The Federal Trade Commission method of cost finding as applied to the Pacific Coast Petroleum Industry in the report issued 7th April, 1921, is amply justified in its use by Imperial Oil Limited because in addition to the facts hereinbefore set out in the matter of allocation of costs, Imperial Oil Limited have made large investments in refinery cracking plants for the express purpose of securing the maximum gasoline yield from crude oil, according to the changing trend of trade requirements. The operation of these cracking plants involves increasing cost ratios with each advanced process in the refining of gasoline.

In this connection it should be noted that the average gasoline yield from a barrel of crude oil for five large refining companies in the Pacific Coast investigation was less than 10 per cent, whereas the equivalent gasoline yield in the refineries of Imperial Oil Limited in 1930 aggregated 52 per cent at Sarnia; 32 per cent at Halifax; 61 per cent at Regina and an average for all Imperial Oil Refineries of 39 per cent. As against this increased ratio of gasoline production from crude oil secured by Imperial Oil Limited over the figures given for the Pacific Coast refineries, the average f.o.b. refinery price of Imperial Oil Limited gasoline in 1930 in relation to the average refinery price of all products shows a decrease in comparison with the Pacific Coast Refineries ratio, thereby fully justifying the application of the Federal Trade Commission method to the production cost of Imperial Oil Limited.

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

Marketing expenses including tank wagon and service station operation together with provincial and municipal taxes were distributed on the basis of gallonage sales, after eliminating for the purposes of allocation the bulk shipments of various products, more particularly fuel oil, moving directly from refineries to consumers.

Marketing costs as a whole, applicable to gasoline, including transportation as shown in the Summary of Operations, were found to be legitimate items of cost from an accounting point of view, but from an economic standpoint the proportion of marketing expenses to the cost of crude oil, to the refinery costs—other than crude—and to the total costs, is high as may be seen from the following summary of retail operations expressed in terms of cents per Imperial gallon of gasoline converted to percentages.

—	Sarnia	Halifax	All Refineries
Total Costs	100%	100%	100%
Cost of Crude Oil and Other Materials—including transportation	46·6	57·7	53·1
Refinery Costs—other than crude oil	15·0	12·8	12·7
Marketing Costs—including transportation	38·4	29·5	34·2

The high cost of marketing in the gasoline industry, like many other industries in Canada, is due principally to the three following factors:—

(*a*) Territorial spread of the country which has been likened unto a "shoelace" and the resulting high transportation costs, due to comparative sparsity of population.

(*b*) Climatic conditions also affecting the cost of transportation and selling overhead in the winter months.