

The CHAIRMAN: I would like the witness to speak on that, because capital has nothing to do with this. If this company had a bond issue or preferred stock issue, a cumulative preferred stock or something of that kind, it is conceivable you might say that they kept a certain amount of money to pay interest on that. I should like Mr. Matthews to give evidence on that point because I do not think the committee understand it. Will you do that Mr. Matthews?

The WITNESS: There is no interest.

*By Hon. Mr. Ralston:*

Q. What about the property costs; let us have that.—A. It simply goes to show that you have a big investment at cost upon which you have made \$7,000,000 odd; that is all.

The CHAIRMAN: That is not the way of stating it. What we want is, first of all, the price of gasoline to the consumer. That is what these auditors were instructed to do, and that is what they have done. It seems to me the discussion of interest on capital investment and all that sort of thing, is extraneous.

Hon. Mr. RALSTON: Mr. Chairman, it is put in the report of the auditor, which is now before us. The witness has especially underlined it. Now you say it has nothing to do with the enquiry. It has been underlined by the witness and twice referred to in the report. Why did the auditor put it in the report? That is what I am interested in; because I assume it had something to do with the report or he would not deal with it.—A. The net assets of the Imperial Oil in the Canadian operations, with their properties adjusted to cost and the 1930 inventories,—as I have already stated,—at the lower accumulated cost or current valuations, less their liabilities to the public is the resulting figure upon which we have predicated the profit, and it is  $6\frac{1}{4}$  per cent.

Q. As I understand it, the Chairman has suggested it has nothing to do with this enquiry.—A. The question of interest has nothing to do with it, because there is no interest.

Q. All right. Then the return on the investment has something to do with it, let us put it that way. Do you admit that, Mr. Matthews, that the return on investment has something to do with this enquiry.—A. Return on investment?

Q. Yes.—A. When you are comparing the reasonableness of prices, there are two ways of considering the reasonableness of the prices, one is converted to cents per gallon. Now, to begin with, our findings are that the company did not make any more than 1.01 cents per gallon. The reason why we say no more than that is we think that even if we were certifying the accounts for shareholders we would be rather perhaps a little more definite in insisting upon some charges being put in the costs. Now, comparing it from a gallonage point of view, if you like, there is your company that brings the crude oil from all over the continent, refines it, markets it and gets a cent. Just compare that, for instance, with some of your companies in Canada who are doing nothing but jobbing. It might be interesting just for the purpose of comparing the reasonableness of the price to see what their own profit is on their just shipping tank cars. It might be interesting for the purpose of considering the reasonableness of the profit to compare it with what goes to the provinces in the form of taxes. I think it runs up 5, 6 and 7 cents a gallon. In other words, the man who makes the gasoline, in relation to others get 1.01 cents a gallon. Is 1.01 cents an unreasonable profit? The other side is this, for the purpose of the committee's consideration, getting away from the cents per gallon and giving you another picture. They made \$7,000,000 odd in 1930. Now their net assets from which we extracted this appraisal increase was the amount of money, the net difference, which is a combination of capital and surplus, on which we applied that figure and which is  $6\frac{1}{4}$  per cent. Now, that is what we tried and are trying to present to this committee.