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THE TEMPERANCE LEGISLATION LEAGUE

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A Conference on the Club Problem (for Licensing Magistrates only) will be held at St. Ermin's Hotel, Westminster, on October 20th, at 5 p.m. Lord Amulree, Chairman of the Royal Commission on Licensing, will preside, and the speakers will be Mr. G. Bryson, J.P., and Dr. J. J. Mallon, J.P. R.S.V.P. to Dr. J. J. Mallon, Toyne Hall, 28, Commercial Street, London, E. 1.

THE COMMITTEE ON ESTIMATES AND THE STATE MANAGEMENT DISTRICTS.

THE Select Committee on Estimates have included in their examinations this year the Estimate of the State Management Districts. This is the first occasion on which they have done so; a fact which has given additional interest and publicity to the resulting Report.

The section which deals with the State Management Districts is a comparatively brief one, but the main points dealt with are so important that we propose to examine them at some length; for the very brevity of the official comments may tend to give the "man in the street" a rather one-sided impression of the State Management Schemes in their financial aspect—this being, of course, the only aspect which the Committee was called upon to consider.

The Report begins with a short paragraph headed "History of the Scheme," and here we come to the first statement that is likely to mislead anyone whose only knowledge of the "History of the Scheme" is derived from the brief paragraph in the Report itself.

Enfield Lock—The Real Facts.

"Of the four original districts," the Report states, "the Enfield Lock District was disposed of in 1922 at a loss of £29,000, including a trading loss of £7,000." Nothing more is said on this point, and obviously the impression to be gathered is that State Management in this case meant unbusiness-like methods and squandering of the tax-payers' money. But what are the real facts of the case? The Home Office Report for 1921-22, when the Enfield Scheme was disposed of, contained the following explanation:—

"The operations carried on by the Central Control Board in the Enfield Lock State Management District differed somewhat in character from those in other districts. The public-houses acquired by the Board at Enfield Lock were not situated in a residential area, and they served, almost exclusively, the workers in the Royal Small Arms Factory. With the enormous increase in 1915 in the numbers employed at the factory it had become urgently necessary to assume control of the supply of drinks at these houses, and to transform and enlarge the accommodation provided in them so as to secure reasonable amenities for the factory workers, by whom they were overcrowded, during meal-times and recreation intervals. The numbers employed at the factory have been progressively reduced during the last few years to a figure below pre-war strength and the undertaking can no longer afford a remunerative return upon the war-time capital expenditure with which it is weighted. Steps have, therefore, been taken to dispose of the properties in this district." (Italics are ours).

In fact, the State took control at Enfield in 1916 at the request of the workers themselves, and to meet a situation which could not have been met in any other way. "It was beyond dispute that more canteen provision must be made, and by the State; for the influx of labour had broken down a victualling system based on private ownership and devised for normal times." (Rev. Henry Carter, *The Control of the Drink Trade*).

In short, Enfield was part of a necessary war-time service, and considered in this light, one has a very different impression of the "loss of £29,000." This could surely be borne by a country which at one time was spending from five to seven millions a day for the carrying on of the war. Even so, the figure of £29,000 does not present the real facts of the case, for among the properties taken over by the Control Board were premises belonging to the

War Office, which were enlarged and improved at considerable expense, and afterwards returned to the War Office; in other words, transferred from one government department to another, and doubtless the State is now, if the premises are let, receiving a considerably higher rental than that received before the premises were taken over from the Control Board, by reason of the improvements made by that Department.

All this must be borne in mind before we take the comments of the Committee on Estimates at their face value.

Returning to the present situation, the Committee's Report next deals with "General Organisation." The main comments made here may be summarised as follows:—

Criticism of Overhead Expenses.

The organisation, consisting of the Central Council, with offices in London, the General Manager's Office in Carlisle, and the Scottish General Manager's Office in Glasgow, is intricate and "unnecessarily expensive." It is pointed out that, apart from the £1,089 salary of the Secretary to the Central Council in London, which is borne on the Home Office Vote, "the expenditure on salaries alone in the London office is close on £5,000 a year." Again, "one manager is in control of the Carlisle District, and the Manager for Scotland is in charge of Gretna, only a few miles away over the border." "The reason for this is stated to be that the two Districts are separated by the border, the Home Secretary being responsible for Carlisle and the Scottish Secretary for Gretna, and that there are different licensing laws in England and Scotland. Whatever force there may be in this contention, it appears to be a most unbusiness-like arrangement that the two districts separated by a few miles, should be managed by two different individuals, one of whom is responsible for another district between two-hundred-and-fifty and three hundred miles away." The cost, moreover, of the London office appears excessive.

"Your Committee think that the time has come when the whole organisation of the scheme should be reconsidered. The natural arrangement is that one General Manager should control both the English and Scottish Districts. If he were stationed at Carlisle, the Carlisle, Gretna and Cromarty Firth Districts could all be under his supervision, while local superintendents, subordinate and responsible to the General Manager, could be left in charge of Gretna and Cromarty Firth respectively, and the existing office at Glasgow could be closed with a considerable saving in overhead charges."

