

to this question and it was to be suggested that we explore the possibilities of purchasing machinery in some other country than Canada or the United States. I think perhaps that simply the removal of the duty will not be sufficient.

The CHAIRMAN: I am afraid the discussion has become rather general. The auditor might be permitted to proceed.

The Witness:

GENERAL OPERATING RESULTS OF THE CANADIAN COMPANY

The principal exhibit showing the general operating results of the International Harvester Company of Canada Limited is Exhibit A with its underlying schedules.

For the reasons already indicated these statements include not only the operations in regard to farm implements, machines and parts but also the operations in regard to trucks and twine.

The relatively high prices which were necessary, or which the company assumed were necessary, to comply with the provisions of the Canadian tariff and which it used in invoicing United States made goods to Canada, have had the effect of materially decreasing the operating profits of the Canadian company and this must always be remembered in connection with these statements.

I comment as follows on the different headings in the condensed profit and loss accounts submitted herewith: (Exhibit A. Sections I and II).

Mr. GRAHAM: Perhaps we should indicate to the committee where that section is to be found. It is the large table on galley No. 12.

The WITNESS: If you like, gentlemen, I will stop there to describe this statement to you. It is shown as Exhibit A—Section 1. The first column shows "net sales realization" of the company; the next column shows "cost of sales"; then, "per cent to sales," "gross profit," with "per cent to sales"; then distribution expenses—expenses which come off the gross profit—"distribution expenses" with "per cent to sales", "administrative expenses" with their percentage; "total expenses"—which is a continuation of the distribution of administrative expenses—then the percentage; and what is left is "net operating profit or loss (before interest received and exchange paid)" with "per cent to sales."

Mr. McLEAN: You do not indicate whether this is profit or loss.

Mr. GRAHAM: The heavy black type indicates a loss.

By Mr. Coldwell:

Q. Is any analysis made of this item "cost of sales" anywhere?—A. I have already said in my report that that is a combined figure; but in regard to the cost of manufacturing in Canada a very definite breakdown is supplied.

Mr. COLDWELL: That is what I have in mind.

By Mr. Thorson:

Q. You cannot break it up as between these articles which are of particular interest to this inquiry; that is, implements, machines and parts as separate from trucks, truck parts and twine?—A. No, I can't. While we are on this I think we might as well go on with one or two of the galleys that relate to section No. 1. This exhibit is the first of the detailed statements.