention, as it is intended to check any wholesale importation of petrol. As a result an Alcohol Committee has been formed with the object of studying the creation of a national fuel. This Committee works in conjunction with the Commission on Fuels. At the same time a study of raw materials suitable for alcohol production is being undertaken. The methods of distillation practised by Italian industry will be improved. Cultivation will be improved, and in this direction a large fund has been created both on the part of the Government and on that

of agricultural institutions. Credits will be afforded for the cultivation of the caleb tree, the asphodel and the agave. These distilleries which produce alcohol will have preference in future development.

The Committee has also undertaken the preparatory work and study for the creation of a fuel on an alcoholic basis, and the cracking process is also being studied in order to afford a maximum of petrol with a minimum of importation. At the same time the Ministry is preparing a bill which aims at creating a Brewery Trust under state control. The general scheme embraces farmers, manufacturers and middlemen. The bill is of special importance as it aims not only at providing raw material for the erection of new distilleries but also to deprive private distilleries of their property and create a trust which would work under state supervision.

All these measures are being designed to place Italy in a position of independence as regards fuel requirements. Mineral oil consumption is at the moment dependent entirely on importation, and although the Government has destroyed the monopoly of the Anglo-American group as a result of its new relationship with the Russian circle of interests, it is not certain that in time of war Russian and Rumanian petroleum would be able to reach Italy. It can be taken for granted that within a short time a powerful alcohol industry will arise in Italy as a result of strong Government pressure.

#### LATVIA.

The union of industrial and potato spirit producers has directed a complete memorandum to the finance ministry.

in which they demand that the use of alcohol may be made  
secure to supply the agricultural requirements in liquid  
fuel - the realization of these proposals would bring  
about the doubling of the present production of spirit.  
As it appears the Government has placed at the disposal of  
the industry a credit of about 700,000 Fr. for the  
erection of new establishments.

OVERSEA MECHANICAL TRANSPORT DIRECTING COMMITTEE. 39

TELEPHONE:  
VICTORIA 2811.

2. WOOD STREET,  
(FIRST FLOOR.)

MILLBANK,

LONDON, S.W.1.

Our Ref.: T.I.(6).

Your Ref.: 18013/32.

29th February 1932.

Sir,

*Not*  
I have to acknowledge with thanks the receipt of your letter of the 24th instant under the above reference, with regard to the question of the production of power alcohol from maize. An article dealing with the trials which were carried out in Southern Rhodesia and the subsequent decision of the Government of that Colony to grant a rebate of duty on petrol, when used for mixing with locally produced alcohol, was contained in the Rhodesia Agricultural Journal, October 1931. A summary of this article appeared in Abstract No. 582 of the Oversea Mechanical Transport Bulletin, Vol.III, No. 2.

That there are a number of considerations to be taken into account in connection with the use of power alcohol, even when not used alone but mixed with petrol, will be gathered from the summaries of the divergent views that have been expressed on the Continent, which are given in Abstract No. 506, Vol.III, No. 1 of the Bulletin. It will be seen, for instance, that a number of countries have brought in legislation to make obligatory the purchase of a certain amount of alcohol by petrol dealers.

The Government of Kenya are doubtless in direct touch as regards this subject with the Government of Southern Rhodesia, and will therefore be able to consider the local aspects of this question in the light of the experience so far gained in Southern Rhodesia. I gather, however, that manufacture on any large scale has not yet been commenced in Southern Rhodesia.

60

You have received from Messrs. H. R. Napp a certain amount of information regarding the Merc process, which is to be used in Southern Rhodesia, as I returned to you a booklet you very kindly lent me on this subject under cover of my letter of the 21st September 1931, your reference 80356/31. This firm, I feel sure, would supply additional information if you require it.

I am,

Sir,

Your obedient Servant,

Secretary.

The Under Secretary of State,  
Colonial Office,  
S.W.1.

661



KENYA.

No. 42

GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

27<sup>th</sup> January, 1932.

Sir,

103

I have the honour to refer to your telegram No. 12 of the 15th instant in regard to the visit of Baron von Roretz to this Colony.

2. As you are aware, this Government has, for some time, been devoting attention to the subject of power alcohol and, in the course of its investigations, approached the Government of Southern Rhodesia for information. That Government referred the matter to a Company which was negotiating with the Baron von Roretz for the purchase of patent rights in a process in which he was interested, and a letter of enquiry as to the cost of the process in question was answered by the Baron himself, who subsequently suggested that he could break his journey to Europe for the purpose of a visit to Nairobi.

3. He duly arrived and was put into touch with the Kenya Farmers' Association which controls the marketing of 90% of the maize in Kenya. After full information as to the capital investment, costs and prices for maize, etc. had been prepared by the Baron and the Agricultural Economist of this Colony, a meeting was arranged on the 19th October last with the representatives of the Kenya Farmers' Association, the General Manager of which expressed himself as interested in the proposal, but desired to know the cost of the patent rights for East Africa, the option on which was stated by the Baron to be held by him. The Baron offered to cable to

the ----

THE RIGHT HONOURABLE  
MAJOR SIR PHILIP CUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON...S.W.1.

the holders of the patent rights and to inform the General Manager (Colonel Griffiths) of the reply. The meeting in question was attended by the Acting Director of Agriculture and the Agricultural Economist.

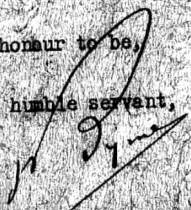
4. Two days later, however, the Baron informed the Acting Director of Agriculture that he had not cabled for this information but instead required the matter to be treated on a different basis, as disclosed in his letter of the 21st October, a copy of which is attached. A copy of this letter was sent to the Kenya Farmers' Association by the Acting Director with the following comment :-

"I informed Baron von Roretz that his enquiry as to an offer for the patent rights and his collaboration should have been addressed to you. I am obliged to ask that you should reply direct by cable to Baron von Roretz".

5. The Baron did not leave Nairobi immediately, but stayed on for some weeks in the hopes that negotiations would shortly be concluded. Colonel Griffiths was, however, communicating with his London Agents with a view to obtaining confidential information as to the value of the particular process in question in comparison with other patented processes. These enquiries are still being pursued, but shortly before his departure from the Colony Baron von Roretz broke off the negotiations with the Kenya Farmers' Association.

I have the honour to be,  
Sir,

Your most obedient, humble servant,



BRIGADIER-GENERAL.

G O V E R N O R.

COPY.

Nairobi,  
Colony of Kenya.

21st October, 1931.

The Hon. Director of Agriculture,  
Nairobi,  
Kenya Colony.

Sir,

With reference to our meeting held in your office on the 19th instant, I regret to have to inform you that owing to unexpected private affairs I shall have to leave Nairobi on the 25th instant.

My reasons for complying with your cables of August 28th and September 23rd was that by doing so I should have the opportunity of laying before you the great economic principle involved in the inauguration of a Power Alcohol Scheme and to assist you by any means in my power to make this a success, in the same manner as I have done in Rhodesia.

My holding of the Patent Rights per se is of minor importance but what does matter is my collaboration either in an advisory or executive capacity - I should therefore be glad to hear from you what you would be prepared to offer me for (a) the patent rights (b) my collaboration as above, on the 15th November as I intend to visit Messrs. E. Merck of Darmstadt about that time.

This would enable me to give you a definite reply to your offers.

My cable address is :-

Roretz - Horn - Austria.

I am, Sir,

Yours faithfully,

(sgd) ---Roretz.

4-5

C. O.

Mr. Pooley 22/2/32

Mr. Venning. 22/2/32

Mr. Freeston. 21

Mr. Tomlinson. *Chairman 23/2*

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.



24 Feb. 1932.

Sir,

I am etc. to inform you request you to

DRAFT.

inform the Overseas Mechanical Transport

Directing Committee that the Government

recently been approached with of Kenya has ~~under consideration the~~ proposals for possibilities of utilising the ~~Colonial~~

surplus maize for the production of power alcohol for mixing with petrol.

2. Sir Philip Cunliffe-Lister understands that a <sup>similar</sup> ~~scheme for the~~ production of power alcohol from ~~grain~~ <sup>corn</sup> has been under discussion was recently put into operation in

southern Rhodesia, and he would be glad to have any information regarding this and any <sup>other project for the production of power alcohol from maize</sup> ~~similar~~ schemes, particularly as regards the methods employed and the results obtained, which you your

Committee may be in a position to

*Answer*  
*Amid 8*  
*Amid 7*

furnish.

3. I am to explain that Sir  
Philip Cunliffe-Lister desires  
information regarding schemes for  
the production of power alcohol from  
maize only, and not from residues,  
such as molasses, sisal waste, etc.

I am etc.

3. A similar letter is being  
addressed to the O.K.T.D.  
the D.S.I.R.

H. T. ALLEN

3

Do. 15/32

Vinaya

Labelled  
3-30 p.m.  
15/1/32

C.O.

15 JAN 1932

Mr. Tomlinson  
Mr. [unclear]  
Mr. [unclear]

Sir C. Bottomley, 15.1.32 done

Sir J. Shuckburgh  
Sir G. Grindale  
Parlm. U.S. of S.  
Parly. U.S. of S.  
Secretary of State.

DRAFT. Tel.

Gov. Nairobi

Hand

No 12. BARNY VON ROETZ

has called at Colonial Office  
in regard to production of  
power which from maize in  
Kenya. He discussed possibility  
with Dept. of Agriculture Nairobi  
in August, and is under  
impression that tel. was sent  
by your Govt. to C.O. of which  
~~no~~ record exists here. Shall  
be glad to receive report by  
an early mail.

SECCER

OFFICIAL



REPORT.

SOUTHERN RHODESIA.

DEBATES

OF THE

Legislative Assembly.

Vol. 10, No. 35

Thursday, 14th May, 1931.

CONTENTS.

REPORT:

Report of Select Committee on Power Alcohol.

PAPER:

Minutes and Proceedings of Select Committee on Power Alcohol.

FIRST READING:

Financial Adjustments Bill.

NOTION:

Adjournment of House over ordinary sitting days.

THIRD READINGS:

Dairy Industry Control Bill.

Fencing (Supplementary) Bill.

COMMITTEES OF WHOLE HOUSE:

Public Services Bill. (Conclusion.)

Insurance Tax Bill.

Bank Notes Bill.

Liquor Amendment Bill. (First Day.)

AMENDMENTS CONSIDERED:

Customs and Excise Amendment Bill.

SALISBURY, RHODESIA:

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**LIST OF MEMBERS OF THE LEGISLATIVE ASSEMBLY.**  
and the Electoral Districts represented by them.

THIRD SESSION, SECOND PARLIAMENT, 1931.

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Colonial Secretary: The Honourable W. M. Leggate, C.M.G., M.L.A.

Minister of Agriculture and Lands: The Honourable R. A. Fletcher, M.L.A.

Minister of Mines and Public Works: The Honourable George Mitchell, M.L.A.

**SPEAKER.**

The Honourable Lionel Cripps.

**DEPUTY SPEAKER AND CHAIRMAN OF COMMITTEES.**

Mr. Charles Eickhoff, M.L.A.

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Bertin, Captain Harry, K.C.	Salisbury South (Sen.)
Claxton, Mark Douglas	Shamva.
Cowden, James	Bulawayo Central (Sen.)
Dankiger, Max	Gwelo.
Davies, Harry Herbert	Bulawayo South.
Downes, Captain Roger Edward	Hartley.
Eaton, James Murdoch	Lomagundi.
Eickhoff, Charles	Umtali North.
Fletcher, the Hon. Robert Alexander	Matopo.
Fynn, the Hon. Percival Donald Leslie, C.M.G.	Salisbury North (Jun.)
Gilchrist, Robert Dunipace	Selukwe.
Green, Captain Luke Lot, D.S.O., M.C.	Marandellas.
Guest, Lieut.-Colonel Ernest Lucas	Charter.
Hudson, Major the Hon. Robert James, M.C., K.C.	Bulawayo North (Sen.)
Huggins, Godfrey Martin, F.R.C.S.	Salisbury North (Sen.)
Johling, Charles Spearman	Inyati.
Keller, Laurence John Walter	Rayton.
Leggate, the Hon. William Muter, C.M.G.	Salisbury District.
MacGillivray, Donald	Bulawayo Central (Jun.)
Malcolm, Jonathan Hunter	Umtali South.
Martin, John Louis	Eastern.
Mitchell, George	Gwanda.
Moffat, the Hon. Howard Unwin, C.M.G.	Victoria.
Munro, George	Gatooma.
Noaks, Edward Walter Lionel	Masoe.
O'Keefe, Stephen Martin Lanigan	Insiza.
Smit, Jacob Hendrik	Salisbury South (Jun.)
Taylor, Colonel Arthur James, C.M.G., D.S.O., M.C.	Que Que.
Thomson, Alexander Robert	Wankie.
Welsh, Allan Ross	Bulawayo North (Jun.)

J. G. JEABEY,

Clerk of the Legislative Assembly.

## LEGISLATIVE ASSEMBLY.

Thursday, 14th May, 1931.

## [OFFICIAL REPORT.]

Mr. Speaker took the Chair at 2.15 clock p.m.

## POWER ALCOHOL FROM LOCAL PRODUCTS.

Mr. Huggins, as Chairman, brought up the report of the Select Committee on power alcohol, as follows:—

Report of the Select Committee, consisting of Mr. Huggins, Mr. Malcolm, Mr. Noaks, Colonel Taylor and Mr. Thomson, appointed by order of the House of the 4th April, 1931, to enquire into the advisability or otherwise of the encouragement by law or other means of the manufacture and sale of power alcohol manufactured from local products; the committee to have power to take evidence and call for papers.

Your committee sat on the 15th, 17th and 28th April, and 1st, 7th, 12th and 13th May.

The following witnesses were examined: Mr. A. C. Bagshawe, Secretary, Department of Agriculture; Mr. A. D. Husband, Chief Chemist; Baron E. von Roretz, Doctor of Medicine; Mr. C. L. Robertson, Chief Irrigation Engineer, Department of Agriculture; Mr. R. F. Oakley, Manager, Shell Petrol Company; Mr. J. P. Butcher, Manager, Texas Petrol Company; Mr. J. Buckmaster, General Manager, Farmers' Co-op.; Mr. J. C. Penman, Manager, Atlantic Company; Mr. H. H. Penman, Assistant Manager, Atlantic Company; Mr. G. L. Robertson, District Superintendent, Rhodesia Railways, Salisbury; Mr. J. St. George B. Nolan, Vacuum Oil Company; Mr. R. W. Dunster, Vacuum Oil Company; and Mr. A. W. Facer, Analytical Chemist, Public Health Department.

Your committee is impressed with the great importance of the subject into which it has been directed to enquire, and in making its report the problem has been considered from various aspects.

(a) Would the mixing of alcohol with petrol effect an economy or otherwise in the actual cost of fuel to the consumer?

(b) Would the use of an alcohol mixture be injurious to the motor engine?

(c) Would the production of 99.8 per cent. alcohol from local products materially assist any section of the agricultural industry which may be suffering at the moment from difficulty in marketing its surplus crop without considerable loss?

Your committee has given particular attention to the production of alcohol from maize in view of the fact that maize production has been and still is the principal crop of Southern Rhodesia.

(d) Would the residue from the process of manufacture be of any value to the cattle industry?

(e) Would legislation be necessary in order that such an industry might be established?

Your committee examined the files submitted by Mr. Bagshawe, Secretary, Department of Agriculture, containing full particulars of the negotiations which had been conducted and which terminated in the Cabinet resolution, dated the 13th February, 1931. This resolution was as follows: "After consideration of the confidential report of the Board of Trade and Industries, Pretoria, and the Minutes of the Minister of Agriculture and other Ministers, it was resolved 'that the proposal put forward by Baron von Roretz cannot be entertained by the Government.'"

Your committee has been struck with the confusion of thought that has resulted from reference to alcohol of less purity than 99.8 per cent. both in evidence submitted to the Government and that subsequently obtained.

Your committee can find no evidence that there is any drawback to this mixture being used in ordinary commercial petrol-using internal combustion engines, provided the mixture does not exceed 20 per cent. of water-free alcohol.

After considering all the evidence, your committee recommends that legislation be introduced providing for the inclusion of 20 per cent. of 99.8 per cent. alcohol in petrol sold in Southern Rhodesia as soon as supplies of such alcohol are available. In arriving at this decision your committee has been influenced by the following factors:—

**Price of Fuel.**

Although evidence given by the petrol companies was not entirely consistent, it is doubtful whether in the near future there is likely to be any substantial permanent decrease in the cost of fuel.

**Bulk Storage.**

The establishment of bulk storage at Beira in two or three years' time may bring

(Mr. Huggins.) some much reduction in price. Although distributing costs are very high, they are not greater than those at present operating in the Union.

#### Railway Rates.

Local railway rates appear to be actually lower, but the rate on tank cars over the Rhodesian section of the line is more than double those obtaining over the South African railway section to Mafeking.

#### Cost of Production and Advantages to Maize Growers.

Your committee is satisfied that alcohol can be produced and delivered at the mixing stations at not more than 2s. per gallon, which would therefore not entail an increase of cost of fuel for the consumer. From investigations, it has been shown that a decrease or increase of 1s. per bag in the price of maize is reflected by a fluctuation of 1½d. per gallon in the cost of manufacture of one gallon of alcohol.

Should the price of maize increase, sweet potatoes, a low priced crop producing a high yield of alcohol per acre, could be substituted, which would enable alcohol to be sold at a competitive figure.

It should be pointed out that native maize is of equal value to the higher grades in so far as the manufacture of alcohol is concerned.

The establishment of such an industry would undoubtedly prove of benefit to maize growers. It would provide a local market for at least 100,000 bags of maize, for which the distillery could pay 5s. per bag, and still sell the alcohol at 2s. per gallon. Not only would this create a new local industry using crops grown in the country, but it is of special value owing to the fact that Southern Rhodesia is an inland State. Southern Rhodesia will never be in a position to obtain foreign fuel at prices comparable to those that rule at the coast, and local sources of supply should therefore be encouraged.

#### Power Losses.

Technical evidence shows that the mixture of 20 per cent. alcohol is the most efficient proportion to use, though certain authorities state that there is a maximum reduction in mileage of 6 per cent. This is more than counterbalanced by the valuable properties which the mixture has been proved to possess, namely, "cooling, rust, and 'absence of carbon deposit.'" The deleterious effect of the use of alcohol as a fuel

on motor engines has been shown to be due to certain impurities in ordinary alcohol, which are not present in water-free alcohol of 99.5 per cent. purity.

#### Mixture is Mixture.

Evidence was led to show that the fuel might absorb moisture, but the committee is satisfied that this is not of any importance, more particularly in a climate like Southern Rhodesia.

Definite evidence has been given that in Germany the General Omnibus Company of Berlin has obtained satisfactory service from a similar mixture, and in view of the humidity of Berlin completely disposes of this criticism.

#### Residue.

The residue is a valuable stock feed, more especially for dairy cows, and the small quantity produced could probably be absorbed within a few miles of a town such as Salisbury. The price quoted £4 40s. per ton, compares favourably with monkey but cake at 29 per ton. Even if it becomes necessary to export any surplus, the value would be greater than an equivalent weight of maize.

#### Cost of Mixing.

From all evidence the cost of mixing the spirit with petrol would be very small, as the two fluids blend readily and no technical difficulties have to be overcome. While the Representatives of the petrol companies expressed their desire to assist, they pointed out that their business is to sell petrol and not petrol substitutes. It is evident that without legislative action, little alcohol would be consumed, as it is not possible to use this fuel except as a mixture with petrol.

No company therefore can be expected to erect a distillery without some guarantee. If the recommendation of your committee is adopted by the House it would be necessary for the Government to give a definite undertaking to introduce legislation in order that the option holder could exercise his option and prevent the patent rights falling into unsympathetic hands.

Your committee feels that should anything happen to prevent Baron von Borzitz raising the capital, steps should be taken by the Government to secure the patent rights of the "Merck" process for Southern Rhodesia.

#### Monopoly.

Your committee desires to point out that the proposals would not create a monopoly, there are other patents which might be used and advantage taken of the legislative sanction recommended by your committee.

It is further noted that Baron von Borzitz has offered his option on the "Merck" process to the Government.

Your committee desires to express its thanks to the various Government officials and experts and to the representatives of the oil companies and other witnesses for the valuable information they have given. This has been of great assistance in enabling you committee to come to a decision.

G. MARTIN HUGGINS,  
Chairman.

Committee Room,  
Legislative Assembly  
Salisbury, 14th May, 1931.

Mr. Higgins laid on the Table—

A copy of the proceedings of the Select Committee appointed to enquire into the manufacture and sale of power alcohol, together with the minutes of evidence taken before the said committee.

#### FINANCIAL ADJUSTMENTS BILL.

The Treasurer announced that he was the bearer of a message from His Excellency the Governor transmitting for the consideration of the Legislative Assembly the Financial Adjustments Bill, 1931, which, by direction of Mr. Speaker, was read a first time, the consideration in Committee of Supply being set down for 18th May.

The Treasurer also announced that His Excellency the Governor having been informed of the provisions of this Bill recommends the appropriation from the Consolidated Revenue Fund contemplated therein to the consideration of the House.

#### ADJOURNMENT.

The Premier moved, seconded by the Treasurer, that the House on its rising to-day adjourn until Monday, 18th May. Agreed to.

#### DAIRY INDUSTRY CONTROL BILL.

The Dairy Industry Control Bill passed the third reading.

#### PUBLIC SERVICES BILL.

The House resumed in Committee on Public Services Bill.

The Chairman stated: When progress was reported on Tuesday last, the Schedule had been agreed to and clause 44 had been ordered to stand over for further consideration. The hon. the Colonial Secretary had

moved to omit clause 44 and to substitute the following in lieu thereof:

"44. (1) Save as is provided in sub-section (4) of this section, a member who has attained the age of sixty years shall have the right to retire from the Service on an annuity calculated as provided in section forty-three.

(2) Any member who, by virtue of the provisions of section four is entitled to retire on attaining the age of fifty-five years, may at any time within a period of two years after the fixed date, but prior to attaining the age of fifty-five years, apply in writing to the Minister to be allowed to remain in the Service until he attains the age of sixty years. Within a period of six months after the date of the application, the decision of the Governor thereon shall be notified to the member.