The criticism, it will be seen, is not of the way in which the individual districts are run, but of office and overhead expenses in two places—London and Glasgow—which are far away from the districts where State Ownership and Management actually exists.

It is impossible to say whether these expenses are unnecessarily high, without knowledge of the work done in these offices. Nor does this imply the State Management Districts themselves are run uneconomically. It is not a question of principles, but of methods, and certainly the cutting out of unnecessary administrative expenses would be welcomed at least as readily by supporters of the principle of Public Ownership as by others. It is also true that it seems difficult, from a purely business point of view, to defend the existence of separate organisations for Carlisle and Gretna, and if political considerations—the existence of the border and the different licensing laws—can be overcome, as the Committee imply that they can, there would be the possibility of rationalisation in this respect. At the same time it seems doubtful if the post of Scottish General Manager could be entirely done away with, even from a purely business point of view, for the English General Manager, with an area of 320 square miles, containing nearly 180 public-houses and 10 hotels, under his control, is not likely to be able to give the same detailed attention to the Scottish area. In short, the proposals of the Committee boil down to economies to be effected in London and Glasgow.

Net Profits Earned by the Districts.

We now come to the section dealing with the financial results of the Districts themselves. This section also calls for careful examination and some comment: it is indeed the most important item of all. Here again the Report, taken by itself, does not give the real financial situation of the Districts, or rather, it is presented in such a way that the "man in the street" will get an unfavourable impression which is not justified, particularly if he compares the results with those of private ownership.

The section in question deals with the profits of the schemes, and expresses these as percentages of their net assets—that is to say, total assets less sundry creditors and accrued charges. On this basis, the Committee find that the average percentages of net profits over the seven years 1928-34 were:—

Carlisle ...	6.0%	Gretna ...	3.7%
Cromarty ...	4.6%		

and over the whole group, the percentage was 5.6.

Now these figures, particularly the ones for Gretna and Cromarty will appear low if superficially compared with dividends paid by leading brewers—and this is the comparison that will naturally spring to the mind of most people reading the Report. But a moment's reflection will show that this comparison is an unreal one. If we are to compare the financial results of State Management with those of private ownership then it must be a comparison on the same basis. In other words, we must treat

the accounts of the brewers in the same way as the State Management accounts have been treated; we must express their net profits also as a percentage of their net assets (calculated in the same manner). Moreover, the Committee have taken the average profits over the years 1928-34, which includes the years of depression. If, on the other hand, we take the latest available figures, we find that the result for Carlisle is as follows (calculating on the basis used by the Committee):—

Net Assets.	Net Profit.	Per Cent.
£891,767 ...	£56,287 ...	6.7

Comparison with Brewery Firms.

Let us now compare this with the net profits of some brewery companies, calculated on the same basis. To make the comparison as just as possible, we have not merely taken the balance shown in the "Profit and Loss Account" of the various companies as representing their net profits, but have given each company credit for the whole of the receipts on the credit side of the Profit and Loss Account, excluding the balance brought forward from the previous year.

Our second consideration has been to make the comparison over as wide a field as space and time allow, and we have, therefore, taken two groups of six companies each. As will be seen, the first group consists of larger companies with assets running into several millions; while the second group consists of companies whose assets are nearer to those of Carlisle. The selection may therefore be taken as a fair sample of brewery companies as a whole.

Finally, in order to include every factor favourable to the brewery companies, we have allowed for the fact that Carlisle does not pay Income Tax under Schedule D. In the Appendix to the Evidence given to the Select Committee there is a statement that the Inland Revenue estimate the annual Income Tax liability for the three State Management Areas at £11,950. Let us assume that Carlisle's proportion is as high as £11,000, and deduct this from the net profit (£56,287). Our basis of comparison will then be:—

Net Assets.	Net Profit.	Per Cent.
Carlisle ...	£891,767	£45,287
	Just over 5	

In so doing, we are treating Carlisle's accounts extremely severely, since if it were a private company paying dividends, it would not charge its accounts with £11,000 Income Tax, but would, as other companies do, recover a large proportion of that amount from the shareholders. Moreover, in considering Carlisle on this basis, it is fair to add that, if the Scheme pays to the Treasury the actual profit, £56,287, the Treasury should repay to it the Income Tax on that amount, which would be credited to the Insurance Tax Account in the Carlisle Accounts.

All these facts must be borne in mind in considering the following comparisons. We should add that the figures are in every case taken from the 1935-36 edition of the "Manual of British and Foreign Brewery Companies," in order to compare with the given Carlisle figures for a similar period. (The companies are in every case British).

