

Now, these cigarettes are manufactured and produced in various foreign countries and the same label, Lucky Strikes, Chesterfield. Any labels you can mention, sir, can be produced on the other side.

If this were purchased by a smoker abroad, he spent the entire \$10, whether it is \$10 or \$100, whatever the fact is, we could sell him the same \$10 worth of cigarettes in this country on a duty-free basis.

Mr. SCHNEEBELI. First of all, I don't know why a person would want to buy American cigarettes abroad and bring them back here.

Secondly, why would he buy them at your place rather than someplace in Manhattan? Is it a tax dodge for the American merchandise in this country, they would avoid the American tax on cigarettes by buying from you?

Mr. BRODY. No, sir. What I am saying is this: If you were to go abroad, and let us assume you went to Switzerland, let us say you are a Camel smoker or Chesterfield smoker, you buy a package or carton or whatever cigarettes, at a duty-free shop, Shannon or Orly Airport in France, you buy your cigarettes there. You are going to bring them back.

You are allowed to bring back, as I say it is \$100 or \$10 worth of cigarettes, you can expend your entire \$10 or \$100 there. Those cigarettes have been manufactured in Europe. The \$10 stays there.

I say if you are coming back to the States and you are permitted the same \$10 or \$100, that you should be permitted to buy from a U.S. bonded warehouse. The cigarettes have been entirely manufactured here and the \$10, whether it is \$10 or \$100, remains right here.

Mr. SCHNEEBELI. I was not aware of the fact that American cigarettes were manufactured in Europe.

Mr. BRODY. Yes, sir.

Mr. SCHNEEBELI. How much cheaper are the same cigarettes in Shannon than in New York City?

Mr. BRODY. They would not be cheaper. They probably would be cheaper in New York.

Mr. SCHNEEBELI. Why would they buy in Shannon?

Why not buy it on Madison Avenue?

Mr. BRODY. They would pay four and a half dollars a carton.

Mr. SCHNEEBELI. What is it at Shannon?

Mr. BRODY. Two and a quarter. We could sell at the same price or possibly cheaper but the entire dollar has been kept here and American tobacco has been used, leaf tobacco. Whereas, if it is produced on the other side it may come from Rhodesia or any other foreign country.

Mr. SCHNEEBELI. It sounds like quite a monopoly you build up here. How many of these bonded warehouses do we have?

Mr. BRODY. I was looking over the roster of committee, sir. There is Louisiana, they have tax-free shops at the airport. There is Florida, that is Congressman Boggs and Congressman Herlong. In Philadelphia, they expect to have one. They expect to have one in Dulles. They have one already in Friendship Airport.

Mr. SCHNEEBELI. How are these tax-free shops determined, by Government allocation, by franchise, or by competition?

Mr. BRODY. By competition, sir. They are established under U.S. Customs regulations and they are established by competition.

Mr. SCHNEEBELI. That is all.