Letter of the Day

Fair competition in the rum trade

The Jan. 20 editorial "Rum and smoke" (Comment & Analysis) missed the mark about what is at stake due to unprecedented deals by the U.S. Virgin Islands to excessively subsidize rum companies with federal dollars intended by Congress to provide public services in the territory. Left unchecked, billions of U.S. tax dollars will be diverted to multibillion-dollar conglomerates at the expense of public budgets and fair competition will be destroyed for an entire industry.

At the heart of the debate is the U.S. Virgin Islands' plans to give the world's largest liquor company, Diageo — the producer of Captain Morgan rum — an estimated $2.7 billion in U.S. tax dollars over 30 years to locate rum production there — a subsidy of 47.5 percent of the federal tax collections on rum that the territory will receive for public services. Part of the deal entails giving Diageo a new U.S. taxpayer-funded distillery free of charge. Another U.S. Virgin Islands deal is paying for major expansions and improvements to Fortune Brands' distillery at U.S. taxpayer expense.

Puerto Rican producers understandably say it would be impossible to compete with these moves. A reasonable solution is necessary to protect taxpayers and fair competition, which is why in the last Congress, two bipartisan bills were filed in the House and Senate to limit subsidies and help preserve the congressional intent of the federal rum tax grants.

We agree, as the editorial states, that "there's no harm in allowing a private company to strike a favorable tax deal with a state or territory." But the U.S. Virgin Islands deals are not tax deals, which would involve cutting taxes to encourage business activity. Instead, they are federal grant giveaways of federal taxes meant for public services in the territory. Using U.S. tax dollars to massively subsidize individual companies isn't fair business or good policy.

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