Subject to any provisions of this Act relating to good conduct, efficiency or physical fitness, any member whose application as aforesaid has been granted shall, notwithstanding the provisions of section four, not be entitled to retire or liable to be retired until he attains the age of sixty years.

(3) Subject to the provisions of the preceding sub-section, any member who, by virtue of the provisions of section four is entitled to retire on attaining the age of fifty-five years, may, on attaining such age, be required to retire on an annuity calculated as provided in section forty-three, unless the Governor considers that it is desirable in the public interest to retain him in his office or post over that age and in that event such member may with his consent from time to time be retained for further periods not exceeding one year at a time until he attains the age of sixty years provided that any member so retiring or being retired shall give or be given six months' notice of such retirement.

(4) Notwithstanding the provisions of this section, the retiring age of women members shall be fifty-five years.

(5) Except as provided in sub-section (3), a member who has attained the retiring age shall be required to retire, unless it is desirable in the public interest to retain him in his office or post over that age, and in that event such a member may with his consent from time to time be retained for further periods provided that—

(a) no member shall contribute to the pension fund during such period of service;

(Mr. Huggins.)  
 some small reduction in price. Although distributing costs are very high, they are not greater than those at present operating in the Union.

#### Railway Rates.

Local railway rates appear to be actually lower, but the rate on tank cars over the Rhodesian section of the line are more than double those obtaining over the South African railway section to Mafeking.

#### Cost of Production and Advantages to Maize Growers.

Your committee is satisfied that alcohol can be produced and delivered at the mixing stations at not more than 2s. per gallon, which would therefore not entail an increase of cost of fuel to the consumer. From investigations, it has been shown that a decrease or increase of 1s. per bag in the price of maize is reflected by a fluctuation of 1½d. per gallon in the cost of manufacture of one gallon of alcohol.

Should the price of maize increase, sweet potatoes, a less priced crop, producing a high yield of alcohol per acre, could be substituted, which would enable alcohol to be sold at a competitive figure.

It should be pointed out that native maize is of equal value to the higher grades in so far as the manufacture of alcohol is concerned.

The establishment of such an industry would undoubtedly prove of benefit to maize growers, who could provide a "home market" for at least 100,000 bags of maize, for which the distillery could pay 9s. per bag, and still sell the alcohol at 2s. per gallon. Not only would this create a new local industry using crops grown in the country, but it is of special value owing to the fact that Southern Rhodesia is an inland State. Southern Rhodesia will never be in a position to obtain foreign fuel at prices comparable to those that rule at the coast, and local sources of supply should therefore be encouraged.

#### Power Losses.

Technical evidence shows that the mixture of 20 per cent alcohol in the motor oil is of sufficient proportion to use, though certain authorities state that there is a maximum reduction in mileage of 6 per cent. This is more than counterbalanced by the valuable properties which the mixture has been proved to possess, namely, cooler running, more "powerful" combustion, and absence of carbon deposit. The deleterious effect of the use of alcohol as a fuel

of motor engines has been shown to be due to certain impurities in ordinary alcohol, which are not present in water-free alcohol of 99.6 per cent purity.

#### Motors in Mixtures.

Evidence was led to show that the fuel mixture does not cause any damage, but the committee is satisfied that this is not of any importance, more particularly in a climate like Southern Rhodesia.

Definite evidence has been given that in Germany the General Omnibus Company of Berlin has obtained satisfactory service from motor mixtures, and in view of the humidity of Berlin completely disposes of this criticism.

#### Residue.

The residue is a valuable stock feed, more especially for dairy cows, and the small quantity produced could probably be absorbed within a few miles of a town such as Salisbury. The price quoted, 2s. 0s. 6d. per cwt. compares favourably with mangel-wet cake at 2s. per ton. Even if it becomes necessary to export any surplus, the value would be greater than an equivalent weight of maize.

#### Cost of Mixing.

From all evidence the cost of mixing the spirit with petrol would be very small, as the two fluids blend readily and no technical difficulties have to be overcome. Whilst the representatives of the petrol companies expressed their desire to assist, they pointed out that their business is to sell petrol and not petrol substitutes. It is evident that without legislative action, little alcohol would be consumed, as it is not possible to use this fuel except as a mixture with petrol.

No company therefore can be expected to erect a distillery without some guarantee. If the recommendation of your committee is adopted by the House it would be necessary for the Government to give a definite undertaking to introduce legislation in order that the option holder could exercise his option and prevent the patent rights falling into unexpansive hands.

Your committee feels that should anything happen to prevent Baron von Borch raising the capital, steps should be taken by the Government to secure the patent rights of the "Merck" process for Southern Rhodesia.

#### Monopoly.

Your committee desires to point out that the proposals would not create a monopoly, as other patents which might be secured and advantages taken of the legislative sanction recommended by your committee.

It is further noted that Baron von Borch has offered his option on the "Merck" patent to the Government.

Your committee desires to express its thanks to the various Government officials and experts and to the representatives of the oil companies and other witnesses for the valuable information they have given. This has been of great assistance in enabling your committee to come to a decision.

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Chairman.

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The Treasurer also announced that His Excellency the Governor, having been informed of the provisions of this Bill, recommends the appropriation from the Consolidated Revenue Fund contemplated therein to the consideration of the House.

#### ADJOURNMENT.

The Premier moved, seconded by the Treasurer, that the House on its rising today adjourn until Monday, 18th May.  
 Agreed to.

#### DAIRY INDUSTRY CONTROL BILL.

The Dairy Industry Control Bill passed the third reading.

#### PUBLIC SERVICES BILL.

The House resumed in Committee on Public Services Bill.

The Chairman stated: When progress was reported on Tuesday last, the Schedule had been agreed to and clause 44 had been ordered to stand over for further consideration. The hon. the Colonial Secretary had

moved to omit clause 44 and to substitute the following in lieu thereof—

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(2) Any member who, by virtue of the provisions of section four, is entitled to retire on attaining the age of fifty-five years, may at any time within a period of two years after the fixed date, but prior to attaining the age of fifty-five years, apply in writing to the Minister to be allowed to remain in the Service until he attains the age of sixty years. Within a period of six months after the date of the application, the decision of the Governor thereon shall be notified to the member.

Subject to any provisions of this Act relating to good conduct, efficiency or physical fitness, any member whose application as aforesaid has been granted, shall, notwithstanding the provisions of section four, not be entitled to retire or liable to be retired until he attains the age of sixty years.

(3) Subject to the provisions of the preceding subsection, any member who, by virtue of the provisions of section four, is entitled to retire on attaining such age, may be required to retire on an annuity calculated as provided in section four, unless the Governor considers that it is desirable in the public interest to retain him in his office or post over that age, and in that event such member may, with his consent from time to time be retained for further periods not exceeding one year at a time until he attains the age of sixty years, provided that any member so retiring or being retired shall give or be given six months' notice of such retirement.

(4) Notwithstanding the provisions of this section, the retiring age of women members shall be fifty-five years.

(5) Except as provided in subsection (3), a member who has attained the retiring age shall be required to retire, unless it is desirable in the public interest to retain him in his office or post over that age, and in that event such a member may with his consent from time to time be retained for further periods, provided that—

(a) no member shall contribute to the pension fund during such period of service;

[The Chairman.]

(h) a list of members so retained shall be published in the annual report of the Public Services Board."

**The Colonial Secretary:** I move the following amendment in the proposed new clause 4, printed on pages 270-1 of the Votes and Proceedings in sub-clause (6) after the words "further periods" to insert "not exceeding one year at a time." Sir, I gave a promise to the Committee that I would see if this clause could be tightened up a little in that this House should be given an opportunity of having its say in regard to any officers who were retained beyond the age of 60 years. Well, that I have done by an amendment which I have put on the Order Paper, providing that no agreement shall be made by the Government to extend the services of an officer beyond one year at a time. That will give a maximum period of service to any particular officer of one year before his further employment can come to the notice of this House. I move that those words be added to the new clause.

**Mr. Keller:** What is the position of the Police in regard to this? Would the Police come under the category of Civil Servants? I believe that at the moment there is some sort of regulation which governs the retirement of police officers; I believe they retire at 50. At least so I am informed—(THE ATTORNEY GENERAL: They are not bound by the conditions of this Bill; they come under the Police Act.)—Well, then it would seem that different conditions apply to the two branches of the Service. I am not sure at what age the police are compulsorily retired, but I have received a communication from one of my constituents, in which it is stated that police officers are compelled to retire at 50, whereas under this proposal other individuals, members of the Public Service, can remain for much longer periods. Whilst I do not identify myself too closely with this complaint, I put it forward as a duty. My correspondence goes on to claim that police officers should have the same right as other Civil Servants in regard to the pension fund, particularly in regard to the age of retirement, and that, I think, is a perfectly reasonable request.

**The Chairman:** I do not rule the hon. member out of order, but what he is saying does not apply to this particular Bill.

**Mr. Keller:** That was why I asked if police officers are Civil Servants.

**The Chairman:** Not within the meaning of this Bill.

**Mr. Huggins:** The hon. the Minister says his amendment is in sub-clause (5). Is does not occur there; it is in sub-clause (4).

**The Chairman:** I refer the hon. member to the sixth line of sub-clause (5). There is the proposed amendment.

Agreed to.

New clause 4A as amended agreed to.

On the motion of the Colonial Secretary, the Committee reverted to clause 6.

**The Colonial Secretary:** I move the following amendment.—In line 23, on page 4, after the word "Minister" to insert "or by an association." This provides for associations being able to bring grievances of officers to the notice of the Board.

Agreed to.

Clause 6 as amended agreed to.

The Bill was reported with amendments, consideration of the amendments being set down for Monday, 18th May.

#### PENSIONS (SUPPLEMENTARY) BILL.

The Pensions (Supplementary) Bill passed the third reading.

#### CUSTOMS AND EXCISE AMENDMENT BILL.

The House considered the Customs and Excise Amendment Bill as amended in Committee of the Whole House.

The Bill as amended was adopted, the third reading being set down for Monday, 18th May.

#### INCOME TAX BILL.

The House went into Committee on the Income Tax Bill.

Clauses 1 and 2 agreed to.

On clause 3,

**Mr. Davies:** We have already called attention to the undesirability of imposing this additional taxation which will result from the amendment to the Government Act; that taxation is unduly high upon these people whose incomes are limited by the sums set down in the principal Act. Since there are avenues of taxation which have not been explored, I beg to move that this clause be deleted.

**The Treasurer:** For the reasons that have already been given, it is scarcely necessary for me to say that I am unable to accept this amendment.

**Captain Bertin:** Regarding the amendment proposed by the hon. member for

Bulawayo South (Mr. Davies) I think it is necessary to emphasize what the hon. the Treasurer said in a different way. The other way it may not be generally

outside this House that incomes of the larger amounts pay in far less as against incomes of the smaller amount, which only pay 5 per cent. One fully realises the object of the hon. member and if there was no super-tax, as one sees it, in operation in the Colony there would be the most excellent reasons for imposing it. But as things are at the present time I do not think that we should be doing a wise thing in increasing the present super-tax, as we may call it. For this reason the hon. member for Bulawayo South (Mr. Davies) has perhaps forgotten that our income tax here is of a peculiar kind. It only applies to income accruing within the Colony. It is possible for a millionaire to be domiciled in Southern Rhodesia and pay no income tax at all, and the income of the increased tax on the larger incomes will have the effect, which I am sure the hon. member for Bulawayo South (Mr. Davies) would deplore, of encouraging people of larger incomes to invest their money outside of the Colony. That is going to be the direct effect, because they will then be able to escape the increased income tax. Until the Government is ready to alter the whole basis upon which the income tax is levied, one should go very cautiously about increasing the tax on incomes of individuals. It becomes quite a question when a man has a large income amounting to £4,000 or £5,000 a year, and if he can so place his investments that he can escape the larger tax in this Colony he will assuredly do it, perhaps only gradually. We want a much of this money used in ventures in this Colony to provide work for the very people whom the hon. member for Bulawayo South (Mr. Davies) claims particularly to represent. Hon. members are probably aware that the incidence of income tax in England is on a very different basis. If you are domiciled in England you pay income tax on every penny of your income, wherever it is derived, and there is no escape. Here, as I have pointed out, the facts are entirely different. If there was no equivalent of super-tax here, a good case would be made out for an increase, even under our present circumstances. Until we are prepared to alter the basis, I think it would be unwise. There is another point in connection with it. The hon. member complains, and I have every

sympathy with him, that this reduces the amusement of the married man and the single man. The amount of the tax may not be very large, but it will bring home to an increasing circle of people that they have a direct interest in the way in which the Government is carried on. There is no area, way of bringing home to people who are inclined to treat politics as rather a game for a few people, that they have a very real interest in how the game is carried on. That will be a warning voice to those who are inclined to suggest an increase of large expenditure which may have, perhaps, a small chance of success. It is a very favourable amusement during election times to suggest the spending of money in various parts of the country for the benefit of this section or that section. When one does it to people who have to find the money to pay, well, it brings it home in a peculiarly impressive way. Even the man who is only drawing £30 a month, if he hears of a scheme which he doubts the practicability of, and realises that it may send an increased contribution by himself—he is more likely to examine that scheme very carefully, than if the scheme will not result in any pecuniary drain upon his own resources. To that extent there is a useful side to it. I do not say that justifies it, but it is certainly a salutary matter at this period in our history when economy all round should be the order of the day if we are going to weather the economic blasts that are on the horizon.

**Mr. Davies:** I am sure that the Government will be glad of the defence of their taxation proposals coming from the hon. member who has spoken for me. BERTIN: That is not my object—I am also interested in his viewpoint as to the political situation. If he thinks that people derive amusement in propounding schemes for the expenditure of money during election times, it is hardly any wonder that his Bill should often be carried. The hon. member has also made a point of the super-tax, but I am, of course, and so is the hon. the Treasurer, aware that our limit of taxation is not nearly so high as it is in the Union of South Africa, and he has himself explained that this is also the case in regard to Great Britain. He calls attention to another anomaly, that in Great Britain the principle of imposing income tax is upon the income of the individual, and he bemoans the fact, or rather deplores the possibility of millionsaires removing themselves from Rhodesia

[The Chairman.]

(b) a list of members so retained shall be published in the annual report of the Public Services Board."

**The Colonial Secretary:** I move the following amendment in the proposed new clause 44, printed on pages 270-1 of the Votes and Proceedings:— "In sub-clause (6) after the words 'further period' to insert 'not exceeding one year at a time.' Sir, I gave a promise to the Committee that I would see if this clause could be tightened up a little, in order that this House should be given an opportunity of having its say in regard to any officers who were retained beyond the age of 60 years. Well, that I have done by an amendment which I have put on the Order Paper, providing that no agreement shall be made by the Government to extend the services of an officer beyond one year at a time. That will give a maximum period of service to any particular officer of one year before his further engagement can come to the notice of this House. I move that those words be added to the new clause.

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**The Chairman:** I do not rule the hon. member out of order, but what he is saying does not apply to this particular Bill.

**Mr. Keller:** That was why I asked if police officers are Civil Servants.

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**Mr. Huggins:** The hon. the Minister says his amendment is in sub-clause (5). Is does not occur there; it is in sub-clause (4).

**The Chairman:** I refer the hon. member to the sixth line of sub-clause (5). There is the proposed amendment.

Agreed to.

New clause 44 as amended agreed to.

On the motion of the Colonial Secretary, the Committee reverted to clause 6.

**The Colonial Secretary:** I move the following amendment:—In line 23, on page 4 after the word "Minister" to insert "or by an association." This provides for associations being able to bring grievances of officers to the notice of the Board.

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Clause 6 as amended agreed to.

The Bill was reported with amendments, consideration of the amendments being set down for Monday, 18th May.

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Clauses 1 and 2 agreed to.

On clause 3.

**Mr. Davies:** We have already called attention to the undesirability of imposing this additional taxation which will result from the amendment of the original Act. I do submit again to the Government that taxation is unduly high upon these people whose incomes are limited by the sums set down in the principal Act. Since there are avenues of taxation which have not been explored, I beg to move that this clause be deleted.

**The Treasurer:** For the reasons that have already been given, it is scarcely necessary for me to say that I am unable to accept this amendment.

**Captain Bertin:** Regarding the amendment proposed by the hon. member for

Bulawayo South (Mr. Davies): I think it is necessary to emphasize what the hon. the Treasurer put in a different way the other day. It may not be generally known outside this House that incomes of the larger amounts pay 15 per cent as against incomes of the smaller amount, which only pay 5 per cent. One fully realises the object of the hon. member, and if there was no super-tax, as one must call it, in operation in this Colony there would be the most excellent reasons for imposing it. But as things are at the present time I do not think that we should be doing a wise thing in increasing the present super-tax, as we may call it. For this reason the hon. member for Bulawayo South (Mr. Davies) has perhaps forgotten that our income tax here is of a peculiar kind: It only applies to income accruing with the income. It is possible for a millionaire to be domiciled in Southern Rhodesia and pay no income tax at all, and the undue increase of the income tax on the larger incomes will have the effect, which I am sure the hon. member for Bulawayo South (Mr. Davies) would deplore, of encouraging people of larger incomes to invest their money outside of the Colony. That is going to be the direct effect, because they will then escape the increased income tax. Until the Government is ready to alter the whole basis upon which the income tax is levied, one should go very cautiously about increasing the tax on incomes of individuals. It becomes quite a question when a man has a large income amounting to 24,000 or 25,000 a year, and if he can so place his investments that he can escape the larger tax in this Colony he will assuredly do it, perhaps only gradually. We want as much of this income tax as every penny of it. We want to provide work for the very people whom the hon. member for Bulawayo South (Mr. Davies) claims particularly to represent. Hon. members are probably aware that the incidence of income tax in England is on an entirely different basis. If you are domiciled in England, you pay income tax on every penny of your income, wherever it is derived, and there is no escape. Here, as I have pointed out, the facts are entirely different. If there was no equivalent of super-tax here, a good case would be made out for an increase, even under our present circumstances. Until we are prepared to alter the basis, I think it would be unwise. There is another point in connection with it. The hon. member complains, and I have every

sympathy with him, that this reduces the amount in respect of the married man and the single man. The amount of the tax may not be very large, but it will bring home to an increasing circle of people that they have a direct interest in the way in which the Government is carried on. There is no surer way of bringing home to people who are inclined to great politics as rather a game for a few people, that they have a very real interest in how the game is carried on. That will be a warning voice to those of us who are inclined to suggest or initiate schemes for large expenditure which may have, perhaps, a small chance of success. It is a very favourable amusement during election times to suggest the spending of money in various parts of the country for the benefit of this section or that section. When one does it to people who have to find the money to pay, well, it brings it home in a peculiarly impressive way. Even the man who only draws £30 a month, the bearer of a scheme which he doubts the practicability of—realises that it may need an increased contribution by himself—he is more likely to examine that scheme very carefully, than if the scheme will not result in any pecuniary drain upon his own resources. To that extent there is a useful side to it. I do not say that justifies it, but it is certainly a salutary matter at this period in our history when economy all round should be the order of the day if we are going to weather the economic blasts that are on the horizon.

**Mr. Davies:** I am sure that the Government will be glad of the defence of their taxation proposals coming from the hon. member who has spoken—CAPTAIN BERTIN: That is not my object—I am also interested in his viewpoint as to the political situation. If he thinks that people derive amusement in propounding schemes for the expenditure of money during election times, it is hardly any wonder that his Party has so often failed. The hon. member has also made a point of the super-tax, but I am, of course, and so is the hon. the Treasurer, aware that our limit of taxation is not nearly so high as it is in the Union of South Africa, and he has himself explained that this is also the case in regard to Great Britain. He calls attention to another anomaly, that in Great Britain the principle of imposing interest tax is upon the income of the individual, and he becomes the fact or rather deplores the possibility of millionsaires removing themselves from Rhodesia

[Mr. Davies.]

to escape taxation—[CAPTAIN BERTIN: Removing their money]—I think that they take every precaution to-day to do that. They are business people. I do not believe that there is any man in this country living here at the moment, or who is likely to come here, who would be prepared to alter his position merely by reason of the fact that some little imposition greater than at present imposed would be levelled to yield, and this is the point, £20,000 from very large incomes. For that is all that is required. That is all that the hon. the Treasurer expects to denounce from it. The hon. member must know, if he has followed the debate, that this is not the only avenue of taxation that is not explored. We did draw attention during the debate on the taxation of bank notes, where it was clearly shown that we could derive a far larger income than that suggested. I do not want, of course, to travel on those lines for the moment, but there are other avenues to explore—the exorbitant profits derived by the railways in this country, which the hon. member knows could be taxed to yield this sum of £20,000 without detriment to the service—without imposing the necessity for reduction either of profits or wages in the railway service of this country. Surely these are avenues that could better be explored than those that are already taxed.

I again submit is the over-taxation of the lower-paid section of the public of Rhodesia. Living costs and production costs are so high in this country, not by reason of the individual, but by reason of the conditions he has to face. While avenues of taxation are unexplored, it is a bounden duty to prevent, if we can, an additional taxing of the people who are overburdened, and we should direct our taxation measures to those people who are able to bear it without feeling the burden. That is for this House, including the hon. the senior member for Salisbury South (Captain Bertin) to take into consideration. He can only agree that these impositions shall be lowered if there are other avenues in this country capable of being taxed. It is no use putting up theories and saying that this additional tax will have the desirable effect of attracting attention to political matters that is not an argument. It is our duty to prevent people being taxed to the extent that it is proposed that they shall be, and to see that that taxation is directed to other channels.

**Captain Bertin:** I am in agreement with what the hon. member has said that if there are any other avenues open to taxation and have not been touched, then they should be explored before the proposed reduction of the abatement; to a certain extent he has now changed his ground. As I understood his argument before, and I thought he was pursuing it to-day, and I have no doubt on the calling for a division upon it, his argument was that we should increase the income tax in regard to the higher incomes, and for the reasons that I have given. I cannot support him in that. If his objection to this clause is because other avenues of taxation are open, then I am in agreement. In fact I doubt whether this lowering of the abatement was necessary at all. I do not agree with the hon. the Treasurer that we need have imposed extra taxation to the extent that he has done. I was simply on the point of the hon. members and his hon. colleagues on the previous occasion, that further taxation should be put upon higher incomes only, and for the reasons I have given, and not out of sympathy with the people who pay higher income tax, but for good grounds of policy and expediency, that it will be a bad thing to do it until we alter the basis of taxation. That is my view. If the hon. member proposed to delete this clause on the ground that other sources are open for taxation, I am with him.

