(*c*) Competitive conditions obtaining in the distribution and marketing of gasoline as may be evidenced by the many duplications of tank wagon deliveries and service stations in operation.

As to the number of service stations owned and leased to operators by Imperial Oil Limited in Canada, it should be noted that in 1927 they controlled 38 per cent of the total, whilst at the end of 1930 their control had dropped to 21 per cent of the total, indicating that in the matter of the construction of service stations, Imperial Oil Limited did not keep pace with the development of service station facilities from 1927 to 1930.

The solution of the high marketing costs is indeed a difficult one in view of the fact that the territorial and climatic conditions in Canada are not subject to human manipulation and change, whereas the elimination of marketing competition with the object of reducing duplication costs to the consumer would tend, under present conditions, towards the more undesirable position of a monopoly in the distribution and marketing of gasoline in Canada.

Contingency Reserve charges were allocated on the basis of dollar sales in connection with which the reserves were specifically created.

DIVISION OF GASOLINE COSTS AS BETWEEN RETAIL AND WHOLESALE TRADE

Retail costs of Imperial Oil Limited cover those applicable to tank wagon sales, tank car sales to large consumers and retailers, direct sales to farmers and coastal fishermen, both east and west, at tank wagon prices and consumer sales through their own service stations. The general accounts of the Company were not separated between tank wagon and service station business but from a special analysis it was determined that as far as owned service stations were concerned the spread between the tank wagon prices and consumer prices was exceeded by costs of operating the service stations, thereby eliminating any element of profit to Imperial Oil Limited beyond tank wagon business.

Wholesale costs cover those related to tank car and tank ship trade with jobbers.

The refinery costs of gasoline are allocated between retail and wholesale trade mainly on the basis of gallonage sales. Provision is made in the allocation for the extra lead content of retail gasoline over that contained in the wholesale product.

The depreciation and general administration expenses and provincial and municipal taxes should be considered as part of the manufacturing expense allocation to wholesale gasoline in conjunction with the resultant decrease in refinery costs applicable to retail gasoline.

Dominion Income Tax is divided between retail and wholesale gasoline on the basis of the relative net profits.

The allocation of marketing costs between retail and wholesale gasoline was based on direct charges for freight from refinery to marketing stations, sales taxes and packages.

Provincial and municipal taxes are applied directly to retail gasoline on the ground that shipments to the wholesale trade are made direct from the various refineries to the wholesalers, who in turn are obliged to absorb the provincial and municipal taxes on their own marketing warehouses and equipment.

Marketing expenses were applied direct to retail gasoline less an allowance to take care of clerical costs of contract and accounting work on the ground