

regard to that, having regard to factors of freight, evaporation, higher manufacturing costs in Canada, and the very important question of exchange, which will all be supported by the investigations of your chartered accountant, there may be spreads between the Canadian and the American price. It is also true that there are very material spreads between the prices in different centres of the United States.

I was looking at the Petroleum News and I find that gasoline is selling at a certain price in Tulsa. It pays the freight rate to Detroit. Detroit calls on what is known as the mid-continent field, that is, Wisconsin, Oklahoma and Kansas for its gasoline supply. They absorb the $4\frac{1}{2}$ cent freight rate and gasoline sells in Detroit at the same price as it does in Tulsa. I was looking at the gasoline figures of one State, Montana. There is a spread of $3\frac{1}{2}$ cents between Butte and some other town,—I just forget the name at the moment, it will come to me later—but I know they are 70 miles apart.

The cheapest crude and the cheapest gasoline in the world is in Texas; but approximately gasoline sells in Detroit as cheap as in Texas with a long freight rate. Denver, which is a quarter of the distance away from the producing field that Detroit is, the gasoline price there is 6 cents over Detroit. That variation of price is due very largely to over-production of American refineries. The situation of gasoline in the United States is a good deal like the situation of coffee in Brazil. They call out the troops to keep the people from producing oil. They have had troops in Texas and Oklahoma to try and stop production; but I think the main reason why there is a disparity such as Dr. Donnelly quotes and Mr. Bothwell quotes—their comparisons are not quite right—is because they are comparing different grades of the product.

The Imperial Oil Company and the other Canadian oil companies are not fighting the American petroleum industry. They are fighting the biggest commercial racket that was ever known in American business. That is, the widespread and very general evasion of the gasoline tax in the United States.

By Mr. Hanson:

Q. That is what is called bootlegging?—A. That is what is called bootlegging. Detroit, for instance, which is often quoted as the bootleggers' paradise because it is surrounded by States that produce gasoline, more gasoline than they need. The jealousy between States of the Union and the enforcement of the inter-State commerce law is so strict that you can drive a tank wagon over any State line without being stopped. The minute a man gets on the other side of the line he has got a four, or five or six cent advantage over his competitor. The ordinary tank wagon, I should say, takes about 4,000 gallons. Well, if he gets across the line with a tank wagon full of gasoline he has \$160 profit to start on. He collects the 4 cent tax from the customer and gives him 2 cents back in a cut in the price. The man who pays the tax, or the company who pays the tax—and the big companies must pay the tax because no company could tell its employees to do a dishonest act even if it was ethical—has to cut its price, and that has caused a general depression of the American price structure. Very competent authorities, State authorities, Federal authorities have estimated that the gasoline tax racket is costing the United States from 40 million to 100 million a year.

Some gentleman here has mentioned the Shell Union. Well, I happened to be looking at the Shell Union statement. That is a well managed British company operating in the United States. It lost 21 million in the first six months of this year. A dozen of the companies that I know of—I was looking at their statements—have lost 45 million in the six months. Dividends have been cut. The Shell passed its dividend, and the services on its senior securities are now in great danger. That is solely due to the fact that bootleg gasoline has depressed the general price structure.