**Mr. Davies:** I do not desire to prolong this debate beyond reason, but I want to urge upon the hon. member for Salisbury South (Captain Bertin) that he has no right to select any one argument. I might have advanced in this House, and that it is the reason. I suggest to him that it is highly illogical that he should be prepared to support this proposal, and he indicated that support in his statement, when he himself should know that ought not to be imposed because there are other avenues of taxation open to the Government.

**Mr. Keller:** There can be little doubt, even at the risk of repetition, that there are other avenues of taxation open. I want to repeat that according to the income tax returns that are something like 500 people who are in receipt of incomes, earned and unearned, of between £2,000 and £5,000, and there are over 30 people in receipt of incomes between £5,000 and £10,000. Supposing that the hon. the Treasurer had adopted the suggestion that I made, of placing an extra 6d. on these people with incomes over £2,000, what would it have

meant to the individual who is in receipt of an income of £10,000 a year? It would have meant to him a mere pittance in the way of £250 a year. What is that to a man in receipt of an income of £10,000 a year or more? One could go to any lengths in this matter in making that case for a different scheme of taxation, but I don't want to unduly weary the House. I want to make this point again. Under these proposals the hon. the Treasurer proposed to raise an extra £20,000. Well, under the scheme initiated by myself there would have been an accrual to the revenue of the country of £33,000, and that without hurting anybody, because the hon. the Treasurer would have been taxing those people who I am able to bear the extra taxation. I associate myself strongly with the remarks of the hon. member for Bulawayo South (Mr. Davies), who, I think, intends to take this matter to a division. I also hope that his amendment will be carried.

**The Treasurer:** I do not think it is necessary for me to debate this question at any great length because it has been discussed fully on two different occasions already. The hon. the senior member for Salisbury South (Captain Bertin) has stated afresh the arguments I used in my reply to the Budget as to the reason for not raising the maximum rate of 3s. in the £. Those are reasons which appeared to me to be sound. It is inexpedient that we should raise our rate beyond 3s. I gave my reasons for that view, and I should be loth to raise that rate beyond 3s. I fully appreciate the arguments of the last hon. speaker, but we are taxing capital, that is usefully employed in this country, and it has been suggested by the hon. the senior member for Salisbury South (Captain Bertin) that if we proceed to raise our taxation to something approaching the level of taxation in other countries, it may have the effect, not only of driving capital out of this country, but of discouraging the entry of capital here which we so much require. The hon. member

3 p.m. for Bulawayo South (Mr. Davies) has referred to other avenues of taxation. There are undoubtedly such avenues, but we have to decide after very careful consideration what is the most reasonable form of taxation to adopt. He referred to the suggestion of the hon. member for Raylton (Mr. Keller), and said "Tax the railways." But the hon. member must realise that the railways are already

very heavily taxed. They are paying the maximum British tax of 4s. 6d. in the £.—[MR. DAVIES: Not by us]—No, but if we impose additional taxation on the railways, the British Government will not remit any more than 50 per cent., and any additional taxation that we impose would result to that extent in double taxation. And assuming that in course of time the Railway Commission gets the budget of the railways into alignment with the theory of the Railway Act—that is to say, if it were possible to so fix the revenues as to produce no more than is required to meet the charges authorised by the Act, the imposition of this additional taxation of the railways would simply mean that it would have to borne by the users of the railways, which, to the extent of about 50 per cent., would fall on the people of this country. The hon. member has referred on several occasions to the burdens which are already borne by the people of this country, and which are associated mainly with Customs duties and railway rates. Well, of course, high railway rates are said to be one of the causes of the high cost of living, and if the suggestion of the hon. member were adopted, it would probably mean that railway rates would be even higher than they are, and in that way it would come back again not only on those whose incomes are approximately £1,000 a year, but on the people in general. So I suggest that the proposal contained in this Bill has an advantage over that suggested by the hon. member. The hon. the senior member for Salisbury South (Captain Bertin) suggested that the needs of the year are scarcely such as to warrant the imposition of additional taxation to the extent that is imposed here. Well, I hope the hon. member will prove to be right, and that at the end of the year it will be possible for him to remind me of the remark that he has made now, and take me my task. I sincerely hope the hon. member will be right, but according to our judgment the circumstances of the moment, and the prospects for the year, this taxation is fully called for. My only hope is that it will suffice.

**Mr. Davies:** An extraordinary position has arisen in the course of argument. Here we have the hon. the senior member for Salisbury South (Captain Bertin) stating that to increase the amount of the income tax in the manner suggested will drive millionaires out of the country; and then the hon. the Treasurer proceeds to give

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to escape taxation—[CAPTAIN BERTIN: Removing their money]—I think that they take every precaution to-day to do that. They are business people. I do not believe that there is any man in this country living here at the moment, or who is likely to come here, who would be prepared to alter his position merely by reason of the fact that some little imposition greater than at present imposed would be levelled to yield, and this is the point, £20,000 from very large incomes. For that is all that is required. That is all that the hon. the Treasurer expects to derive from it. The hon. member must know, if he has followed the debate, that this is not the only avenue of taxation that is not explored. We did draw attention during the debate on the taxation of bank notes, where it was clearly shown that we could derive a far larger income than that suggested. I do not want, of course, to travel on those lines for the moment, but there are other avenues to explore—the exorbitant profits derived by the railways in this country, which the hon. member knows could be taxed to yield this sum of £20,000 without detriment to the service—without imposing the necessity for reduction either of profits or wages in the railway service of this country. Surely those are avenues that could better be explored than those that are already taxed. What I again submit is the over-taxation of the lower-paid section of the public of Rhodesia. Living costs and production costs are so high in this country, not by reason of the individual, but by reason of the conditions he has to face. While avenues of taxation are unexplored, it is our bounden duty to prevent, if we can, the additional taxing of the people who are over-burdened, and we should direct our taxation measures to those people who are able to bear it without feeling the burden. That is for this House, including the hon. the senior member for Salisbury South (Captain Bertin) to take into consideration. He can only agree that these exemptions shall be lowered if there are no other avenues in this country capable of being taxed. It is no use putting up abstract theories and saying that this additional tax will have the desirable effect of attracting attention to political matters. That is not an argument. It is our duty to prevent people being taxed to the extent that it is proposed that they shall be taxed, and to see that that taxation is directed to other channels.

**Captain Bertin:** I am in agreement with what the hon. member has said that if there are any other avenues open to taxation and have not been touched, then they should be explored before the proposed reduction of the abatement, to a certain extent he has now changed his ground. As I understood his argument before, and I thought he was pursuing it to-day, and I have no doubt on the calling for a division increase the income tax in regard to the higher incomes, and for the reasons that I have given, I cannot support him in that. If his objection to this clause is because other avenues of taxation are open, then I am in agreement. In fact, I doubt whether this lowering of the abatement was necessary at all. I do not agree with the hon. the Treasurer that we need have imposed extra taxation to the extent that he has done. I was simply on the point of the hon. member and his colleagues on the previous occasion, that further taxation should be put upon higher incomes only, and for the reasons I have given, and not out of sympathy with the people who pay higher income tax, but for good grounds of policy and expediency, that it will be a bad thing to do it until we alter the basis of taxation. That is my view. If the hon. member proposed to delete this clause on the ground that other sources are open for taxation, I am with him.

**Mr. Davies:** I do not desire to prolong this debate beyond reason, but I want to urge upon the hon. member for Salisbury South (Captain Bertin) that he has no right to object any one argument, I might have advanced in this House, and I say that is the reason. I suggest, to him that it is highly illogical that he should be prepared to support this proposal, and he indicated that support in his statement, and when he himself should know that it ought always to be imposed because there are other avenues of taxation open to the Government.

**Mr. Keller:** There can be little doubt, even at the risk of repetition, that there are other avenues of taxation open. I want to repeat that according to the income tax returns there are something like 300 people who are in receipt of incomes, earned and unearned, of between £2,000 and £5,000, and there are over 50 people in receipt of incomes between £5,000 and £10,000. Supposing that the hon. the Treasurer had adopted the suggestion that I made, of placing an extra 6d. on these people with incomes over £2,000, what would it have

meant to the individual who is in receipt of an income of £10,000 a year? It would have meant to him a mere pittance in the way of £250 a year. What is that to a man in receipt of an income of £10,000 a year, or more? One could go to any lengths in this matter in making out a case for a different scheme of new taxation, but I don't want to unduly weary the House. I want to make this point again. Under these proposals the hon. the Treasurer proposed to raise an extra £20,000. Well, under the scheme initiated by myself there would have been an accrual to the revenue of this country of £30,000, and that without hurting anybody, because the hon. the Treasurer would have been taxing those people who are well able to bear the extra taxation. I associate myself strongly with the remarks of the hon. member for Bulawayo South (Mr. Davies), and I hope he intends to take this matter to a division. I also hope that his amendment will be carried.

**The Treasurer:** I do not think it is necessary for me to debate this question at any great length because it has been discussed fully on two different occasions already. The hon. the senior member for Salisbury South (Captain Bertin) has stated afresh the arguments I used in my reply to the Budget as to the reason for not raising the maximum rate of 6s. in the E. Those are reasons which appeared to me to be sound. It is inexpedient that we should raise our rate beyond 3s. I gave my reasons for that view, and I should be loth to raise that rate beyond 3s. I fully appreciate the arguments of the last hon. speaker, but we are taxing capital that is usefully employed in this country, and it has been suggested by the hon. the senior member for Salisbury South (Captain Bertin) that if we proceed to raise our taxation to something approaching the level of taxation in other countries, it may have the effect, not only of driving capital out of this country, but of discouraging the entry of capital here which we so much require. The hon. member (Mr. Davies) has referred to other avenues of taxation. There are undoubtedly such avenues, but we have to decide after very careful consideration what is the most reasonable form of taxation to adopt. He referred to the suggestion of the hon. member for Raylton (Mr. Keller), and said "Tax the railways." But the hon. member must realise that the railways are already

very heavily taxed. They are paying the maximum British tax of 4s. 6d. in the £—[MR. DAVIES: Not by us]—No, but if we impose additional taxation on the railways, the British Government will not remit any more than 50 per cent., and any additional taxation that we impose would result to that extent in double taxation. And assuming that in course of time the Railway Commission gets the budget of the railways into alignment with the theory of the Railway Act—that is to say, if it were possible to so fix the revenues as to produce no more than is required to meet the charges authorized by the Act, the imposition of this additional taxation of the railways would simply mean that it would have to borne by the users of the railways, which, to the extent of about 50 per cent., would fall on the people of this country. The hon. member has referred on several occasions to the burdens which are already borne by the people of this country, and which are associated mainly with Customs duties and railway rates. Well, of course, high railway rates are said to be one of the causes of the high cost of living, and if the suggestion of the hon. member were adopted, it would probably mean that railway rates would be even higher than they are, and in that way it would come back again not only on those whose incomes are approximately £1,000 a year, but on the people in general. So I suggest that the proposal contained in this Bill has an advantage over that suggested by the hon. member. The hon. the senior member for Salisbury South (Captain Bertin) suggested that the needs of the year are scarcely such as to warrant the imposition of additional taxation to the extent that is imposed here. Well, I hope the hon. member will prove to be right, and that at the end of the year it will be possible for him to remind me of the remark he has made now, and take me to task. I sincerely hope the hon. member will be right, but according to our judgment the circumstances of the moment, and the prospects for the year, this taxation is fully called for. My only hope is that it will suffice.

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**Mr. Davies:** An extraordinary position has arisen in the course of argument. Here we have the hon. the senior member for Salisbury South (Captain Bertin) stating that to increase the amount of the income tax in the manner suggested will drive millionaires out of the country; and then the hon. the Treasurer proceeds to give

[Mr. Davies.]

an illustration of how this millionaire company—the railways—would rather suffer for the higher taxation that operates in Great Britain than remove its head office here—[THE TREASURER That is another point]—Of course, it is another point, but it is a distinct contradiction of the theory that both the hon. the senior member for Salisbury South (Captain Bertin) and the hon. the Treasurer have advanced as a reason why the system of taxation in respect of income tax suggested by us should not be adopted. A theoretical case is advanced which is immediately contradicted by an entirely opposite case which exists in actual practice. I suggest that without increasing railway rates or waiting for this problematical time when the Railway Commission will be able to collect efficiently—a time which will never arrive, because the burden imposed on that body prevents them from ever budgeting efficiently, it would be better for the hon. the Treasurer to present some of that taxation which is at present being absorbed by the railways and apply it to the uses of the Government. That is the suggestion that we make. We suggest that there is no reasonable necessity for the lowering of the abatement of income tax, and I hope that hon. members will agree with us in debating this clause.

The Chairman put the Question, on which the House divided. That clause (3) stand part of the Bill—

AGES 16. Mr. Claxton, Mr. Cowden, Mr. Eaton, Mr. Fynn, Captain Green, Lieut. Colonel Guest, Mr. Jobling, Mr. Langate, Mr. Mitchell, Mr. Moffat, Mr. Munro, Colonel Taylor, Mr. Thomson, Mr. Walsh, Tellers: Mr. Martin and Major Hudson.

AGES 9. Mr. Danziger, Mr. Davies, Captain Dornes, Mr. Gilchrist, Mr. Keller, Mr. Malcolm, Mr. Smit, Tellers: Mr. O'Keeffe and Captain Bertin.

The amendment was therefore negatived.

Clause 3 agreed to.

On clause 4.

The Treasurer: I move an amendment to delete clause 4 as it stands for the purpose of substituting the following:—“4. Sub-clause (b) of clause 11 of the said Ordinance as amended is further amended by the omission of the words ‘and friendly,’ and by the addition of the

words ‘as such’ after the word ‘companies.’” The object of this amendment is that building societies may continue to be provided for under sub-clause (b), cutting out only friendly societies which are covered by the new clause, or the proposed sub-clause (c). On first examination, it seemed that building societies, as well as friendly societies, were covered by the amendment of sub-clause (c) as hereinafter proposed, but as there seems to be some doubt about it, on further examination of the point it is considered better to leave the building societies where they are and also the life assurance societies in sub-clause (d).

Mr. Danziger: Is the general idea not to exempt the incomes of building societies?

The Treasurer: In regard to the question of the hon. member for Gwelo (Mr. Danziger), the reply is no, but to continue the exemption. May I just read sub-clause (c) as it stands? If this amendment is approved, there shall be exempt from the tax the revenues of building and life assurance companies as such. We omit only the friendly societies from that sub-clause, because they would be fully covered in sub-clause (c).

Mr. Danziger: The Act reads: “There shall be exempt from the tax the revenues of building societies.” The object of this amendment is to omit the words “building societies”—[THE TREASURER: No, to omit the words “and friendly,” because they are covered by sub-clause (c)]—And not to delete the word “building.” [THE TREASURER: No.]

The Treasurer: The object is not to delete the word “building.” Let me read it again. Sub-clause (b) of clause 11 of the said Ordinance as amended is further amended by the omission of the words “and friendly,” and by the addition of the words “as such” before the word “companies.”

Captain Bertin: The hon. the Treasurer will remember that I brought up on a former occasion a question regarding mutual insurance companies, as to whether they will be covered under another section. If they are not covered by the new clause which comes under clause 5 of this Bill, I was going to ask the hon. the Treasurer whether he would insert that under sub-clause 5(d). However, one cannot discuss the hon. the Treasurer would agree to clause 4 standing. I have over until we have disposed of clause 5. I move that.

The Treasurer: I am prepared to agree.

Agreed to; clause 4 to stand over.

On clause 5.

The Treasurer: There is a small amendment to be made here. It is in line 15, to delete the word “non-profitable” and to substitute “similar.” I will move that amendment, and perhaps I can at the same time deal with the question raised by the hon. member as to whether mutual insurance companies are provided for or whether it is intended to provide for them in this amendment of the law. The matter has been fully discussed, and our view is that there is no justification for including mutual insurance companies, other than life, simply because they are dealing with a class of business which is quite different to life insurance. The object of the amendment—some years ago, which the hon. member may recollect—was that up to that time life insurance companies were taxable at a rate which was then fixed, but after examination of the matter it was decided to exempt such companies, because life insurance is a form of thrift which it is desirable to encourage. But that amendment was designed to apply only to life insurance companies, and not to insurance companies doing other classes of business, such as that which is done by the company which the hon. member has in mind, which deals not with life insurance, according to my information, but with other classes of insurance, such as fire, motor car insurance and so on. These are ordinary business transactions, and the reasons which apply in the case of life insurance companies do not apply in those cases. As I say, this is a class of insurance which is done in the ordinary course of business by persons who insure for the protection of their premises against fire, or the insurance of motor vehicles and so on. Exemption is granted to them from income tax because it is expenditure incurred in producing the income. That is why exemption is granted there; and if, as is suggested, further exemption were given to companies doing that class of business, there would be to some extent exemptions on both sides of the account, so to speak. I have discussed this matter as fully as it was possible to do so by correspondence with the Income Tax Commissioner, who is not able to recommend the exemption which has been suggested.

Captain Bertin: I am sorry to hear the reply of the hon. the Minister, because when I first raised this matter he said this alteration of the law was not intended to bring forward any new principle. Well now he has retreated from that position, and confesses that it is. It is not a ques-

tion of exempting insurance companies that do this class of business—workmen's compensation, the employers' liability, fire and motor car business. It is a case of exempting a mutual company. This is for a very good reason, that where there is an association of persons who trade amongst themselves, there is no profit in the ordinary sense. Income must come in from the outside. In other words this is a departure from the whole principle of the Bill. The hon. the Minister realises that he is now exempting clubs, societies and associations organised and operated solely for social welfare. I understand that prior to this, if a club was a limited liability company, he taxed them, and if it were an association of individuals who traded purely amongst themselves there would be no taxation. I am only putting forward the case of a mutual company, and on those grounds there is no profit to tax—[THE TREASURER: Then what happens to the profits?—] They are just in the same category as a club of which the hon. the Treasurer is a member. They do produce a balance sheet, where they sometimes show a profit and sometimes a loss. But it is not a profit in the ordinary sense of the word. It is just the same as with a member of a club who goes in to buy something at the bar counter. It is not a purchase and sale. It has been described as a sub-division of common property with a money payment to bring about equality. For the reason that the hon. the Treasurer being a member of a club cannot purchase from himself, and that is what he is doing. He is purchasing part of his own property. In the same way I submit that a mutual association of this kind should be exempt. It has been recognised in this Colony for the past twelve years, ever since the Income Tax Act was brought in, and it is recognised in the Union as well as in Great Britain. Therefore I would ask the hon. the Treasurer to reconsider it. I am not asking for any new principle, but to maintain the principle that has been recognised here and in the Union and in Great Britain for many years. I think this just happens because the Commissioner of Taxes did not realise the full implication of his law, and attempted to tax these people. Now we have this amendment brought in. What was the object of bringing it in? Why not maintain the same principle? The hon. the Minister maintained that there was no alteration of principle in this clause. But now when we go into the matter more deeply the hon. the Minister says there is an alteration of principle, and he approves

[Mr. Davies.]  
an illustration of how this millionaire company—the railways—would rather suffer the higher taxation that operates in Great Britain than remove its head office here—[THE TREASURER: That is another point].—Of course, it is another point, but it is a distinct contradiction of the theory that both the hon. the senior member for Salisbury South (Captain Bertin) and the hon. the Treasurer have advanced as a reason why the system of taxation in respect of income tax suggested by us should not be adopted. A theoretical case is advanced, which is immediately contradicted by an entirely opposite case which exists in actual practice. I suggest that without increasing railway rates or waiting for this problematical time when the Railway Commission will be able to budget efficiently—a time which will never arrive because the burden imposed on that body prevents them from ever budgeting efficiently—it would be better for the hon. the Treasurer to take some of that taxation which is at present being absorbed by the railways and apply it to the uses of the Government. That is the suggestion that we make. We suggest that there is no reasonable necessity for the lowering of the abatement of income tax, and I hope that hon. members will agree with us in debating this clause.

The Chairman put the Question, on which the House divided. That clause (3) stood part of the Bill.

Vote 16. Mr. Claxton, Mr. Cowden, Mr. Eaton, Mr. Egan, Captain Green, Lieut. Col. Gost, Mr. Jobling, Mr. Leake, Mr. Mitchell, Mr. Moffat, Mr. Munro (Colonel) Taylor, Mr. Thomson, Mr. Welsh, Tellers: Mr. Martin and Major Hudson.

Vote 17. Mr. Danziger, Mr. Davies, Captain Dawson, Mr. Gilchrist, Mr. Koller, Mr. Macdonald, Mr. Smit, Tellers: Mr. O'Keefe and Captain Bertin.

The amendment was therefore negatived.

Clause 3 agreed to.

On clause 4.

The Treasurer: I move an amendment to delete clause 4 as it stands for the purpose of substituting the following:—4. Sub-clause (b) of clause 11 of the said Ordinance, as amended, is further amended by the omission of the words "and friendly," and by the addition of the

words "as such" after the word "companies." The object of this amendment is that building societies may continue to be provided for under sub-clause (b), cutting out only friendly societies which are covered by the new clause, or the proposed sub-clause (c). On first examination, it seemed that building societies, as well as friendly societies, were covered by the amendment of sub-clause (c) as hereinafter proposed, but as there seems to be some doubt about it, on further examination of the point it is considered better to leave the building societies where they are and also the life assurance societies in sub-clause (d).

Mr. Danziger: Is the general idea not to exempt the incomes of building societies?

The Treasurer: In regard to the question of the hon. member for Gwelo (Mr. Danziger), the reply is no, but to continue the exemption. May I just read sub-clause (b) as it stands? If this amendment is approved, there shall be exempt from the tax the revenues of building and life assurance companies as such. We omit only the friendly societies from that sub-clause, because they would be fully covered in sub-clause (c).

Mr. Danziger: The Act reads "There shall be exempt from the tax the revenues of building societies." The object of this amendment is to omit the words "building societies." [THE TREASURER: No, to omit the words "and friendly," because they are covered by sub-clause (c).—And not to delete the word "building."] [THE TREASURER: No.]