	Net Assets.	Net Profit.	Profit.	Dividend.
	£	£	%	%
(1).	6,317,215	835,607	5.3	8
(2).	2,245,741	146,040	6.5	12
(3).	2,352,175	63,668	2.7	4
(4).	8,256,221	494,497	6.0	22½
(5).	3,486,118	186,983	5.4	11
(6).	19,113,020	1,337,733	7.0	14 & 2% bonus

(Average per cent. profit over the whole group : 5.48).

(7).	794,060	39,108	4.9	6½
(8).	1,118,023	27,695	2.5	10½
(9).	1,352,845	45,897	3.4	6
(10).	923,037	57,667	6.2	12½
(11).	1,003,198	32,371	3.2	6
(12).	958,202	48,486	5.1	10

(Average per cent. profit over the whole group : 4.2).

It will be seen from the above figures that Carlisle need fear no fair comparison with the financial results of brewery companies. In the first group (Nos. 1-6), containing companies with assets several times as great as those of Carlisle, the average per cent. profit is not quite 0.5 higher, while if we take companies with assets nearer to Carlisle's (Nos. 7-12), the average per cent. profit is actually 0.8 lower. An additional point which should not be overlooked is that the Carlisle Scheme is limited in its sphere of operations by Act of Parliament. It is not free to expand its business, like the ordinary brewery company.

Owners—and Shareholders.

Even so, the figures, as they stand, do not tell the whole story. Apart from the fact, already mentioned, that we have treated the Carlisle accounts with extreme severity in the matter of Income Tax, it must not be forgotten that the State Management Districts are run on different principles from those of private brewery firms. The one interest of the latter is to expand production and profits to the maximum. State Management, on the other hand, has drastically reduced the number of premises for the sale of intoxicants, without receiving one penny of compensation. The remaining houses have all been reconstructed or built anew, and these do not consist of a few "show places" or road houses in prosperous

districts, but the standard is throughout equally high, whether in a residential area, or a working class quarter, or a small village, nor is there any advertising or pushing of the sale of drink in any shape or form. In short, State Management has from first to last put public interest and constructive reform before profit making, and, in spite of all this, the financial results can stand any comparison with the results of private trade.

Above all, it must be remembered that the whole original cost of acquiring the properties has long since been repaid, with interest, to the Treasury; in other words, the tax-payer is in the fortunate position of having been repaid his original investment and still owns the business and derives an annual income therefrom. This is not the position of the ordinary shareholder in a brewery company, all he receives is his annual dividend.

The financial results suggest that if the State had cared to run the business purely on a profit making basis, it could have beaten the brewers at their own game. The only attacks which can be made on the Scheme are one-sided. When the full facts are considered, and fairly estimated, State Management emerges from the test with flying colours.

A MODERN MENACE AND A SUGGESTED REMEDY.

(By the Rev. J. H. TAYLOR, Calverton Vicarage, Nottingham).

The title of this article is suggested by the clever and sustained propaganda of the Brewers' Advertising Campaign.

Take any length of advertising placards and see how great a space is taken up with these clever, attractive and compelling posters. Are these advertisements having, from "the Trade standpoint, the desired effect? The increased dividends of the big breweries answer in the affirmative. A Nottingham schoolmaster of my acquaintance was explaining to his boys the meaning of the word "slogan" and asked them to give an example. Up went a forest of hands and the answers came "Beer is Best."

Now I submit that this constitutes a menace to the youth of England. This advertising campaign is insidiously building up in the minds of the rising generation a subconscious conviction that beer is a good and necessary thing, whereas we are taught by those who speak with authority and knowledge that it may be

and often is economically and morally a potential evil. In fact, most people are agreed that alcohol is detrimental to the production of an A1 nation.

During the past twenty years there has been a marked decrease in drunkenness, but a marked increase in drinking, and all social workers, magistrates, and the medical faculty know and tell us of the evils proceeding from it.

What is the remedy? It is often said "you can't make a man sober by Act of Parliament," but as Bishop Swayne said, a short time ago, "That is one of the things that is both true and untrue." Acts of Parliament can make it a great deal easier for a man to be sober or to get drunk and it is necessary for us to watch legislation carefully. My suggested remedy for this menace is to ginger up Parliament and to get the recommendations of the Royal Commission on Licensing (England and Wales), 1929-31, put into practice.

These recommendations are practically embodied in the Scheme backed by the Temperance Legislation League, and which has been tried and proved in the Carlisle and District State Management Scheme.

Will the Churches in England give their united support to this matter? We are quiescent and the other side active beyond words. We need to take a sane view of Temperance reform. The public-house cannot be abolished; no sensible person wants to abolish it, but it can be reformed, and the quickest way to do this is to make the recommendations of the Royal Commission a practical reality. This will do in a decade what will take the private improvement of the public-house a century to carry out.

The Carlisle System of public ownership and management has not yet been fully tested and it would be a splendid experiment in genuine Temperance work if it could be tried out in a large area comprising a big industrial city and adjacent urban districts.