The Treasurer: The object is not to delete the word "building." Let me read it again. Sub-clause (b) of clause 11 of the said Ordinance, as amended, is further amended by the omission of the words "and friendly," and by the addition of the words "as such" before the word "companies."

Captain Bertin: The hon. the Treasurer will remember that I brought up on a former occasion a question regarding mutual insurance companies, as to whether they will be covered under another section. If they are not covered by the new clause, which comes under clause 5 of this Bill, I was going to ask the hon. the Treasurer whether he would insert that under sub-clause (b). However, one cannot discuss the hon. the Treasurer's question under clause 4 standing over until we have discussed clause 5. I move that.

The Treasurer: I am prepared to agree.

Agreed to; clause 4 to stand over.

On clause 5.

The Treasurer: There is a small amendment to be made here. It is in line 15, to put the word "non-profitable" and to substitute "similar." I will move that amendment, and perhaps I can at the same time deal with the question raised by the hon. member as to whether mutual insurance companies are provided for or whether it is intended to provide for them in this amendment of the law. The matter has been fully discussed, and our view is that there is no justification for including mutual insurance companies, other than life, simply because they are dealing with a class of business which is quite different to life insurance. The object of the amendment—some years ago, which the hon. member may recollect—was that up to that time life insurance companies were taxable at a rate which was then fixed, but after examination of the matter it was decided to exempt such companies, because life insurance is a form of thrift which it is desirable to encourage. But that amendment was designed to apply only to life insurance companies, and not to insurance companies doing other classes of business, such as that which is done by the company which that hon. member has in mind, which deals not with life insurance, according to my information, but with other classes of insurance, such as fire, motor car insurance and so on. Those are ordinary business transactions, and the reasons which apply in the case of life insurance companies do not apply in those cases. As I say, this is a class of insurance which is done in the ordinary course of business by persons who insure for the protection of their premises against fire, or the insurance of motor vehicles and so on. Exemption is granted to them from income tax because it is expenditure incurred in producing the income. That is why exemption is granted there, and if, as is suggested, further exemption were given to companies doing that class of business, there would be to some extent exemptions on both sides of the account, so to speak. I have discussed this matter as fully as it was possible to do so by correspondence with the Income Tax Commissioner, who is not able to recommend the exemption which has been suggested.

Captain Bertin: I am sorry to hear the reply of the hon. the Minister, because when I first raised this matter he said this alteration of the law was not intended to bring forward any new principle. Well now he has retreated from that position, and confesses that it is. It is not a ques-

tion of exempting insurance companies that do this class of business—workmen's compensation, the employers' liability, fire and motor car business. It is a case of exempting a mutual company. This is an association of persons who trade amongst themselves, there is no profit in the ordinary sense. Income must come in from the outside. In other words this is a departure from the whole principle of the Bill. The hon. the Minister realises that he is now exempting clubs, societies and associations organised and operated solely for social welfare. I understand that prior to this, if a club was a limited liability company, he taxed them, and if it were an association of individuals who traded purely amongst themselves there would be no taxation. I am only putting forward the case of a mutual company, and on those grounds there is no profit to tax—[THE TREASURER: Then what happens to the profits?—]—They are just in the same category as a club of which the hon. the Treasurer is a member. They do produce a balance sheet, where they sometimes show a profit and sometimes a loss. But it is not a profit in the ordinary sense of the word. It is just the same as with a member of a club who goes in to buy something at the bar counter. It is not a purchase and sale. It has been described as a subdivision of common property with a money payment to bring about equality. For the reason that the hon. the Treasurer being a member of a club cannot purchase from himself, and that is what he is doing. He is purchasing part of his own property. In the same way I submit that a mutual association of this kind should be exempt. It has been recognised in this Colony for the past twelve years, ever since the Income Tax Act was brought in, and it is recognised in the Union as well as in Great Britain. Therefore I would ask the hon. the Treasurer to reconsider it, and not asking for any new principle, but to maintain the principle that has been recognised here and in the Union and in Great Britain for many years. I think this just happens because the Commissioner of Taxes did not realise the full implication of his law, and attempted to tax these people. Now we have this amendment brought in. What was the object of bringing it in? Why not maintain the same principle? The hon. the Minister maintained that there was no alteration of principle in this clause. But now when we go into the matter more deeply the hon. the Minister says there is an alteration of principle, and he approves



(Captain Bertin.)

of the alteration. As I pointed out the other day, we want insurance companies of this kind to do business here, and we want as much competition of that sort as we can get. The other day the hon. member for Untari South (Mr. Malcolm) brought in a motion to the effect that the insurance rates charged in this Colony for a certain type of risk were higher than in the Union; my information is that he is correct. So, as I say, we want to encourage those people to come here so as to bring down the rates, and we shall certainly not do it by legislation of this kind. Now there is only one company of this class at present trading here, so why not encourage them to carry on? As the hon. member is aware, they have erected a very fine building in this town. They have so far put much more into the country than they have taken out of it, and so why not encourage them? Why put in this little picknick which will only result in receiving a few pounds every year from them, when the principle to which I have referred, this exemption from income tax, is recognised in those other countries, and leave the law as it is? What is the object of this amendment if it is not to attack this one company? Who does it exempt? Nobody else, practically. If it hits, as far as I know, only this one company, and benefits no one else. The law has recently been laid down by the High Court, which settles the point that you cannot tax profits unless they are really profits. Why alter the law, especially when it falls on one company only which is doing a very useful service in this country? All that the hon. the Treasurer will get out of it is about £50 or £40 a year at present, and on the other hand, it will throw the insurance then from extending out the benefit of the trading community. As I have pointed out they are in no different position to other insurance companies, because they have no shareholders controlling their business, and the basis of their insurance is the actual cost of it. I do not consider this position if possible. If necessary we could report progress in order to allow of further consideration being given to my suggestion. Because I think the hon. the Minister's advisers are possibly not so well acquainted with the whole trend of commerce as regards to insurance, and these matters that I have been dealing with, at any rate perhaps not so fully informed as many hon. members in this House. Further enquiry will do no harm. I would not suggest this delay if it were a question of

prolonging the session; but I understand we have to stay here next week, and if the hon. the Minister, after what I have said, is still of the same opinion, we will not have wasted any time. I shall be glad if the hon. the Minister will accept a motion to report progress and ask leave to sit again. I move that.

**Mr. Danziger:** Sir, before that is put, may I discuss—

**Captain Bertin:** In the circumstances, with the leave of the House, I will withdraw my motion.

The motion was by leave withdrawn.

**Mr. Danziger:** Sir, my object in rising is not to support the view of the hon. member, but to oppose the idea. I think there is too much of a fetish being made of this business of mutual insurance companies, or even ordinary life insurance companies. I would ask the hon. the Treasurer to consider the point of view of taking out of the exemption of life insurance companies from income tax. If one reads the balance sheets and reports of life insurance companies one must really ask one's self whether they should be exempt. The idea of mutuality is entirely one of theory. Hon. members of this House may be insured in insurance companies. When we die, we do not get any benefit. What happens is that all the profits they make go to reserve and other funds. Ultimately probably, immediately before the world comes to an end, there will be a division of their funds, but in the meantime there is no question of division of funds. Everybody who knows what companies reserves all these insurance companies possess. They boast about it, and use it in their advertisements. A person taking out an insurance policy in this country is exempt under our insurance Acts, and which the hon. the Treasurer should give consideration to, that is, whether insurance companies should not bear the same taxation as any other company.

**The Treasurer:** The hon. senior member for Salisbury South (Captain Bertin) has that no new principle is being introduced in this measure, and that was my impression at the time. There was no intention to add to the taxation of companies of this kind. We are merely framing the law in accordance with what we believe to be the position at present. This amending Bill was drawn up. I may inform the hon. member, before the case in which the hon. member himself was interested came up for

decision. So that that was not in my mind at all at that time. The object of the amendment of sub-clause (c) was in order to cover those other doubtful cases, such as those of the Club, and the Labour Bureau, and others which are mentioned in this clause. That was the ground for my statement that there was no intention to alter the principle of taxation. Now the hon. member has based his argument very largely upon the fact that there are mutual companies which make no profits. I put it to the hon. member, what happens to these profits? The hon. member's reply, of course, is the obvious one, that although some of the word those who do business with companies of that kind derive some benefit. In the case of fire insurance the rates are reduced. If it is the insurance of motor cars, those who insure their motor cars enjoy the benefit. In the case of fire insurance, that is an expense of the business in the earning of income which is allowed in the assessment of the income tax. There seems to be no ground for giving further exemption to the companies on what is actually trading business. None of the arguments which were stated as they were, are grounds for extending this exemption. The hon. member stated that that is in accordance with the law as it has been for the last ten or twelve years. I am exempt by the side-note, but I think the exemption in the case of mutual life insurance was done in 1927, that is not long ago. It was done deliberately with the idea of exempting life insurance companies, only it appears that we rather overlooked or did not anticipate that the courts would attach some other interpretation to this sub-clause (c) as it now stands under which the company which we have been discussing was held to be not liable for income tax. The amendment, I may inform the hon. member, was not designed to reverse this decision, or rather to impose taxation upon those who have hitherto been exempt companies, but that the insurance companies were very high, and we should exempt these companies in order that it may encourage them to reduce their rates on the basis stated by the hon. member that mutual companies in this connection have no profits. Those who insure derive the benefit surely when their rates are reduced, because of the fact that it is a mutual company. Those who take out insurance, let us say, for covering the risk of workmen's compensation, derive some benefit from this, in the lower rates, but that is an argument which is allowed. The hon. member for Gwelo

(Mr. Danziger) took a somewhat different view against that of the hon. the senior member for Salisbury South (Captain Bertin). He suggested that we should go somewhat further and withdraw the exemption that the life insurance companies now enjoy. That was a matter which was closely considered some years ago—I think in 1927—and there appeared to be no very good ground for exempting life insurance companies. The hon. member is right when he refers to the large reserves which these large insurance companies have. That is one of the great features in British companies, at any rate, that they have built up these reserves, and it is because of the existence of these large reserves that they were able to meet all their obligations during the war without serious difficulty. The only drawback might not do unfair—or the policy holders suffered—was that bonuses were withheld during that period. It was a fine tribute to the management of these insurance companies that they were able to meet that situation. Since that time the reserves have increased, the policy holders now have the benefit of increased bonuses, that they have paid since that time, due to some extent certainly to the larger interest rates the insurance companies are able to earn on their money for some years past. I cannot accept the suggestion of the hon. member or of the hon. member for Gwelo (Mr. Danziger) for withdrawing the exemption from life insurance companies. I hope that the hon. member will not press his amendment. I may say that I am prepared to discuss the matter further, and leave the amendment as it stands at present, and will examine this matter more closely and see if there is any point which has been overlooked, and if there are any grounds by which companies of this kind are entitled to further consideration. If that should prove to be the case, we can deal with it next time we bring up the Bill. I undertake to give it further examination.

**Captain Bertin:** The hon. the Treasurer asks what happens to the profits, or to the excess of revenues over expenditure in mutual companies. Part of it is carried forward, and when the carrying forward reaches a certain stage the rates are reduced, because they find then that the trend of events has proved that insurance can be done for less of course, or by the way, it would arise if the expenditure exceeded the revenue. Then the hon. the Treasurer is not quite correct, if I

[Captain Bertin.]

may say so, in saying that the view of his department was that sub-clause (c) as it stood did not exempt mutual companies. I have seen a letter from the Taxes Department, in which they took up that view, and it is a comparatively recent letter. The actual words used by the Commissioner of Taxes were: "I am assured in purely mutual company." That was the view taken by officers on income tax in the Union under precisely the same wording, and where I apprehend the Commissioner of Taxes got his views from. I can assure the hon. the Minister that it is a zigzag: he says that the excess revenue over expenditure in mutual companies is all ways carried to reserve. I do not know if it is actually correct, there. Some of it or a large part of it is carried to some reserve, but it also enables a mutual company to give better terms to its members than companies who have also to provide money for shareholders. It may be to a small extent, it all depends. That is a contention of the big mutual companies which operate in South Africa—that is the South African Mutual. Whether it is truly correct or not, I do not know. I am going to court to prove their side of the case, and when you go to court on a tax case you have to pay your own costs—win or lose—in the great majority of cases. I cannot carry the matter any further if the hon. the Minister is any willing to accept it. He has the power, and I have not.

Amendment agreed to.

Clause amended agreed to.

The Committee reverted to clause 4 standing over.

**The Chairman:** On this clause the hon. the Treasurer has moved to omit the new clause 4, and to substitute the following:

Sub-section (b) of section 11 of the said Ordinance as amended is further amended by the omission of the words "and friendly" and by the addition of the words "and such" after the word "companies."

Agreed to.

The Bill was reported with amendments, consideration of the report being set down for Monday, 18th May.

**BANK NOTES BILL.**

The House went into Committee on the Bank Notes Bill.

Clauses 1 to 5 were agreed to.

On clause 6.

**Mr. Thomson:** I propose the following amendments to clause 6, in line 19, to insert after the end of the clause the words, "All bank notes of the same denomination shall be of the same size and colour as may be prescribed by regulation." This matter I brought up on the first explanation. It needs very little further in the issue of bank notes of varying size and colour of the same denomination a certain amount of confusion of thought is introduced, especially by people who do not handle money often. This provision regards a great extent the illiterate native population of the country who have been imposed on very badly in the past by unscrupulous persons fraudulently nominating of different sizes of the same denomination. I think if notes of the same denomination were all of the same size and colour and basic colour, there would be very little chance for any mistake to creep in in handling money.

**The Treasurer:** I think the point raised by the hon. member is a good one, and I can quite appreciate his objection. I hope he will not press it at this stage, because it will probably put the banks to a great expense and trouble in withdrawing notes issued in terms of this Bill. It will take some time to do that. These notes are printed in England, and I doubt very much whether the banks will have time to do it. If this provision were inserted it would mean that notes not consistent with the hon. member's amendment could not be issued under the Bill.—[MR. THOMSON: The new one could.]—I did not think it is the intention to bring in a comprehensive banking measure at a late stage, and I hope the hon. member will mean to say that it should stand over in the issue of the banks. I can be brought to the notice arrange it unless there is any real difficulty in doing so. Unless there is difficulty I do not anticipate that objections

will be raised by the banks. It may create a difficulty now in regard to the Act which is to come into operation at a comparatively early date.

**Mr. Thomson:** With the view of the committee I beg to withdraw my amendment.

Agreed to and amendment withdrawn.

Clause agreed to.

On clause 7.

**The Treasurer:** I undertook on this point to consider questions raised by the hon. member for Salisbury South (Captain Bertin), and also by the hon. member for Buxways North (Mr. Welsh), on the question of security. I have had an opportunity of discussing this matter with the hon. the Attorney General, and there is substance in the question raised by the hon. members. If this were a permanent measure, something to stand for all time, probably we shall have to bring in amendments to meet some of these points. For instance, there is the question of whether security held by the High Commissioner in London does adequately meet the needs of the case. Also, whether the security held in England would stand as security here in the case of the failure of a Bank which operates in England. Take the case of Barclays Bank which operates here and in England; the question is whether the securities held in London would be protected in this country. For the reasons I have just stated on the point raised by the hon. member for Wankie (Mr. Thomson), that it is intended to bring in comprehensive legislation at a later stage, I hope hon. members will not be too insistent upon this point, and that they will accept this measure as it stands, pending the introduction of some general legislation. This does place us in a very much sounder position that we are at the present time. It legalises bank notes and affords protection to the extent indicated in the Bill. Although there is substance in the point raised, I hope it will not be pressed for an amendment of this kind at this stage.

**Captain Bertin:** Would the hon. the Treasurer agree to put in words to this effect, after the word "London" in clause 7 (1), the words "as security for the due repayment of the notes issued"? The object is this. This clause, as it stands, purports to give security to the holders of these notes, and the hon. the Minister has confessed there is not security there at all. He might just as well, so far

as securities for these notes is concerned, take that clause clean out of the Bill, giving people who take those notes the impression that they are covered when we know that they are not covered at all—and the hon. the Treasurer has confessed it. I thank the hon. member for Buxways North (Mr. Welsh) in correcting me in two statements I made the other day. They do not affect my arguments, but if I had realised the true position they would emphasise it a great deal more. One is the present state of the note issue. The hon. member for Hartley (Captain Downes) drew my attention to the figures in the last Year Book. They say that something like £900,000 worth of notes are already on issue, and the banks only actually held in specie against these notes 18 per cent. of their value. I do submit if we are passing this Bill legalising the position we should not in this clause endeavour to give the impression to the people who take these notes that they are covered when we know perfectly well they are not. These banks are trading on a large scale. If a bank fails—there is hardly any probability of it, yet there is the bare possibility—they would float up very large sums of money and the consequent disability to large numbers of poor people in regard to these notes would be very serious. It can so easily be remedied that I wonder the hon. the Treasurer does not take advantage of it. It so happens that these banks have international so-called speak in their character, so that it is very difficult to position that this note issue would be fully secured. They have to hold in the course of their business large numbers of Government securities. Well, now, if we specifically provide in this Bill that securities to cover is put up say to 80 per cent. or even 100 per cent. of the issue of the notes, and own securities in trust for the protection of the note issue, what does it amount to? They will have securities, I do not say of this Colony, but of Great Britain. I say for this reason if we did have a financial failure of great magnitude it would affect the whole of South Africa, and our own securities would probably get down in sympathy with the general fall. What we want is security that would largely be untouched by anything that might happen in South Africa. Therefore if the hon. the Treasurer held as security securities of Great Britain, well then the we should have cash to draw on to pay for these notes from a source that was unaffected if any catastrophe struck us. Take the position in Australia. We know that they are

[Captain Bertin.]

may say so, in saying that the view of his department was that sub-clause (c) as it stood did not exempt mutual companies.

I have seen a letter from the Taxes Department, in which they took up that view, and it is a comparatively recent letter. The actual words were by the Commissioner of Taxes were: "I am assured in the opinion of the sub-clause (c) exempts a purely neutral company." That was the view taken by writers on, were the Union under precisely the same words, and where I apprehend the Commissioner of Taxes got his view from. The hon. member for the Minister that I see The hon. member for Gwelo (Mr. Danziger) says that the excess revenue over expenditure in mutual companies is always carried to reserve. I do not know that he is actually correct there. Some reserve for a large part of it, is carried to pay to give better terms to its members than companies who have also to provide money for shareholders. It may be to a small extent, it all depends. That is the contention of the big mutual companies South African Mutual. That is the entirely correct or not I do not know. I am allowed that the hon. the Minister will not their consideration. I feel that for fairly has been rather badly done by. As go to the Minister knows, they had to and when you go to prove their side of the case, you have to pay your own costs—win or lose—in the great majority of cases. I cannot carry the matter any further if the hon. the Minister is not willing to accept it. He has the power, and I have not.

Amendment agreed to.

Clause amended agreed to.

The Committee reverted to clause 4 and under.

**The Chairman:** On this clause the hon. the Treasurer has moved to omit the clause and to substitute the following word clause 4.

Sub-section (b) of section 11 of the said Ordinance as amended is further amended by the omission of the words "and from" and by the addition of the words "and such" after the word "companies".

Agreed to.

The Bill was reported with amendments, consideration of the report being set down for Monday, 18th May.

**BANK NOTES BILL.**

The House went into Committee on the Bank Notes Bill.

Clauses 1 to 5 were agreed to.

On clause 6,

**Mr. Thomson:** I propose the following amendments to clause 5, in line 19, to insert after the end of the clause the words, "All bank notes of the same denomination shall be of the same size and colour." This matter I brought up on the second reading. It needs very little further explanation. The explanation is that in the issue of bank notes of varying size and colour of the same denomination a great amount of confusion of thought is introduced, especially by people who do not handle money often. This provision safeguards to a great extent the illiterate native population of the country who have by unscrupulous persons fraudulently passed off bank notes of the same denomination of different sizes and colour. We think if notes of the same denomination but of the same size and colour and hence for any mistake to creep in in the handling money.

**The Treasurer:** I think the point raised by the hon. member is a good one and I can quite appreciate his object. I hope it will be pressed at it this stage, because it will probably put the banks to a great expense and trouble in withdrawing notes issued in terms of this Bill. It will give some time to do that. These notes are much whether the banks will have time to do it. If this provision were inserted it would mean that notes not consistent with be issued under the Bill. **MR. THOMSON:** The new ones could—I did not think any notes could. As stated the other day, it is the intention to bring in a comprehensive banking measure at a later stage, and I hope the hon. member will allow this matter to stand over in the meantime. It can be brought to the notice of the banks and we can get them to arrange it unless there is any real difficulty in doing so. Unless there is objection I do not anticipate that difficulties

will be raised by the banks. It may create a difficulty now in regard to the Act which is to come into operation at a comparatively early date.

**Mr. Thomson:** With the view of the Committee I beg to withdraw my amendment.

Agreed to and amendment withdrawn.

Clause agreed to.

On clause 7,

**The Treasurer:** I undertook on this point to consider questions raised by the hon. members for Salisbury North (Captain Bertin), and also by the hon. member for Bulawayo North (Mr. Welsh), on the question of security. I have had an opportunity of discussing this matter with the hon. the Attorney General, and there is substance in the question raised by the hon. members. If this were a permanent measure, something to stand for all time, probably we shall have to bring in amendments to meet some of these points; for instance, there is the question of whether security held by the High Commissioner in London does adequately meet the needs of the case. Also, whether the security held in England would stand as security here in the case of the failure of a bank which operates in England. Take the case of Barclays Bank, which operates here and in England; the question is whether the securities held in London would be protected in this country. For the reasons I have just set out on this matter raised by the hon. member for Wankie (Mr. Thomson), that it is intended to bring in comprehensive legislation at a later stage, I hope hon. members will not be too insistent upon this point, and that they will accept this measure as it stands, pending the introduction of some general legislation. This does place us in a very unsound position that we are at the present time. It legalises bank notes and affords protection to the extent indicated in the Bill. Although there is substance in the point raised, I hope it will not be pressed for an amendment of this kind at this stage.

**Captain Bertin:** Would the hon. the Treasurer agree to put in words to this effect, after the word "London" in clause 7 (1), the words "as security for the due repayment of the notes issued"? The object is this. This clause, as it stands, purports to give security to the holders of these notes, and the hon. the Minister has confessed there is not security there at all. He might just as well, so far

as securities for these notes is concerned, take that clause clean out of the Bill, giving people who take these notes the impression that they are covered when we know that they are not covered at all—and the hon. the Treasurer has confessed it. I think the hon. member for Bulawayo North (Mr. Welsh) in correcting me in two statements I made the other day. They do not affect my arguments, but if I had realised the true position they would emphasise it a great deal more. One is the present state of the note issue. The hon. member for Hartley (Captain Downes) drew my attention to the figures in the last Year Book. They say that something like £900,000 worth of notes are already on issue, and the banks only actually held in specie against these notes 18 per cent. of their value. I do submit if we are passing this Bill legalising the position we should not in this clause endeavour to give the impression to the people who take these notes that they are covered when we know perfectly well they are not. These banks are trading on large scales. If a bank fails there is hardly any probability of it, yet there is the bare possibility—they would fail for a very large sum of money and the consequent disability to large numbers of poor people in regard to these notes would be very serious. It can so easily be remedied that I wonder the hon. the Treasurer did not take advantage of it. It so happens that these banks being international, so to speak, in their character could very easily make provision that this note issue would be fully secured. They have to hold in the course of their business large numbers of Government securities. Why not do so? If we were to provide in this Bill that securities to cover is put up say to 80 per cent. or even 100 per cent. of the issue and they hold these securities in trust for the protection of the note issue, what does it amount to? They will have securities. I do not say of this Colony, but of Great Britain. I say for this reason if we did have a financial failure of great magnitude it would affect the whole of South Africa, and our own securities would probably go down in sympathy with the general fall. What we want is security that would largely be untouched by anything that might happen in South Africa. Therefore if the hon. the Treasurer held as security securities of Great Britain, well then we should have cash to draw on to pay for these notes from a source that was unaffected if any catastrophe struck us. Take the position in Australia. We know that they are

[Captain Bertin.]

going through a very difficult time. If their note issue was based on security, say Canadian stocks or American, or securities of Great Britain they would be able to cash these securities and to pay their note issue if they reached the stage when the note issue was in doubt. The hon. the Treasurer says: "Let it go. I acknowledge it is not real security and the Bill is infantile and poor, but let it go, we shall put it right?" (Can we do it? Is it a business-like way of carrying on. It is a very serious matter. We cannot start to put this Bill right when the crisis approaches because we shall only precipitate the crisis. We must put it right when things are on an even keel, when nobody is anticipating trouble. Directly a crisis arises you would have to call Parliament together to put this straight. Do it now, when one can do it without any trouble, or when one can do it without interfering with credit at all.) I am pressing upon the hon. the Treasurer, where we have this large amount of £900,000 in the hands of natives and of every one in this country that once that note issue—the credit of it—was interfered with, a catastrophe would take place which would take this country 20 years to recover from. I say that because you have induced the native to accept notes and after a failure you would never get the natives to accept another note. They now freely accept them. It is one of the most important things from a national point of view that we can do. If we are going to enact this measure let us do it thoroughly when it can be done thoroughly with no little trouble and at so little cost.

**Mr. Davies:** I would urge upon the hon. the Treasurer that what the hon. member for Salisbury South (Captain Bertin) has suggested is after all only a reasonable precaution, that is, assuming that his premises are right, namely, that he is right when he says that the securities lodged and the securities proposed in the Bill do not become security. I agree with him it is a most extraordinary thing. I think it is so easy to make the provision he suggests. Yet the hon. the Treasurer says "Leave it and we shall amend it at some future time."

Business suspended at 4 o'clock p.m.

Business resumed at 4.15 o'clock p.m.

**The Chairman:** The committee is considering clause 7.

**Mr. Davies:** I have nothing to add except to say this that if the position is as stated

by the hon. the senior member for Salisbury South (Captain Bertin) I suggest that there should be no plain and easy that there should be no hesitation on the part of the Government to accept it.

**Lieut.-Colonel Guest:** I do not desire to enter into a legal argument with the hon. the senior member for Salisbury South (Captain Bertin), but I would like to point out that the object of providing that the banks shall hold specie representing a certain proportion of the value of the note issue is not intended as security. The banks are compelled to redeem the notes for cash, and the object of requiring them to hold certain specie is to facilitate the payment of cash against notes on demand. The main object of this clause is to provide that the banks will lodge securities against the issue of notes. That is to say that the securities are pledged with the Government either in Salisbury or with the High Commissioner in London, as security for the payment of the amount of their notes in the event of the bank going into liquidation, and I think the true legal position is that the person holding such securities is holding them actually as trustee for the persons in whose possession the notes are, in the event of the bank going into liquidation. In regard to the securities that are held in England, we cannot by legislation here make such security good if it is not good under the laws of England. I have no doubt, however, that in order to give effect to this clause, the High Commissioner in London, when he has these securities delivered to him, if any formal legal document is required in accordance with the law of England, will call upon the bank to execute such a document. I do not wish to force my ideas of the law on the House, but in my humble opinion that is the legal position.

**Captain Bertin:** I was going to add that if the specie is not security, as the hon. member said, then we should be secure. It is obvious that this clause is intended by the framers, and I suppose by the hon. the Treasurer, to be security, because the side note says so, although the clause itself does not. "Security for the payment of bank notes"—that was the idea behind it. Now if there is no security, I say there should be. Because hon. members will realise that we are giving these banks a very great privilege indeed, and that is merely for holding a comparatively small amount of gold specie. They are having the use of about £900,000. They are having the use of that large sum, and they let it out to

the sundry citizens in this country at about 8 per cent. The profits they are making are enormous. I do not suppose there is any other country in the world that would be so generous as we are. Suppose the Government did this business itself, its credit is good, quite as strong financially as either of these banks, and if we provided £900,000 worth of notes the Government would be having the use of the money without paying any interest at all. Now instead of that we are allowing these two banks to do it. The hon. member says that what the banks lodge in England is no security. Then I say, do not lodge it there. Have it lodged here, and a simple amendment to this clause would meet the whole difficulty. That is to put in here specifically that these securities are held by the Treasurer as security for the payment of this note issue. You can strike out the words by which the securities can be lodged with the High Commissioner in London. The Treasurer will then find that the banks will gladly agree in view of this privilege, and the small amount of tax which they have to pay for it.

**The Attorney General:** I think the hon. member who has just spoken has misunderstood a portion of the remarks of the hon. member for Charter (Lieut.-Colonel Guest). I think the legal position is largely as it was stated by the hon. member for Charter, and in regard to the deposit with the High Commissioner in London, what he said was this, that no specific provision in our statute law enacted in this country could affect the legal position as it is in England. Therefore the addition suggested by the hon. member who has just spoken would not affect the securities lodged with the High Commissioner—[CAPTAIN BERTIN: I agree!—] Then the hon. member for Charter (Lieut.-Colonel Guest) went on to say that he had no doubt that the High Commissioner in London, in accepting these securities, would take good care to see that they were accompanied by whatever legal document was necessary to ensure that they were lodged with him as security for the repayment of these notes. If that were done, then the securities with the High Commissioner would be available as security to pay out the holders of bank notes in this country. And that effect can be achieved by following the appropriate legal procedure in England, and not by amending the Act in this country. That being so, the clause as it stands does protect the holders of bank notes up to the 80 per cent. of security, which is the amount stipulated for. In regard to the other 20 per cent., it will, of course, to some extent be security for the

payment of the bank notes. To some extent it might, in the event of the banks being in liquidation, have to be utilised in paying out the ordinary depositors who demanded payment before the actual liquidation proceedings took place. But to some extent it would be security for the repayment of the bank notes. But I would suggest to the hon. member that we accept the position as stated by the hon. the Treasurer. There is no likelihood at all that within the next year anything will happen to any of these banks. The banks operate in other countries where they have special legislation governing them. In the Union, for instance, there is special legislation which I understand provides for security. Now this Bill is very largely a taxation measure, and in the short time which was available it was not possible to go into the whole question of banking legislation, and to frame a comprehensive measure. But it is intended to do that next year, and then the whole question can be gone into afresh, and if it be found that there are points which ought to be provided for it can be done. But in the meantime, under the provisions of this clause, with the 80 per cent. security, and some security in addition, I think the position of the holders of bank notes is sufficiently safeguarded.

**Mr. Davies:** I hope the hon. the senior member for Salisbury South (Captain Bertin) will not accept that position. If it is true that the security clause does not provide actual security unless the official of this Government performs some duty which is not imposed by the Act, and takes upon himself the doing of something that he is not expected to do, at all events, not in the Act, then let us put it into the Act, so that there will be no question about it. After all, there would be no difficulty in making such provision, and if this is so, do not let us take the chance that by reason of oversight or forgetfulness on the part of an official there will be no security. Let us make sure now by inserting provision in the Bill that if the security is lodged then the official with whom it is lodged will do his duty.

**The Attorney General:** Surely the hon. member does not imagine that when these securities are deposited with the High Commissioner in London they will be simply handed over and placed in the safe without any other formality. They must be accompanied by some document showing the purpose of the deposit of these securities. The bank would not part with them otherwise. And that would be suffi-

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Mr. Davies: I would urge upon the hon. the Treasurer that what the hon. member for Salisbury North (Captain Bertin) has suggested is after all only a reasonable precaution, that is, assuming that the premises are right, namely, that he is right when he says that the securities lodged at the securities proposed in the Bill do not become security. I agree with him it is a most extraordinary thing. I think it is so easy to make the provision he suggests. Yet the hon. the Treasurer says "Leave it and we shall amend it at some future time."

Business suspended at 4 o'clock p.m.

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The Chairman: The committee is considering clause 7.

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Lieut.-Colonel Guest: I do not desire to enter into a legal argument with the hon. the senior member for Salisbury South (Captain Bertin), but I would like to point out that the object of providing that the banks shall hold specie representing a certain proportion of the value of the note issue is not intended as security. The banks are compelled to redeem the notes for cash, and the object of requiring them to hold certain specie is to facilitate the payment of cash against notes on demand. The main object of this clause is to provide that the banks will lodge securities against the issue of notes. That is to say that the securities are pledged with the Government either in Salisbury or with the High Commissioner in London, as security for the payment of the amount of their notes in the event of the bank going into liquidation, and I think the true legal position is that the person holding such securities is holding them actually as trustee for the persons in whose possession the notes are, in the event of the bank going into liquidation. In regard to the securities that are held in England, we cannot by legislation here make such security good if it is not good under the laws of England. I have no doubt, however, that in order to give effect to this clause, the High Commissioner in London, when he has these securities delivered to him, if any formal legal document is required in accordance with the laws of England, will call upon the bank to execute such a document. I do not wish to force my ideas of the law on the House, but in my humble opinion that is the legal position.

Captain Bertin: I was going to add that if the specie is not security, as the hon. member said, then we should be secure. It is obvious that this clause is intended by the framers, and I suppose by the hon. the Treasurer, to be security, because the note says so, although the clause itself does not. "Security for the payment of bank notes"—that was the idea behind it. Now if there is no security, I say there should be. Because hon. members will realise that we are giving these banks a very great privilege indeed, and that is merely for holding a comparatively small amount of gold specie? They are having the use of about £900,000. They are having the use of that large sum, and they let it out to

sundry citizens in this country at about 8 per cent. The profits they are making are enormous. I do not suppose there is any other country in the world that would be so generous as we are. Suppose the Government did this business itself, its credit is good, quite as strong financially as either of these banks, and if we provided £200,000 worth of notes the Government would be having the use of the money without paying any interest at all. Now instead of that we are allowing these two banks to do it. The hon. member says that what the banks lodge in England is no security. Then I say, do not lodge it there. Have stamped here, and a simple amendment to this clause would meet the whole difficulty. That is to put in here specifically that these securities are held by the Treasurer as security for the payment of this note issue. You can strike out the words by which the securities can be lodged with the High Commissioner in London. The Treasurer will then find that the banks will gladly agree in view of this privilege, and the small amount of tax which they have to pay for it.

The Attorney General: I think the hon. member who has just spoken has misunderstood a portion of the remarks of the hon. member for Charter (Lieut.-Colonel Guest). I think the legal position is largely as it was stated by the hon. member for Charter, and in regard to the deposit with the High Commissioner in London, what he said was this, that no specific provision in our statute law enacted in this country could affect the legal position as it is in England. Therefore the addition suggested by the hon. member who has just spoken would not affect the securities lodged with the High Commissioner—[CAPTAIN BERTIN: I agree.]—Then the hon. member for Charter (Lieut.-Colonel Guest) went on to say that he had no doubt that the High Commissioner in London, in accepting these securities, would take good care to see that they were accompanied by whatever legal document was necessary to ensure that they were lodged with him as security for the repayment of these notes. If that were done, then the securities with the High Commissioner would be available as security to pay out the holders of bank notes in this country. And that effect can be achieved by following the appropriate legal procedure in England, and not by amending the Act in this country. That being so, the clause itself does protect the holders of bank notes, up to the 80 per cent of security, which is the amount stipulated for. In regard to the other 20 per cent, it will, of course, to some extent be security for the re-

payment of the bank notes. To some extent it might, in the event of the banks being in liquidation, have to be utilised in paying out the ordinary depositors who demanded payment before the actual liquidation proceedings took place. But to some extent it would be security for the repayment of the bank notes. But I would suggest to the hon. member that we accept the position as stated by the hon. the Treasurer. There is no likelihood at all that within the next year anything will happen to any of these banks. The banks operate in other countries where they have special legislation governing them. In the Union, for instance, there is special legislation which I understand provides for security. Now this Bill is very largely a taxation measure, and in the short time which was available it was not possible to go into the whole question of banking legislation, and to frame a comprehensive measure. But it is intended to do that next year, and then the whole question can be gone into afresh, and if it be found that there are points which ought to be provided for it can be done. But in the meantime, under the provisions of this clause, with the 80 per cent. security, and some security in addition, I think the position of the holders of bank notes is sufficiently safeguarded.

Mr. Davies: I hope the hon. the senior member for Salisbury South (Captain Bertin) will not accept that position. If it is true that the security clause does not provide actual security unless the official of this Government performs some duty which is not imposed by the Act, and takes upon himself the doing of something that he is not expected to do, at all events, not in the Act, then let us put it into the Act, so that there will be no question about it. After all, there would be no difficulty in making such provision, and if this is so, do not let us take the chance that by reason of oversight or forgetfulness on the part of an official there will be no security. Let us make sure now by inserting provision in the Bill that if the security is lodged then the official with whom it is lodged will do his duty.

The Attorney General: Surely the hon. member does not imagine that when these securities are deposited with the High Commissioner in London, they will be simply handed over and placed in the safe without any other formality. They must be accompanied by some document showing the purpose of the deposit of these securities. The bank would not part with them otherwise. And that would be suffi-

[The Attorney General.]

gent to safeguard the position in regard to the holding of these securities as security for the repayment of the bank note issue.

**Mr. Davies:** If it is clear that the official will be required to give an acknowledgment to the bank that he has received these securities lodged in terms of the Act—if that is sufficient legal security for the payment of these notes in the event of the failure of the bank—then I am quite satisfied, but I think it follows in that case that the hon. the senior member for Salisbury South (Captain Bertin) is wrong.

**Captain Bertin:** Would the hon. the Attorney General read this clause again. Although the side note says it is security, there is nothing in the clause itself saying that these are to be held as security. I know it is the implication from the framing of the clause, but why not put the actual words? It is all very well for the hon. the Attorney General to say that a legal document will be deposited, but suppose some mistake is made in connection with it—[THE ATTORNEY GENERAL: The bank will not make any mistake.] Then why not put it in the Bill? That these securities are held by the Treasurer for that purpose. I move in line 28 to delete the word "either," and in line 29 to delete "or the High Commissioner of the Colony in London" and to insert "as security for the due payment of the notes issued."

**The Attorney General:** There is no objection to accepting that portion of the hon. member's amendment which inserts the words "as security for the due repayment of the notes issued," although in my opinion these words are not necessary. If, however, the hon. member thinks there is any doubt, I am prepared to settle the hon. member's doubts by accepting those particular words. But in regard to the deletion of the words "High Commissioner of the Colony in London," the hon. the Treasurer is not prepared to accept that, and speaking for myself I do not think it is necessary. After all, particularly now that these words "as security for the due repayment of the said notes" are inserted, there can be no possibility that there will not be an agreement specifying the purpose for which the securities are handed to the High Commissioner. The hon. member will not hand securities over without covering the letter or document. It is impossible to think that they will. The letter

will say that these securities are deposited in terms of section 7 of the Act as security for the redemption of the bank notes. The bank must surely do that, and in that case the position is protected.

**Captain Bertin:** Under the circumstances and in view of the fact that the Government has promised to deal with the matter next year, I am willing to accept half a loaf, and therefore I withdraw my previous amendment. I now move to insert at the end of the clause the words "as security for the due repayment of the said notes."

**Lieut.-Colonel Guest:** I suggest the proper place for that would be in line 28, to delete the words "in the custody of" and put them in there.

The first amendment was by leave withdrawn.

**Captain Bertin:** It has been suggested by the hon. member for Charter (Lieut.-Colonel Guest) that these words would come more properly in line 28. It would then read and shall be held "as security for the due repayment of the said notes" in the custody of either the hon. the Treasurer or the High Commissioner of the Colony in London.

**The Attorney General:** It is quite immaterial where they come in. It will be quite appropriate in either place.

The amendment in line 28 was agreed to. Clause 7, as amended agreed to.

**Captain Downes:** "So long as the bank which issued it continues on demand to pay its notes in full at the place at which they are expressed to be payable." Should it not be explained there that this is to be in gold, in full?

**The Treasurer:** In reply to the hon. member for Hartley (Captain Downes) I would like of the hon. member's attention to the last line of clause 8, reading "but no tender of such note shall be a legal tender of payment at such place by such bank."

**Captain Downes:** The clause expressly states that the bank is going to pay its notes in full, but it does not say in what form. The intention, I take it, is to pay in gold in full. But it is not at all clear. The words "in full" appear to be rather vague. If you had the words "in gold in full" it would be better.

Clause 8 agreed to.

Clause 9 agreed to.

On clause 10,

**Mr. Davies:** Sir, I must remark upon the sweet reasonableness of the hon. the Treasurer in only expecting a return of £9,000. It is true that I used the illustration previously of £5,000, but that was because I misunderstood him. Well, Sir, I think this is a provision that the Government could well alter. The hon. the Treasurer has explained that the note issue to-day will be £900,000 and only one-fifth of that amount, £180,000, will be actually covered in specie. The remainder will be covered in interest-bearing securities of certain kinds, one of which may be the Colony of Southern Rhodesia. It follows from this that if the bank desires to issue £900,000 in notes it may issue £720,000 worth merely by bringing back to the hon. the Treasurer securities on which the bank will then have the right to issue notes to the extent of that sum, in addition to the £180,000 which is covered by gold. So that in regard to this £900,000 note issue they will make their bank a net interest 7½ per cent., 8 per cent. per cent., or, say, a mean of 8 per cent. They will make that interest together with the interest payable by the Government of Southern Rhodesia on those securities. The net result to the bank will be this, that they will derive another £36,000, assuming that the securities are those of this colony at 5 per cent., with the interest on the £720,000 it will in 12 months mean £36,000, and the hon. the Treasurer proposes to put a tax on that additional profit which will secure to this Government only £9,000, leaving the banks in possession of £27,000 for which they give no value. They will, of course, get interest at the bank rate on the whole £900,000 note issue, and that in the ordinary course of all they will be entitled to get. Supposing this Government would not allow them to issue bank notes at all, their only means of increasing the amount of money which they could loan would be by going to a private lender, and, of course, he would require, as does the hon. the Treasurer, deposit for security to probably the same extent. He would probably be able to accept the securities which the hon. the Treasurer has stipulated for in this clause, but he would also require the bank to do some other thing; he would require the bank to pay to him a rate of interest which would probably be nearer 6 per cent. than 5 per cent. So that he would actually be operating for a much less amount than the £36,000 which they will gain under the hon. the Treasurer's pro-

vision. But they would certainly gain some little advantage by reason of the difference between what the lender would charge and the rate of interest at which they could lend out this additional sum of £900,000. I do not want to move an amendment on this matter, because if the Government refused to accept it would, of course, be forced through the House. But I do earnestly ask the Government to weigh up what the actual operations are. The bank will get £36,000 for nothing other than depositing with the Government securities upon which they will earn interest. For doing that they will have the right to lend in the form of bank notes to the amount of £720,000. I do suggest that to tax that issue only to the extent of £9,000 is too low and is altogether out of proportion to the profit which the bank will get by means of the operation. I think the very least which the hon. the Treasurer should expect would be to share fifty-five in the spoil. I suggest that these banks should only be allowed to participate to the extent of one-half of the additional profit which will accrue as a result of this operation. I make this suggestion for the reason that in my opinion the proportion of the profits which are to go to the bank is too large, and I feel that if they were allowed to take only £9,000 and the Treasurer took the balance, that would be a fairer way of dividing it. Therefore I would ask the hon. the Treasurer if he will definitely give the assurance, or whether he will be prepared to accept that suggestion. If not, then I will move in the other terms, that we shall take £27,000 as against £9,000.

**The Treasurer:** I think the hon. member in the observations he has made has confined himself to a small part of the business of banking. He has taken the total issue of bank notes, and against that he has dealt with the income which the banks might derive, leaving out of account altogether the many other branches of banking business on which profits are not made to anything like the extent the hon. member suggests. The hon. member himself may possibly be interested in banking business to the extent of making deposits. He may have deposited large sums of money with the bank on other terms they have to pay 4 per cent. interest or more. Taking that into account, the banks would not in that case be making anything like the profit which the hon. member suggested. The hon. member also overlooks other aspects of this question. For instance, the working expenses of the banks which have to be met out of profits,

[The Attorney General.]

cient to safeguard the position in regard to the holding of these securities as security for the repayment of the bank note issue.

**Mr. Davies:** If it is clear that the official will be required to give an acknowledgment to the bank that he has received these securities lodged in terms of the Act—if that is sufficient legal security for the payment of these notes in the event of the failure of the bank—then I am quite satisfied, but I think it follows in that case that the hon. the senior member for Salisbury South (Captain Bertin) is wrong.

**Captain Bertin:** Would the hon. the Attorney General read this clause again. Although the side note says it is security, there is nothing in the clause itself saying that these are to be held as security. I know it is the implication from the framing of the clause, but why not put in the actual words? It is all very neat for the hon. the Attorney General to say that a legal document will be deposited, but suppose some mistake is made in connection with the bank will not make any connection with it—[THE ATTORNEY GENERAL: That these securities are held by the Treasury for that purpose. I move in line 28 to delete the word "either," and in line 29 to delete the word "or," and to insert "as security for the due payment of the notes issued."]

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Clause 8<sup>a</sup> agreed to.

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On clause 10.

**Mr. Davies:** Sir, I must remark upon the sweet reasonableness of the hon. the Treasurer in only expecting a return of £9,000. It is true that I used the illustration previously of £5,000, but that was because I misunderstood him. Well, Sir, I think this is a provision that the Government could well alter. The hon. the Treasurer has explained that the note issue to-day will be £900,000 and only one-fifth of that amount, £180,000, will be actually covered in specie. The remainder will be covered by interest-bearing securities of certain kinds, one of which may be the Colony of Southern Rhodesia. It follows from this that if the bank desires to issue £900,000 in notes it may issue £720,000 worth merely by bringing back to the hon. the Treasurer securities on which this Colony has to pay 5 per cent. interest. The bank will then have the right to issue notes to the extent of that sum, in addition to the £180,000 which is covered by gold.

So that in regard to this £900,000 note issue they will make their bank rate of interest 7 per cent., 8 per cent., 8½ per cent., or, say, a mean of 8 per cent. They will make that interest together with the interest payable by the Government of Southern Rhodesia on those securities. It net result to the bank will be this, that they will derive another £36,000, assuming that the securities are those of this colony at 5 per cent., with the interest on the £720,000 it will in 12 months mean £36,000, and the hon. the Treasurer proposes to put a tax on that additional profit which will secure to this Government only £9,000, leaving the banks in possession of £27,000 for which they give no value. They will, of course, get interest at the bank rate on the whole £900,000 note issue, and that in the ordinary course is all they will be entitled to get. Supposing this Government would not allow them to issue bank notes at all, their only means of increasing the amount of money which they could loan would be by going to a private lender, and, of course, he would require, as does the hon. the Treasurer, deposit for security probably the same extent. He would probably be able to accept the securities which the hon. the Treasurer has stipulated for in this clause, but he would also require the bank to do some other thing; he would require the bank to pay to him a rate of interest which would probably be nearer 6 per cent. than 5 per cent. So that he would derive no benefit by that. He would actually be operating for a much less amount than the £9,000 which they will gain under the hon. the Treasurer's pro-

vision. But they would certainly gain some little advantage by reason of the difference between what the lender would charge and the rate of interest at which they could lend out this additional sum of £900,000. I do not want to move an amendment on this matter, because if the Government refused to accept it it would, of course, be forced through the House. But I do earnestly ask the Government to weigh up what the actual operations are. The bank will get £36,000 for nothing other than depositing with the Treasury securities upon which they will earn interest. For doing that the bank will have the right to lend in the form of bank notes to the amount of £720,000. I do suggest that a tax that issue only to the extent of £9,000 is too low and is altogether out of proportion to the profit which the bank will get by means of the operation. I think the very least which the hon. the Treasurer should expect would be to share fifty-fifty in the spoil. I suggest that these banks should only be allowed to participate to the extent of one-half of the additional profit which will accrue as a result of this operation. I make this suggestion for the reason that in my opinion the proportion of the profits which are to go to the bank is too large, and I feel that if they were allowed to take only £9,000 and the Treasurer took the balance, that would be a fairer way of dividing it. Therefore I would ask the hon. the Treasurer if he will definitely give the assurance, or whether he will be prepared to accept that suggestion. If not, then I will move in the other terms, that we shall take £27,000 as against £9,000.

**The Treasurer:** I think the hon. member in the observations he has made has confined himself to a small part of the business of banking. He has taken the total issue of bank notes, and against that he has dealt with the income which the banks might derive, leaving out of account altogether the many other branches of banking business on which profits are not made to anything like the extent the hon. member suggests. The hon. member himself may possibly be interested in banking business to the extent of making deposits. He may have deposited large sums of money with the bank on which they have to pay 4 per cent. interest or more. Taking that into account, the banks would not in that case be making anything like the profit which the hon. member suggested. The hon. member also overlooks other aspects of this question. For instance, the working expenses of the banks which have to be met out of profits,

## [The Treasurer.]

and beyond that this is not the only tax which the banks have to pay on the profits. We are now imposing a special tax on this particular form of profit, but beyond that the banks are paying the maximum rate of tax imposed in this country, that is 3s. in the pound on all profits made in this country. So that whatever the profits may be which they derive from this business, that is the bank note issue, it is part of the profits which are taxed by the income tax in this country. As to the rate of tax imposed in this particular instance, that is a matter on which, as I stated in the second reading we have had advice, and on that advice we are satisfied that this is a reasonable impost on this form of business.

**Captain Downes:** Sir, I would like to support the hon. member on my left. The hon. the Treasurer is speaking as though the question underlying this note issue was part of the ordinary banking business, but it is not the case. The vast majority of the banks already do not have their own note issue, and the statement made by the hon. member on my left as to the profits derived are distinctly correct. The normal profits of a bank are derived from the fact that for an amount of £4 sterling in gold which they hold as cover, as I said the other day, they are in a position to create £80 worth of credit, and they can get 8 per cent on the £20. They also handle exchange and there are also other definite banking functions which are certainly highly profitable, and which have nothing to do with the handling of this note issue. The handling of this note issue on which the hon. member on my left says they will make £36,000 per annum is a distinct operation quite apart from anything else that the bank performs.

**Mr. Davies:** I should like to reply on the point that the bank will also pay income tax. The hon. the Treasurer has said that the bank will only pay income tax if they make a profit, and we give them this special facility for making a special profit. I do not know that this House ought to be concerned with enacting special legislation which will enable banks to make a profit outside of their legitimate operations. There is no doubt that this does subsidise the banks. This is a direct privilege which the bank cannot make use of unless the Government are prepared to give it to them. If they were required to lodge these securities with an ordinary money-lender it would certainly be at least the interest that they would secure are worth. So that they will

then only make the difference between the 5 per cent. we will say, which they pay to the lender and the amount which they can extort from the borrower; although perhaps the word "extort" is somewhat harsh. Possibly I should say the rule of interest which they can persuade the borrower to pay? Now let me deal with the income tax points which the hon. the Treasurer makes. He pointed out that they pay 3s. in the pound. Well, Sir, if this sum of £36,000 that would amount to £5,400 and they would not pay anything in respect of this note issue unless they made a profit. So they have the special facilities which, as I say, they can only obtain by the Government allowing them this privilege, and they may still make a loss in consequence of which we will then derive no income tax. I say the Government are giving this concession to the bank outside of their ordinary banking business. They could not get this facility without the sanction of this Government. Is not this country is concerned. There is no legal tender in bank notes, unless the Government of the country stipulates that they shall be legal tender. There can be no escape from the fact that you are taking too small a proportion in this case, and I have made the suggestion that if you think that is the case, then you will content yourself with not less than what I have assumed to be a fair division of the spoils, namely, a fifty-fifty share. I thought I maintain the principal portion should go to the Government. Then I will be content. I still maintain that the principle which be applied is that while the banks may be allowed to get 1 per cent.—which means £7,200 in respect of the bank note issue covered by the security we should get the remainder. That is the position.

**Captain Berlin:** I really think that the hon. the Treasurer has not yet fully grasped the privilege that we have given to these banks for so many years. He will remember that I raised this point some four or five years ago about the banks being allowed to have this issue of bank notes free of any tax when it is really a profit that should go to the State. Now pressure has induced the hon. the Minister to put on a tax, but it is a very small one. It is so small that I think the banks will be pleased to pay it and the Reserve Bank in the Union would also pay it if we made Reserve Bank notes legal tender in this country. They would see at once that the world has £300,000 or £900,000 worth of money that they could use. I suppose we shall not get the hon. the Treasurer to alter the amount. There is one other point I should like to ask. Is

the hon. the Treasurer going to take any action in this Bill to limit the number of notes that can be issued or to keep some check upon it? I suggest he should either limit a figure or say in the Bill that he will give authority for a fresh issue from time to time. The hon. the Treasurer will thus at once be in the hands of those who issue the inflation of the currency of the country.

**The Chairman:** Is the hon. member referring to clause 5?

**Captain Berlin:** If that it would be provided for there. If it is so, perhaps he hon. the Minister will say so.

**The Treasurer:** The matter has been considered. It is one on which we have taken good advice. We have been advised definitely not to propose a limitation of that kind, provided we are secured on the notes that are proposed here. If the bank in the course of business it is necessary to increase the note issue they must increase the amount of the securities and of the gold. That is regarded as sufficient limitation on the issue of notes, together with the fact that the tax is payable on whatever notes are issued. My amendment is to transport the months "February" and "August" into August should come first to bring into conformity with the period mentioned lower down in the clause.

**Mr. Welsh:** What is the object of that amendment? It seems to be totally unnecessary. If the idea is that the bank should make the first return in August, the word "February" coming before "August" in the lips will not make any difference.

**The Treasurer:** We were advised that it would be better to have it that way. It refers to periods of six months ending 30th June and 31st December, lower in the clause. We were advised that it would be better to reverse the months.

**Captain Downes:** I hope the hon. the Treasurer realises that such gold reserve is 20 per cent. It means that every time that reserve issue of £100 then £200 in notes will have to be withdrawn from circulation. The hon. the Treasurer has not worried in the past very much about his trade balance, but the time is rapidly approaching when we may have to deal with our position in our international trade on a gold basis. It appears to me to be rather a weakness to state off at the very beginning with a gold reserve which will mean such a very large proportion of notes to be withdrawn in the event of our getting into financial difficulties.

**Mr. Noaks:** There is one point I should like to raise. In a country like this quite a number of notes are lost or destroyed accidentally. I want to know whether this new clause covers any contributions on the part of the banks to the Government for the profit which would be made through the loss of bank notes, or whether there is any other provision for that purpose.

**The Treasurer:** Those will be notes in circulation. They are not in possession of the bank and the tax would be payable on those notes.

**Mr. Noaks:** Is there any provision to the effect that if notes are lost the Government recognises any portion of the profit which accrues to the banks? In course of issue quite a considerable amount of money is derived by the banks in that way which would accrue to the Government if they were the issuing house. Take the Reserve Bank in the Union. Quite a considerable profit is made out of bank notes that are lost or destroyed. That at the present time all goes to the banks who issue the notes.

**The Treasurer:** This does not touch that point.

**Mr. Davies:** Am I to take it that the hon. the Treasurer is not prepared to increase this tax—[THE TREASURER: That is the position.]—Then I shall move what I previously stated, and I think in order to get the full vote of the House that the division of the profit that will accrue by reason of the permission to give the banks the right to issue notes, that that division should be on the basis of one-half to the Government and one-half to the banks. I move in clause 10 in line 4 to delete the "10s." and to insert "£1 sterling in lieu thereof."

The Treasurer's amendment was agreed to.

**The Chairman** put the motion that the word proposed to be deleted stand part of the clause, on which the House divided—

Ayes, 18.—Mr. Claxton, Mr. Cowden, Mr. Fletcher, Captain Glegg, Lieut.-Colonel Guest, Major Hudson, Mr. Huggins, Mr. Jobling, Mr. Leggata, Mr. Martin, Mr. Mitchell, Mr. Moffat, Mr. Munro, Colonel Taylor, Mrs. Thomson, Mr. Welsh. Tellers: Mr. Easton and Mr. Fyfe.

Noes, 9.—Captain Berlin, Mr. Davies, Mr. Gilchrist, Mr. Keller, Mr. Malloch, Mr. O'Keefe, Sir "Bun" Telford, Mr. Noaks and Captain Downes.

The question was affirmed.

The clause as amended was agreed to.

[The Treasurer.]

and beyond that this is not the only tax which the banks have to pay on the profits. We are now imposing a special tax on this particular form of profit, but beyond that the banks are paying the maximum rate of tax imposed in this country, that is 3s. in the pound on all profits made in this country. So that whatever the profits may be which they derive from this business, that is the bank note issue, it is part of the profits which are taxed by the income tax in this country. As to the rate of tax imposed in this particular instance of tax imposed on which, as I stated in the second reading we have had advice, and on that advice we are satisfied that this is a reasonable impost on this form of business.

**Captain Downes:** Sir, I would like to support the hon. member on my left. The hon. the Treasurer is speaking as though the question underlying this note issue was that of the ordinary banking business, but that is not the case. The vast majority of the banks elsewhere do not have their own note issue, and the statement made by the hon. member on my left as to the profits derived are distinctly correct. The normal profits of a bank are derived from the fact that that for an amount of £4 sterling in gold which they hold as cover, as I said the other day, they are in a position to create £80 worth of credit, and they can get 8 per cent on that £80. They also handle exchange and there are also other profitable banking functions which are certainly highly profitable, and which have nothing to do with the handling of this note issue. The handling of this note issue on which the hon. member on my left says they will make £36,000 per annum is a distinct operation, quite apart from anything else that the bank performs.

**Mr. Davies:** I should like to reply on the point that the bank will also pay income tax. The hon. the Treasurer is aware that the bank will also pay income tax if they make a profit, and I should like this special facility for making a special profit. I do not know that this House ought to be concerned with enacting special legislation which will enable banks to make a profit outside of their legitimate operations. There is no doubt that this does subsidise the bank. This is a direct privilege which the bank cannot make use of unless the Government are prepared to give it to them. If they were required to lodge those securities with an ordinary money-lender it would cost them at least the interest that their securities are worth. So that they will

then only make the difference between the 5 per cent, we will say, which they pay to the lender and the amount which they can extort from the borrower, although, perhaps the word "extort" is somewhat unfair. Possibly I should say the rate of interest which they can extort from the borrower to pay. Now let us deal with the income tax point which the hon. the Treasurer made. He pointed out that they pay 3s. in the pound. Well, Sir, on this sum of £36,000 that would amount to £5,400, but they would not pay anything in respect of this note issue unless they made a profit. So they have the special facility which, as I say, they can only obtain by the Government allowing them this privilege, and they may still make a loss, in consequence of which we will then derive no income tax. If they do the bank outside of their ordinary banking business, they could not get this facility without the sanction of the Government as far as this country is concerned. There is no legal tender in bank notes, unless the Government of the country stipulates that they shall be legal tender. They are not really legal tender. They are taking too small a proportion in this case, and I have made the suggestion that if you think that is the case, then the Government content yourself with not less than what I have assumed to be a fair division of the spoils, namely, a fifty-fifty share, though I maintain that the principal portion should come to the Government. Then I will be content. I still maintain that the bank which should apply is that, while the bank which is entitled to 1 per cent—which means £7,200—in respect of the bank note issue covered by the security we should get the remainder. That is the position.

**Captain Bartia:** I really think that the hon. the Treasurer has not yet fully grasped the privilege that we have given to these banks for so many years. He will remember that I raised this point some four or five years ago about the banks being allowed to have this issue of bank notes free of any tax, when it is really a profit that should go to the State. Now pressure has induced the hon. the Minister to put on a tax, but it is a very small one. It is so small that I think the banks will be pleased to pay it and the Reserve Bank in the Union would also pay it if we made Reserve Bank notes legal tender in this country. They would see at once they would have £800,000 or £900,000 worth of money that they could issue. I am sure they will not get the hon. the Treasurer to alter the amount. There is one other point I should like to ask. Is

the hon. the Treasurer going to take over in this Bill to limit the number of notes that can be issued or to keep some of them upon it? I suggest that should either be given authority by the Bill that is to come to time, The hon. the Treasurer will say that it places it in the hands of those who make the inflation of the currency of the country.

**The Chairman:** Is the hon. member referring to clause 5?

**Captain Bartia:** You mean it would be provided for there. If that is so, perhaps the hon. the Minister will say so.

**The Treasurer:** The matter has been considered. It is one on which we have taken good advice. We have been advised definitely not to propose a limitation of any kind, provided that we secured on the notes that are proposed here. If the banks go in the course of business it is necessary to increase the note issue they will increase the amount of the securities and of the gold that is regarded as sufficient limitation on the issue of notes, together with the fact that the tax is payable on whatever notes are issued. My amendment is to transpose the months "February" and "August." August should come first to bring into conformity with the period mentioned lower down in the clause.

**Mr. Walsh:** What is the object of that amendment? It seems to be totally unnecessary. If the idea is that the Bank should make the first return in August, the word "February" coming before "August" in the line will not make any difference.

**The Treasurer:** We were advised that it would be better to have it that way. It refers to periods of six months ending 30th June and 31st December lower in the clause. We were advised that it would be better to reverse the months.

**Captain Downes:** I hope the hon. the Treasurer realises that such gold reserve as he proposes. It means that every time that the reserve loses £100 then £500 in notes will have to be withdrawn from circulation. The hon. the Treasurer has not worried in the past very much about his trade balance, but the time is rapidly approaching when we may have to deal with our position in our international trade on a gold basis. It appears to me to be rather a gold standard off at the very beginning with a gold reserve which is not meant such a very large proportion of notes to be withdrawn in the event of our getting into financial difficulties.

**Mr. Neenan:** There is one point I should like to raise. In a country like this quite a number of notes are lost or destroyed accidentally. I want to know whether this 1 per cent. covers any contributions on the part of the banks to the Government for the profit which would be made through the loss of banknotes, or whether there is any other provision for that purpose.

**The Treasurer:** Those will be notes in circulation. They are not in possession of the bank and the tax would be payable on those notes.

**Mr. Neenan:** Is there any provision to the effect that if notes are lost the Government recovers any portion of the profit which accrues to the banks? In course of years quite a considerable amount of money would accrue to the Government if they were the issuing house. Take the Reserve Bank in the Union. Quite a considerable profit is made out of bank notes that are lost or destroyed. That at the present time all goes to the banks who issue the notes.

**The Treasurer:** This does not touch that point.

**Mr. Davies:** Am I to take it that the hon. the Treasurer is not prepared to increase this tax—[THE TREASURER: That is the position.]—Then I shall move what I previously stated, and I think an order to get the vote of the House that the division of the profit that will ensue by reason of the permission to give the banks the right to issue notes, that that division should be on the basis of one-half to the Government and one-half to the banks. I move in clause 10, in line 4 to delete the "10s." and to insert "£1 sterling in lieu thereof."

The Treasurer's amendment was agreed to.

The Chairman put the motion that the word proposed to be deleted stand part of the clause, on which the House divided—

Ayes, 18.—Mr. Claxton, Mr. Cowden, Mr. Fletcher, Captain Green, Lieut. Colonel Guest, Major Hudson, Mr. Higgins, Mr. Jobling, Mr. Legg, Mr. Martin, Mr. Mitchell, Mr. Moffat, Mr. Munro, Colonel Mitchell, Mr. Neenan, Mr. Walsh, Tell Taylor, Messrs. Thomson, Mr. Welsh, Mr. Eaton and Mr. Egan.

Noes, 3.—Captain Borsini, Mr. Davies, Mr. Gilchrist, Mr. Kelcey, Mr. Malcolm, Mr. O'Keefe, Mr. Smith, Tellors, Mr. Neaks and Captain Downes.

The question was affirmed.

The clause as amended was agreed to.

Clauses 11 and 12 agreed to.

The Bill was reported with amendments. The consideration of the report being set down for Monday, 18th May.

### LIQUOR AMENDMENT BILL.

The House went into Committee on the Liquor Amendment Bill.

Clause 1 agreed to.

On clause 2.

**Mr. Thomson:** Before you put this clause I wish to propose an amendment which refers to the old Act and is before the amendments proposed in paragraph (2) in the Bill before the House. My amendment is—

"Sub-section (3), section 7, of the principal Act is hereby amended by the addition at the end thereof of the following words—'or any assistant magistrate authorised thereto by the Minister.'"

My reason for moving this is due to the fact that many places applying liquor in the country, such as adibs and hotels, are very far from a magistrate. If extra privileges are desired, it takes some little time before the business can be concluded. In these districts there are some assistant magistrates who are not empowered by the old Act to give the proprietor of licensed premises the facilities he asks for. This amendment proposes to give the assistant magistrate—who may be authorised by the Minister to do so—the necessary permission instead of the application having to be sent through the ordinary routine channels to the magistrate of the district. I trust the House will accept the amendment.

**The Colonial Secretary:** I have pleasure in accepting the amendment and hope it will go some distance to meet the special conditions at Wankie.

Amendment agreed to.

**The Colonial Secretary:** I beg to move in line 19, after the word "Licence," to insert the words "or of an ordinary club licence."

**Mr. Cowden:** I beg to move in lines 20 and 21, to omit the following words and figures: "Between the hours of 10.30 o'clock in the morning and 11 o'clock at night." It is a perfectly simple amendment. It means that a traveller who has travelled 20 miles shall be entitled to refreshments at any hour.

**The Colonial Secretary:** I think there is a general feeling that a bona fide traveller

should not be restricted to the ten hours between 10.30 o'clock a.m. and 11 o'clock p.m., and therefore the Government is agreeable to accept this amendment.

Amendment agreed to.

**The Colonial Secretary:** I move in line 24, after the word "obtaining" to insert the word "such."

**Mr. Danziger:** While the hon. the Colonial Secretary is in this mood I should like to move in line 23 to delete the word "twenty" and to substitute therefor the word "fifteen."

**Mr. Keller:** I have a further amendment to move in regard to the item referred to by the hon. member for Gwelo (Mr. Danziger). My reason is not so much in the interest of the traveller as in the interest of those people who are the proprietors of these establishments. In the second reading of the Bill I pointed out that this particular amendment cut out the operation of the Bill something like one dozen country hotels. There are the Ard bonja, Hunyani, Matopo Dam, Penha longa hotels and the Red House at Khami.

I want to point out that in the case of the Red House, Khami, it is 12 miles from Bulawayo. Just recently they spent £1,000 in providing accommodation which was required of them under the Act. Now apparently this money has been spent uselessly. I would point out that the Red House at Khami is one of the most popular resorts outside Bulawayo. Hundreds of people go there on Sunday mornings and afternoons and Saturday afternoons. It is one of the most popular, if not the most popular, resort outside of Bulawayo. This particular amendment will cut them out completely. I urged that in my personal opinion, to limit the distance to any mileage is something which will prove to be unworkable in practice. That is my personal opinion. I do seriously suggest that the 15 miles should be cut down to five. I move as an amendment that the word "twenty" be deleted and the word "three" substituted.

**The Colonial Secretary:** I do not think that the hon. member has read the amendment standing in my name on the Order Paper on page 297. That amendment has been framed to meet the views just now expressed by the hon. member. Opportunity has also been taken to embody the suggestion made by the hon. member for Salisbury North (Mr. Huggins) that liquor should be provided elsewhere than

bars. Not only are hotels that are five bars beyond the limit of a township or village management board provided for, but all country licensed places may open their doors between 11 a.m. and 4 p.m. on Sunday morning and between 4 p.m. and 7 p.m. in the afternoon. The amendment goes further than suggested by the hon. member for this House. I hope both the hon. member for Raylton (Mr. Keller) and the hon. member for Gwelo (Mr. Danziger) will accept my amendment in place of those they have moved.

**Mr. Malcolm:** I beg to move to insert the following words at the end of the clause—

"In Council the Licensing Court shall be empowered to fix additional hours for consumption of liquor on premises within a reasonable distance from a township or municipality on specified days, including Sundays and Saturdays."

It seems to me that so far as the question of distance is concerned it is impossible to get any coherent opinion of this House. Looking back at the grave difficulty which is in the Act and which we seem to have lost sight of, or the very inclusion of any distance, I believe we have something in the amendment that I have submitted. I am not concerned about the bona fide traveller. I leave that for further interpretation, as I have never heard it clearly defined yet. What certainly inflicts hardships upon the urban areas and certainly is detrimental to people who desire to enjoy themselves on any holiday or possibly on a Saturday or Sunday.

I do not think that inside the hon. the Minister's amendment I can find a solution for the other locality. I mentioned that at the second reading. Even the amendment of the hon. the Minister on the Order Paper does not touch the problem which we are face to face with in Umtali, irrespective of the merits or demerits of his case. That is the position we are faced with. I believe that my amendments will certainly cure that position. It extends the scope a little further, and I think this House will agree with me that as far as our magistrates are concerned and our various licensing courts are concerned and the country they have a more intimate knowledge of the local requirements in this respect than this House. They are in touch with the problem from day to day, and therefore I think this House should bound its energies in order to allow

these experts to have more say than they have at present in regard to the location of deciding the hours in the various localities which come under the licensing court. Therefore, I submit the amendment standing in my name on the Order Paper.

**Mr. Huggins:** I should like to ask, before these amendments are put, whether it is the intention of the Government to merely legislate this session on the lines of the motion that was accepted by the House. I would like to stand in the matter. The motion which I refer to is that the Government should take into consideration any further amendments of the Act which might be necessary next session, and if it is not the intention of the Government to follow on the lines of that motion, I should certainly fight against it.

**The Premier:** It is perhaps as well that I should, in reply to the hon. member, state the position of the Government. The Government do not intend to accept any further amendments that may be put forward other than those which the hon. the Colonial Secretary will move. The Liquor Act of 1920 had only a very short trial—it showed that there were certain portions of it which rather cut across the customs or habits, as one might almost call them, of the traveller to obtain this refreshment of the people of this country. In particular there was the question of the ability of the traveller to obtain this refreshment and also the question of the outside hotels, what may be called pleasure resorts. That is to say, places where it is customary for people from the towns to go on Sunday afternoons and holidays. To meet and to remedy these, the hon. the Colonial Secretary has brought forward these amendments. I feel that that is quite sufficient for the present, and that is as far as we can go this session. We are now about to remedy these matters, and I feel that having done so, I should give it a further trial. Speaking for myself, I believe that with the amendments which the hon. the Colonial Secretary is bringing forward, the needs and requirements of this country in this respect will be fairly met, and I feel confident that the Act should have the support of the vast majority of the people of this country. I would like to put it to a referendum.—(MR. KELLER: Why don't you)—Because it is the business of the Government to legislate in the ordinary way and not to refer to a referendum. However, I feel and I am sure that we have gone quite far enough for the present in the amendments we have

Clauses 11 and 12 agreed to.

The Bill was reported with amendments, the consideration of the report being set down for Monday, 18th May.

**LIQUOR AMENDMENT BILL.**

The House went into Committee on the Liquor Amendment Bill.

Clause 1 agreed to.

On clause 2.

**Mr. Thomson:** Before you put this clause I wish to propose an amendment which refers to the old Act and is before the amendments proposed in paragraph (2) in the Bill before the House. My amendment is—

"Sub-section (3), section 7, of the principal Act is hereby amended by the addition at the end thereof of the following words—'or any assistant magistrate authorised thereto by the Minister.'"

My reason for moving that is due to the fact that many places supplying liquor in the country, such as clubs and hotels, are very far from a magistrate. If extra privileges are desired, it takes some little time before the business can be concluded. In those districts there are some assistant magistrates who are not empowered by the old Act to give the proprietor of licensed premises the facilities he asks for. This amendment proposes to give the assistant magistrate—who may be authorised by the Minister to do so—the necessary permission instead of the application having to be sent through the ordinary routine channels to the magistrate of the district. I trust the House will accept the amendment.

**The Colonial Secretary:** I have pleasure in accepting the amendment and hope it will go some distance to meet the special conditions at Wankie.

Amendment agreed to.

**The Colonial Secretary:** I beg to move in line 19, after the word "Licence" to insert the words "or of an ordinary club licence."

**Mr. Cowden:** I beg to move in lines 20 and 21, to omit the following words and figures: "Between the hours of 10.30 o'clock in the morning and 11 o'clock at night." It is a perfectly simple amendment. It means that a traveller who has travelled 20 miles shall be entitled to refreshments at any hour.

**The Colonial Secretary:** I think there is a general feeling that a *bona fide* traveller

should not be restricted to the usual hours between 10.30 o'clock a.m. and 11 o'clock p.m., and therefore the Government is agreeable to accept this amendment.

Amendment agreed to.

**The Colonial Secretary:** I move in line 24, after the word "obtaining" to insert the word "such."

**Mr. Danziger:** While the hon. the Colonial Secretary is in this mood I should like to move in line 28 to delete the word "twenty" and to substitute therefor the word "fifteen."

**Mr. Keller:** I have a further amendment to move in regard to the item referred to by the hon. member for Gwelo (Mr. Danziger). My reason is not so much in the interest of the traveller as in the interests of those people who are the proprietors of those establishments. In the second reading of the Bill I pointed out that this particular amendment cut out of the operation of the Bill something like one dozen country hotels. There are the Ard benna, Hunyani, Matopo Dam, Penha longa hotels and the Red House at Khami. I want to point out that in the case of the Red House, Khami, it is 12 miles from Bulawayo. Just recently they spent £1,000 in providing accommodation which was required of them under the Act. Now apparently this money has been spent uselessly. I would point out that the Red House at Khami is one of the most popular resorts outside Bulawayo. Hundreds of people go there on Sunday mornings and afternoons and Saturday afternoons. It is one of the most popular if not the most popular resort out side of Bulawayo. This particular amendment will cut them out completely. I urged that in my personal opinion, to limit the distance to any mileage is something which will prove to be unworkable in practice. That is my personal opinion. I do seriously suggest that the 15 miles should be cut down to five. I move as an amendment that the word "twenty" be deleted and the word "three" substituted.

**The Colonial Secretary:** I do not think that the hon. member has read the amendment standing in my name on the Order Paper on page 297. That amendment has been framed to meet the views just now expressed by the hon. member. Opportunity has also been taken to embody the suggestion made by the hon. member for Salisbury North (Mr. Huggins) that liquor should be provided elsewhere than

bars. Not only are hotels that are five days beyond the limit of a township or village management board provided for, but all country licensed places may open their doors between 11 a.m. and 1 p.m. on Sunday morning and between 4 p.m. and 7 p.m. in the afternoon. The amendment goes further than suggested by the hon. members for this House. I hope both the hon. member for Raylton (Mr. Keller) and the hon. member for Gwelo (Mr. Danziger) will accept my amendment in place of those they have moved.

**Mr. Matlooin:** I beg to move to insert the following words at the end of the clause—

"Subject to the consent of the Governor-in-Council the Licensing Court shall be empowered to fix additional hours for consumption of liquor on premises within a reasonable distance from a township or municipality on recognised holidays, Sundays and Saturdays."

I sense to me that so far as the question of distance is concerned it is impossible to get any coherent opinion of this House. Looking back at the grave difficulty which is in the Act and which we seem to have lost sight of, or the very inclusion of any distance, I believe we have something in the amendment that I have submitted. I am not concerned about the *bona fide* traveller. I leave that for further interpretation, as I have never heard it clearly defined yet. What I am concerned about is that the Act certainly inflicts hardships upon the urban areas and certainly is detrimental to people who desire to enjoy themselves on any holiday or possibly on a Saturday or Sunday. I do not think that inside the hon. the Minister's amendment I can find a solution for the present and for the future of the hon. the Minister on the Order Paper does not touch the problem which we are face to face with in Untuli, irrespective of the merit or demerit of his case. That is the position we are faced with. I believe that my amendments will certainly cure that position. It extends the scope a little further, and I think this House will agree with me that as far as our magistrates are concerned and our various licensing courts up and down the country they have a more intimate knowledge of the local requirements in this respect than this House. They are in touch with the problem from day to day and therefore I think this House should lend its energies in order to allow

these experts to have more say than they have at present in regard to the question of deciding the hours in the various localities which come under the licensing court. Therefore, I submit the amendment standing in my name on the Order Paper.

**Mr. Huggins:** I should like to ask, before these amendments are put, whether it is the intention of the Government to merely legislate this session on the lines of the motion that was accepted by the House, because I think we would all like to know where we stand in this matter. The motion I refer to is that the Government should take into consideration any further amendments of the Act which might be necessary next session, and if it is not the intention of the Government to follow on the lines of that motion, I should certainly fight against it.

**The Premier:** It is perhaps as well that I should, in replying to the hon. member, state the position of the Government. The Government do not intend to accept any further amendments that may be put forward other than those which the hon. the Colonial Secretary will move. The Liquor Act of 1930 had only a very short trial—actually a little more than a month—but it showed that there were certain portions of it which rather cut across the customs or habits, as one might almost call them, of the people of this country. In particular there was the question of the ability of the traveller to obtain this refreshment and also the question of the outside hotels, that may be called pleasure resorts, that is to say places where it is customary for people from the towns to go on Sunday afternoons and holidays. To meet and to remedy this, the hon. the Colonial Secretary has brought forward these amendments. I feel that that is quite sufficient for the present, and that is as far as we can go this session. We are now about to remedy these matters, and I feel that having done that we should leave the Act alone and give it a further trial. Speaking for myself, I believe that with the amendment which the hon. the Colonial Secretary is bringing forward, the needs and requirements of this country in this respect will be fairly met. I also feel confident that this Act will have the support of the vast majority of the people of this country. I would like to put it to a referendum. **(MR. KELLER:** Why don't you?)—Because it is the business of the Government to legislate in the ordinary way and not by referendum. However, I feel as I say that we have gone quite far enough for the present in the amendments we have

[The Premier.]

proposed, and the matter must stand at that. If serious defects are shown to exist after further trial they can be considered at the next session of Parliament.

**Mr. Keller:** The hon. the Premier started off by saying that the Government would not accept any further amendments other than the hon. the Colonial Secretary's. Well, that was a foregone conclusion by everyone in opposition to the Bill.—[THE PREMIER: We have accepted one by the hon. member for Wankie]—I would like to ask him if that is his idea of a free vote. The hon. the Colonial Secretary never fails to emphasise that this Liquor Act is the result of a free vote of this House.—[THE PREMIER: That is so.]

Well, is it now? That is the point. If it were worth a free vote of the House before, surely the same thing must apply now. But the hon. the Premier has laid it down that this would not happen, so I suppose it will not. The hon. the Colonial Secretary's amendment states that notwithstanding anything to the contrary contained in the principal Act, a country retail liquor licence shall entitle any holder thereof to sell liquor on Sundays and Good Fridays between 11 o'clock and 1 o'clock in the afternoon and between 4 o'clock and 7 o'clock. That is five hours in all; and yet he has just accepted an amendment from the hon. the senior member for Bulawayo Central (Mr. Cowden) providing further that nothing in this Act contained shall preclude any holder of a retail liquor licence from selling liquor on any day at any time to a *bona fide* traveller.—[THE COLONIAL SECRETARY: Those are two different cases]—I should like the hon. the Minister to explain that.

**The Colonial Secretary:** The explanation is that in the one case you are dealing with a *bona fide* traveller and in the other with the general public and on that day in reference to the further remarks passed by the hon. member in regard to the motions raised by the two hon. members for Gwelo (Mr. Danziger) and Salisbury North (Mr. Higgins) of that these matters are left to the free vote of hon. members in this House. The question that was dealt with by the hon. the Premier in his reply was that the Government was not going beyond these questions that were raised by these two hon. members.

**Captain Bertin:** I take it from what the hon. member for Rayton (Mr. Keller) has said that he is bringing forward a number of these matters to help the holiday resort

hotels close to town; and I would like to remind him and other hon. members who are in the Order Paper of the amendments on which the hon. the Colonial Secretary holds at this moment. He says—"This is a matter for the free vote of the House. The hon. the Premier says that the Government is not prepared to accept any other amendments than the hon. the Colonial Secretary has put down. As far as I am concerned I am satisfied with the position. At all events it represents a big advance on what the Bill contained before. Last time, when we had the Bill before us, it was left to the free vote of the House and we could have altered it as we wished. On that occasion, however, the hon. the Colonial Secretary holds us in the hollow of his hand, if I may say so. If amended motions are passed in this Bill of which he does not approve, he need not move them, third reading, and the original Bill will then stand. I bring this to the notice of the House so that if we press these amendments and even carry them we may be defeating the very people we wish to assist by this amending Bill.—[MR. KELLER: The same thing applied last year]—No, it did not. Because if the third reading of the Liquor Bill of last year had not been passed we would still have been under the old law. But we have repealed that law, and what we are doing now is to amend that law, to mitigate what we consider to be hardships in it. Now if those are not passed the law of last year will remain in force without these amendments, which the hon. the Colonial Secretary has now agreed to. That is the position.

**Mr. Smith:** Sir, I have an amendment on the Order Paper. A portion of that has already been agreed to by the hon. the Colonial Secretary; it is the last portion. The first portion is intended to alleviate the position in regard to residents of hotels, so that they may be allowed to obtain liquor at any time.

**The Chairman:** The hon. member need not refer to that amendment just now, it will come after clause 2. We have two amendments on clause 2.

**Mr. Malcolm:** Do I understand from the hon. the Premier's remarks that he coincides with the hon. the Colonial Secretary in the acceptance of the principle which is not contained in the Bill granting powers to the Magistrate and Assistant Magistrate? And that hon. members on the other side may submit amendments to principles not contained in the Bill, while that is not conceded to us on this side?

**Mr. Smith:** I should like to challenge the ruling you have given, Mr. Chairman, because I am speaking about clause 2.

**The Chairman:** I am not ruling the hon. member out of order. I merely suggest that his amendment follows clause 2. We are still on clause 2.

**Mr. Smith:** But, Sir, the wording of my amendment has been altered.

**The Chairman:** The hon. member's amendment is a new clause.

**Mr. Smith:** No, Sir; that is not the way it put it. It has been altered by the Clerk of the House. My whole idea is to alter sub-section 5 of section 54 of the principal Act by deleting—

**The Chairman:** I am afraid the hon. member is not quite in order in moving it on clause 2.

**Mr. Danziger:** You know, Sir, I accept my things willingly, but if the hon. member cannot move it on clause 2, when can he? It deals with clause 54.

**The Chairman:** The amendment on the Order Paper says distinctly "to insert the following new clause between clauses 2 and 3" and we have to follow the Order Paper.

**Mr. Smith:** But this has not been put in by me; it has been done" by the Clerk (Laughter.)

**Mr. Welsh:** Is the motion by the hon. the Colonial Secretary on page 297 open for discussion? It has been referred to.

**The Chairman:** The hon. the Colonial Secretary was only giving information. Is the hon. member for Gwelo (Mr. Danziger) moving his amendment?

**Mr. Danziger:** Yes, Sir. It is not only these country hotels. My idea is to assist the traveller—not only the hotel. While it is true that a person leaving the town can go to a country hotel and get a drink, it does not help the man who comes in 15 miles to a town. The hon. the Colonial Secretary has been good enough to adopt the suggestion I made originally when introducing this motion. Perhaps it appears rather churlish therefore not to give it fully on a matter of this sort. He has admitted that the basis was half an hour's travelling. Well, I submit that the hon. the Colonial Secretary is probably the only man in this House who travels 40 miles an hour consistently (Laughter). I submit that the average speed of the rest of us is 30 miles. There is no arbitrary distance that one can lay down, but if the three miles under the old Cape Act was half an hour, surely the hon. the Colonial Sec-

tary can agree to a reasonable half-hour by motor car.

**The Colonial Secretary:** Had I, in framing this amended Bill, been guided by the hon. member for Gwelo (Mr. Danziger) only, I should have gone a very much shorter distance than I have gone, or the Government has gone, in this case. But not only did I accept the sense of the hon. member's motion, who only referred to a distance of 20 miles, but I have agreed to do away with any time limit, and made it that the bona fide traveller can get refreshment at any time; and in addition I have introduced this further amendment standing in my name on the last page of the Order Paper, which gives facilities for obtaining intoxicating liquor within the 15 miles radius that the hon. member laid down himself. So far from being churlish, I think the hon. member should state that in his disposition on this matter the Colonial Secretary has been extremely generous in this case.

**Mr. Danziger:** Like my hon. friend, the hon. the senior member for Salisbury North (Mr. Huggins), I am determined to keep in a good temper in dealing with this matter. I think the hon. the Colonial Secretary has not put the position correctly before the House. I have either expressed myself very badly, or he will not see it. I am discussing the position of the country hotel now. I admit that it is quite well dealt with in the amendment to be introduced. But I am dealing with the hon. member. I say the traveller himself who comes into a big town is not dealt with at all in the hon. the Colonial Secretary's amendment. He must travel a distance of 20 miles. I have already pointed out that the old Act was three miles, so why not make the corresponding thing for motor cars 15 miles, which is fair?

**The Colonial Secretary:** Would the hon. member compare the fatigue resulting from travelling three miles on foot, or three miles behind a pair of mules or on horseback, with 20 miles in a sedan car, as mentioned by some hon. member, or even in the oldest Ford car that runs in this country to-day? I am sure the 20 miles and the three miles are entirely comparable and the three miles are on that basis. I should state, too, that it has been shown to me that there have been real abuses connected with the facilities allowed to bona fide travellers in the past. There is no doubt about that. The hon. member for Umfali South (Mr. Malcolm) has pointed out the enormous difficulty there

[The Premier.]

proposed, and the matter must stand at that. If serious defects are shown to exist after further trial they can be considered at the next session of Parliament.

**Mr. Keller:** The hon. the Premier started off by saying that the Government would not accept any further amendments other than the hon. the Colonial Secretary's. Well, that was a foregone conclusion by everyone in opposition to the Bill—[THE PREMIER: We have accepted one by the hon. member for Wanika]—I would like to ask him if that is his idea of a free vote. The hon. the Colonial Secretary never fails to emphasize that this House—[THE PREMIER: That is so]—Well, is it now? That is the point. If it were worth a free vote of the House before, surely the same thing must apply now. But the hon. the Premier has laid it down that this would not happen, so I suppose it will not. The hon. the Colonial Secretary's amendment states that notwithstanding anything to the contrary contained in the principal Act, a country retail liquor licence shall entitle any holder thereof to sell liquor on Sundays and Good Fridays between 11 o'clock and 1 o'clock in the afternoon and between 4 o'clock and 7 o'clock. That is five hours in all; and yet he has just accepted an amendment from the hon. the senior member for Bulawayo Central (Mr. Cowden) providing further that nothing in this Act contained shall preclude any holder of a retail liquor licence from selling liquor on any day at any time to any local trader. [THE COLONIAL SECRETARY: Those are two different cases]—I should like the hon. the Minister to explain that.

**The Colonial Secretary:** The explanation is that in the one case you are dealing with a bona fide traveller and in the other with the general public; and I would say in reference to the further remarks passed by the hon. member in regard to the motions raised by the two hon. members for Gwelo (Mr. Danziger) and Salisbury North (Mr. Huggins) that these matters are left to the free vote of hon. members in this House. The question that was dealt with by the hon. the Premier in his reply was that the Government was not going beyond these questions that were raised by these two hon. members.

**Captain Bertin:** I take it from what the hon. member for Raylton (Mr. Keller) has said that he is bringing forward a number of these matters to help the holiday resort

hotels close to town; and I would like to remind him and other hon. members with amendments on the Order Paper of the position which the hon. the Colonial Secretary holds at this moment. He says—"This is a matter for the free vote of the House. The hon. the Premier says that the Government is not prepared to accept any other amendments than that the hon. the Colonial Secretary has put down. As far as I am concerned I am satisfied with the position. At all events it represents a big advance on what the Bill contained before. Last time, when we had the Bill before us, it was left to the free vote of the House, and we could have altered it as we wished. On this occasion, however, the hon. the Colonial Secretary holds us in the hollow of his hand, if I may say so. If amendments are passed in this Bill of which he does not approve, he need not move this third reading, and the original Bill will then stand, so I bring this to the notice of the House that if we press these amendments and even carry them we may be defeating the very people we wish to assist by this amending Bill—[MR. KELLER: The same thing applied last year]—No, it did not. Because if the third reading of the Liquor Bill of last year had not been passed we would still have been under the old law. But we have repealed that law, and what we are doing now is to amend that law, to mitigate what we consider to be hardships in it. Now if those are not passed the law of last year will remain in force without these amendments which the hon. the Colonial Secretary has now agreed to. That is the position.

**Mr. Smit:** Sir, I have an amendment on the Order Paper. A portion of that has already been agreed to by the hon. the Colonial Secretary; it is the last portion. The first portion it intended to alleviate the position in regard to residents of hotels, so that they may be allowed to obtain liquor at any time.

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**Mr. Smit:** I should like to challenge the ruling you have given, Mr. Chairman, because I am speaking about clause 2.

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**The Chairman:** The hon. member's amendment is a new clause.

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**Mr. Smit:** But this has not been put in by me; it has been done by the Clerk (Laughter.)

**Mr. Welsh:** Is the motion by the hon. the Colonial Secretary on page 297 open for discussion? It has been referred to.

**The Chairman:** The hon. the Colonial Secretary was only giving information. Is the hon. member for Gwelo (Mr. Danziger) moving his amendment?

**Mr. Danziger:** Yes, Sir. It is not only these country hotels. My idea is to assist the traveller—not the hotel. While it is true that a country hotel and get a drink, it does not help the man who comes in 15 miles to a town. The hon. the Colonial Secretary has been good enough to adopt the suggestion I made originally when introducing this motion. Perhaps it appears rather churlish therefore not to give it in the oldest Ford car that runs in this country to-day? I am sure the 20 miles and the three miles are entirely comparable if he will put them on that basis. I should state, too, that it has been shown to me that there have been real abuses connected with the facilities allowed to bona fide travellers in the past. There is no doubt about that. The hon. member for Untali South (Mr. Malcolm) has pointed out the enormous difficulty there

tary can agree to a reasonable half-hour by motor car.

**The Colonial Secretary:** Had I, in framing this amended Bill, been guided by the hon. member for Gwelo (Mr. Danziger) only, I should have gone a very much shorter distance than I have gone, or the Government has gone, in this case. But not only did I accept the sense of the hon. member's motion, who only referred to a distance of 20 miles, but I have agreed to do away with any time limit, and made it that the bona fide traveller can get refreshment at any time; and in addition I have introduced this further amendment standing in my name on the last page of the Order Paper, which gives facilities for obtaining intoxicating liquor within the 15 miles radius that the hon. member laid down himself. So far from being churlish, I think the hon. member should state that in his disposition on the matter the Colonial Secretary has been extremely generous in this case.

**Mr. Danziger:** Like my hon. friend, the hon. the senior member for Salisbury North (Mr. Huggins), I am determined to keep in a good temper in dealing with this matter. I think the hon. the Colonial Secretary has not put the position correctly before the House. I have either expressed myself very badly, or he will not see it. I am discussing the position of the country hotel now. I admit that it is quite well dealt with in the amendment to be introduced. But I am dealing with the traveller himself. I say the traveller himself who comes into a big town is not dealt with at all in the hon. the Colonial Secretary's amendment. He must travel a distance of 20 miles. He has already pointed out that the old law has already printed out that make the corresponding thing for motor cars 15 miles, which is fair?

**The Colonial Secretary:** Would the hon. member compare the fatigue resulting from travelling three miles on foot, or three miles behind a pair of mules or on horseback, with 20 miles in a sedan car, as was mentioned by some hon. member, or even in the oldest Ford car that runs in this country to-day? I am sure the 20 miles and the three miles are entirely comparable if he will put them on that basis. I should state, too, that it has been shown to me that there have been real abuses connected with the facilities allowed to bona fide travellers in the past. There is no doubt about that. The hon. member for Untali South (Mr. Malcolm) has pointed out the enormous difficulty there

[The Colonial Secretary.]

is in applying the definition of bona fide traveller" and making it effective. I think I mentioned before on the second reading that that is due to the fact that it is a subjective test that must be applied if you are dependent on the phrase "bona fide traveller" only. So that this additional limitation of distance is put in and I think that under the modern conditions of travelling 20 miles as against three is a very fair interpretation of the two sets of circumstances as compared with, say, 50 years ago and to-day. Just as I stated a few minutes ago the details of this matter are left to the free vote of hon. members, and if the hon. member feels keen about his point he will in doubt insist on it being a division.

**Mr. Smit:** Sir, I wish to move, in amendment, I want to amend clause 2 by inserting the following paragraph between paragraphs (a) and (b): "By the omission from subsection (b) the first of the words after the words 'the holder of' where they occur for the second time to the end of the said subsection, and the substitution of the following words in lieu thereof: 'an ordinary club licence may be authorised to sell liquor to members of the club and provided further that nothing in this Act contained shall be deemed to prohibit the sale and supply of liquor by the holder of a retail licence to residents in the hotel or to other residents between the hours of 6.30 a.m. and 12.30 a.m.'" I delete the last portion of the amendment on the Order Paper because that has been accepted already.

**Mr. Keller:** I want to say this in regard to this point about the 20 miles. I quite think that it is the intention of the hon. the Minister to purposely make it difficult for the residents of, say, Salisbury on the one hand, or the residents of Bulawayo on the other hand, to have an enjoyable Sunday afternoon, and if this 20 miles limit remain in, there are a large number of cases where that will happen. Speaking of motor car travel, when I say that I have in mind that in regard to Salisbury the 20 mile limit will cut out Hanyam. [HON. MEMBERS: No.] [THE COLONIAL SECRETARY: Is that bona fide traveller only? In regard to Bulawayo it will cut out the Klamo Hotel.] [MR. WELSH: No.] If that is so, then why object to altering the 20 miles? [MR. HUGGINS: Look at page 267 of the Order Paper.] That is all right; but one thing seems to contradict the other, so I say

if there is no necessity for the 20 miles in the clause, and I do not see that there is, let us cut it out. In any case, before the hon. the Colonial Secretary replies to this I would like to convey to him that it is not everyone who is not a pedestrian who is a motorist. There are still hundreds of people who take their Sunday morning or afternoon's enjoyment on the handle-bar push-bike. [MR. COWDEN: They are provided for in the hon. the Colonial Secretary's amendment]—and there are scores of people who still enjoy the pastime of walking too. It seems to me that you are cutting out both of these types of people. So that in that particular respect I feel that this limitation is unfair.

**The Colonial Secretary:** The hon. member has not quite grasped the statement that I made in regard to this last amendment that appears on my name in the Order Paper. It might have been framed to meet the very situation that he speaks of, viz., to provide for the town-dweller who goes out on Sunday afternoon and desires to get refreshment at those hotels which hold a country liquor licence. All the people that he is so anxious about can be served by this provision, not only on Sunday afternoon but Sunday morning too. With regard to the amendment moved by the hon. junior member for Salisbury South (Mr. Smit) the statement of the hon. the Premier covers that, that the Government do not intend to bring the whole Liquor Act under review in introducing these amendments. Amendments have been provided on the Order Paper to provide for the situation that was dealt with by the motions of the hon. member for Gwelo (Mr. Danziger) and the senior member for Salisbury North (Mr. Huggins).

**The Chairman:** Does the hon. member press his amendment the first on the Order Paper?

**Mr. Smit:** Yes, Sir, I wish to test the feeling of the House in regard to this matter, because I think a great hardship is inflicted on the residents of hotels. People living in their own homes can obtain liquor at any time, but if a resident in an hotel wishes to obtain liquor after ordinary hours he has to get his supply from a bottle store and keep it in his room. I think that creates a bad state of things in hotels, and does not secure the effect which the Act was framed to achieve. I therefore move my amendment.

Mr. Smit's amendment was put, upon which the Committee divided.

**Ayes, 6.**—Mr. Davies, Captain Downes, Malcolm, Mr. Noaks. **Tellers:** Mr. Keller and Mr. Smit.

**Noes, 19.**—Captain Bertin, Mr. Claxton, Mr. Cowden, Mr. Danziger, Mr. Eaton, Mr. Fletcher, Mr. Fynn, Captain Green, Major Hudson, Mr. Huggins, Mr. Mitchell, Mr. Leggate, Mr. Martin, Mr. Welsh, Tellers: Lieut. Colonel Guest and Colonel Taylor.

The amendment was therefore negatived.

**The Chairman** put the amendment in line 24.

Agreed to.

**The Chairman** put Mr. Keller's amendment in line 28.

**The Premier:** I think perhaps some explanation is necessary from me, as I may have been misunderstood in the statement I made. While the Government do not intend the whole Bill to be under review, the amendments to the Bill may be considered, and in regard to those amendments the Government leave it to the open vote of the House. In regard to details such as its hours and times and so forth, my remarks only referred to further amendment on the Act of last year, in short, bringing the whole Act under review, with a view of amending it throughout.

**The Chairman** put the motion that the word "twenty" proposed to be omitted stand part of the clause, on which the House divided.

**Ayes, 11.**—Mr. Cowden, Mr. Eaton, Mr. Lieut. Colonel Guest, Major Hudson, Mr. Leggate, Mr. Moffat, Mr. Munro, Colonel Taylor, Mr. Welsh. **Tellers:** Captain Bertin and Mr. Huggins.

**Noes, 14.**—Mr. Claxton, Mr. Danziger, Captain Downes, Mr. Fletcher, Mr. Fynn, Captain Green, Mr. Jobling, Mr. Keller, Mr. Martin, Mr. Mitchell, Mr. Noaks, Mr. Smit. **Tellers:** Mrs. Malcolm and Mr. Davies.

The question was accordingly negatived.

Mr. Keller's amendment was negatived.

Mr. Danziger's amendment was agreed to.

The Colonial Secretary's amendment in line 19 was agreed to.

Mr. Cowden's amendment was negatived.

Mr. Malcolm's amendment was negatived.

**Mr. Keller:** I do not know whether I am in order in moving a further amendment. Business suspended at 6 o'clock p.m.

**The Premier:** In the unavoidable absence of the Chairman, I propose that Mr. Welsh take the Chair.

Agreed to.

**The Chairman:** When the House adjourned, clause 2 was under consideration.

On the motion of the hon. the Colonial Secretary progress was reported and leave granted to sit again on Monday, 18th May.

On the motion of the Premier, seconded by Mr. Smit.

The House adjourned at five minutes past eight o'clock p.m.

## [The Colonial Secretary.]

is in applying the definition of "bona fide traveller," and making it effective. I think I mentioned before on the second reading that that is due to the fact that it is a subjective test that must be applied, if you are dependent on the phrase "bona fide traveller" only. So that this additional limitation of distance is put in, and I think that under the modern conditions of travelling 20 miles is almost three is a very fair interpretation of it. In two sets of circumstances, as compared with, say, 50 years ago and today. But as I stated a few minutes ago the details of this matter are left to the free vote of hon. members, and if the hon. member feels keen about his point he will doubt miss on it going to a division.

**Mr. Smit:** Sir, I wish to move my amendment. I want to amend clause 2 by inserting the following paragraph between paragraphs (a) and (b): "By the omission from subsection (a) the words 'where they occur for the second time, to the end of the said subsection, and the substitution of the following words in lieu thereof: 'an ordinary club licence may be authorised to sell liquor to members of the club and provided further that nothing in this Act contained shall be deemed to prohibit the sale and supply of liquor by the holder of a retail liquor licence to residents in the hotel on the premises between the hours of 6.30 a.m. and 12.30 a.m.' I delete the last portion of the amendment in the Order Paper because that has been accorded to already."

**Mr. Keller:** I want to say this in regard to this point about the 20 miles. I cannot think that it is the intention of the hon. the Minister to purposely make it difficult for the residents of, say, Salisbury, on the one hand, or the residents of Bulawayo, on the other hand, to have an enjoyable Sunday afternoon, and if this 20 miles limit remain in, there are a large number of cases where that will happen. Speaking of motor car travel when I say that I have in mind that in regard to Salisbury the 20 miles limit will cut out Hunyani.

**HON. MEMBERS: YES. THE COLONIAL SECRETARY:** In *bona fide* travelling only. In regard to Bulawayo it will cut out the Khomo Hotel. **MR. WELSH:** No. If that is so, then why object to altering the 20 miles? **[MR. HUGGINS:** Look at page 267 of the Order Paper.] That is all right; but one thing seems to contradict the other, so I say

if there is no necessity for the 20 miles in the clause, and I do not see that there is, let us cut it out. In any case, before the hon. the Colonial Secretary replies to this I would like to convey to him that it is not everyone who is not a pedestrian who is a motorist. There are still hundreds of people who take their Sunday morning or afternoon's enjoyment on the humble pushbike. **[MR. COWDEN:** They are provided for in the hon. the Colonial Secretary's amendment.]—and there are scores of people who still enjoy the pastime of walking too. It seems to me that you are cutting out both of these types of people. So that in that particular respect I feel that this limitation is unfair.

**The Colonial Secretary:** The hon. member has not quite grasped the statement that I made in regard to this last amendment that appears in my name on the Order Paper. It might have been framed to meet the very situation that he speaks of, *viz.* to provide for the town-dweller who desires to get refreshment at these hotels which hold a country liquor licence. All the people that he is so anxious about can be served by this provision, not only on Sunday afternoon but Sunday morning too. With regard to the amendment moved by the hon. junior member for Salisbury South (**Mr. Smit**) the statement of the hon. the Premier covers that, that the Government do not intend to bring the whole Liquor Act under review in introducing these amendments. Amendments have been placed on the Order Paper to provide for the situation that was dealt with in the motions of the hon. member for Gwelo (**Mr. Danziger**) and the senior member for Salisbury North (**Mr. Huggins**).

**The Chairman:** Does the hon. member press his amendment the first on the Order Paper?

**Mr. Smit:** Yes, Sir; I wish to test the feeling of the House in regard to this matter, because I think a great hardship is inflicted on the residents of hotels. People living in their own homes can obtain liquor at any time, but if a resident in an hotel wishes to obtain liquor after ordinary hours he has to get his supply from a bottle store and keep it in his room. I think that creates a bad state of things in hotels, and does not secure the effect which the Act was framed to achieve. I therefore move my amendment.

**Mr. Smit's** amendment was put, upon which the Committee divided.

**Ayes, 6.**—**Mr. Davies,** Captain Downes, Mr. Malcolm, Mr. Noaks. **Tellers:** Mr. Keller and Mr. Smit.

**Noes, 19.**—**Captain Bertin,** Mr. Claxton, Mr. Cowden, Mr. Danziger, Mr. Eaton, Mr. Fletcher, Mr. Fynn, Captain Green, Major Hudson, Mr. Huggins, Mr. Jobling, Mr. Laggate, Mr. Martin, Mr. Mitchell, Mr. Moffat, Mr. Munro, Mr. Welsh. **Tellers:** Lieut. Colonel Guest and Colonel Taylor.

The amendment was therefore negatived.

**The Chairman** put the amendment in line 24.

Agreed to.  
**The Chairman** put Mr. Keller's amendment in line 28.

**The Premier:** I think perhaps some explanation is necessary from me, as I may have been misunderstood in the statement I made. While the Government do not intend the whole Bill to be under review, the amendments to the Bill may be considered, and in regard to those amendments the Government leave it to the open vote of the House. In regard to details such as distances and times and so forth, my remarks only referred to further amendment to the Act of last year, in short, bringing the whole Act under review, with a view of amending it throughout.

**The Chairman** put the motion that the word "twenty" proposed to be omitted stand part of the clause, on which the House divided.

**Ayes, 11.**—**Mr. Gordon,** Mr. Eaton, Lieut. Colonel Guest, Major Hudson, Mr. Laggate, Mr. Moffat, Mr. Munro, Colonel Taylor, Mr. Welsh. **Tellers:** Captain Bertin and Mr. Huggins.

**Noes, 14.**—**Mr. Claxton,** Mr. Danziger, Captain Downes, Mr. Fletcher, Mr. Fynn, Captain Green, Mr. Jobling, Mr. Keller, Mr. Martin, Mr. Mitchell, Mr. Noaks, Mr. Smit. **Tellers:** Mrs. Malcolm and Mr. Davies.

The question was accordingly negatived.  
**Mr. Keller's** amendment was negatived.

**Mr. Danziger's** amendment was agreed to.

The Colonial Secretary's amendment in line 19 was agreed to.

**Mr. Cowden's** amendment was negatived.  
**Mr. Malcolm's** amendment was negatived.

**Mr. Keller:** I do not know whether I am in order in moving a further amendment. Business suspended at 6 o'clock p.m.

**The Premier:** In the unavoidable absence of the Chairman, I propose that Mr. Welsh take the Chair.

Agreed to.  
**The Chairman:** When the House adjourned, clause 2 was under consideration.

On the motion of the hon. the Colonial Secretary progress was reported and leave granted to sit again on Monday, 18th May.

On the motion of the Premier, seconded by **Mr. Smit,**

The House adjourned at five minutes past eight o'clock p.m.

3/10/39

## POWER ALCOHOL FROM KENYA PRODUCE.

Expert In Negotiation with  
Government.

MAIZE AS A RAW MATERIAL.

Scheme Adopted Officially In  
Southern Rhodesia.

("E.A. Standard" Special).

Baron von Roretz, whose family owns large estates in Austria, has arrived in Kenya at the invitation of the Department of Agriculture to investigate the possibilities of using the Colony's surplus maize and other suitable products for the production of power alcohol. He recently formulated a similar scheme that has been accepted and is now being put into force in Southern Rhodesia by the Government there.

Baron von Roretz has had considerable experience of distillation from farm products in Europe and now holds the patent rights for the Continent of Africa, for the "Marek" process of benzene pressure distillation of power alcohol which produces a 99.8 per cent spirit free from acid and water. It has been proved suitable for use mixed with petrol without further processing, and is now being used by over fifteen countries as a profitable means of disposal for surplus agricultural products.

This week he met representa-

tives of the maize interests with the Director of Agriculture who has been watching recent events of the power alcohol production in other countries and who subsequently called Baron von Roretz that a visit by him to Kenya was considered by Government to be warranted.

### Capital Costs.

Baron von Roretz emphasises that he is neither a financier nor a company promoter and represents no finance, either foreign or British. Neither is he representing any machinery manufacturers.

A suitable still necessary for the production of power alcohol in Kenya would cost in the region of £80,000 to £100,000, which, with the exception of some £1,500 covering special equipment for the patent process, can be entirely purchased from British sources.

### The Rhodesian Scheme.

Having an intimate knowledge of the economic advantages now

used by such countries as Australia, South America, France and her Colonies, Germany, Hungary, Austria, Sweden, Czechoslovakia, Poland and other States—many having had for some years legislation compelling the Oil Companies to mix a certain percentage of alcohol manufactured from country produce with petrol sold—it was obvious to him that Africa had more potential products available, and in most cases an over-production of raw material than anywhere in the world. He has set out therefore, to formulate a scheme whereby this alcohol can be profitably produced with advantage to both producer and consumer. In Southern Rhodesia the Legislature, after examination by a Select Committee has agreed to encourage the erection of the necessary plant, offering a rebate of three pence per gallon on petrol on the basis that the rebate shall be granted on four gallons of imported petrol in respect of each gallon of alcohol utilised in conjunction with the petrol.

The Select Committee of the Legislative Assembly also further recommended that legislation be introduced making compulsory the inclusion of 20 per cent of Rhodesian produced alcohol in all petrol sold in Southern Rhodesia as soon as such supply of local alcohol is available.

### Kenya Requirements.

Baron von Roretz stated that in 1930 4,284,073 gallons of petrol were imported into Kenya, apart from Uganda and Tanganyika. A 20 per cent mixture with petrol used in Kenya would consume some 800,000 gallons of alcohol a year. This quantity would provide an extra outlet for some 90,000 bags of maize annually, and even taking maize at the high price of £5s. 9/- per bag commercial alcohol could be profitably manufactured without any increase in the price of the petrol mixture, at the same time producing an equally efficient, and in some cases a more

effective, fuel for all internal combustion engines.

### Scientific Tests.

He emphasised the fact that this dehydrated alcohol must not be confused with ether and other compound spirits where it has not been found possible entirely to extract the water and acid contents. This dehydrated alcohol is accepted by authorities throughout the world to be efficient and non-injurious to engines. It requires no special carburettor or any special adjustments. It is easily mixed with petrol and a recent test in Rhodesia with ordinary standard cars no difference was detected by car owners while with heavy vehicles there was a marked improvement in both mileage and hill climbing. With high speed engines, in both cars and aeroplanes, a mixture of this alcohol and petrol is now in use, giving a material advantage in these types of internal combustion engines.

Baron von Roretz added he was convinced that eventually all countries with surplus agricultural products would in the near future take full advantage of the use of power alcohol. He had no idea of working any proposition himself commercially. All he expected was some small royalty on the output of the patent and he considered, as in the case of many countries on the continent of Europe, that it was the duty of the State to control distillation, giving full advantage to the producer with a reasonable price for his product which the sources of manufacture generously allows.

282

Baron von Roretz called this (2<sup>nd</sup>) morning. He has an estate in Austria but has made his home in Southern Rhodesia. He said that he had no financial interest in development of the use of <sup>pure</sup> alcohol, but was merely very much interested in the matter. He gave me references to Southern Rhodesia papers (Votes and Proceedings of the Legislative Council No. 35 of 1931 and letters to himself from the Secretary for Agriculture of 24th August and 8th September - reference A ), as to the encouragement of the scheme there. They have decided to accord a rebate on petrol duty in respect of petrol mixed with 20% of alcohol. That is, where it is shown that <sup>a</sup> the mixture contains 4 gallons of petrol and one gallon of alcohol a rebate of 1/- (3d per gallon of petrol) will be allowed. The petrol duty is being increased so that the Government will incur no loss.

The process is primarily <sup>the</sup> ~~therefore~~ for the manufacture of alcohol from <sup>maize</sup> grain (the residue forms a valuable cattle food). The East African Group import 7 million gallons of petrol and if this is <sup>made</sup> ~~laid~~ to the use of 1,750,000 gallons of maize alcohol it would represent, at 8 gallons per bag, a market for 200,000 bags of maize which at a mean figure of 7/- a bag would represent £70,000 to the grower.

The process (which is not necessarily confined to maize), does not require the use of the best maize and it would afford a means of disposal



disposal of damp or weevily maize.

In his discussions in Kenya he had contemplated that they <sup>prices</sup> should be offered something like 9/- <sup>abov.</sup> but the local Government had been averse from any price in excess of the ordinary export price. He was told by the Deputy Director of Agriculture in November that the Government had telegraphed to the Colonial Office, apparently in August, about his scheme, and search is being made for a record of this telegram. Apparently it related to the possibility of granting a rebate on petrol duty similar to that accorded in Southern Rhodesia.

He thought that the process might be of value in Malaya as well as in East Africa, and I promised to make a note on that point.

EMJ Standen  
31 Oct.

W.S.S. 13.1.32

He will be in England for "some weeks".

W.S.S. 15.1.32