

of surplus earnings in extensions of plant and equipment facilities, without any issue of bonds or debentures upon which interest might be charged.

- (c) That the 1930 marketing costs charged to gasoline whilst as a whole legitimate from an accounting point of view, were high in relation to total costs. The high cost of marketing is attributed to territorial and climatic conditions, and extreme competition obtaining in the distribution and marketing of gasoline in Canada. In view of the fact that the territorial and climatic conditions in Canada are not subject to human manipulation and change, a partial solution of the problem would seem to lie in a concerted action on the part of all distributing companies to eliminate as far as possible the present costly system of marketing.
- (d) That variations in gasoline prices in 1929, 1930 and 1931 to consumers were not based directly upon ascertained refinery costs, but largely upon the variations in the market cost of crude oil with fluctuating additional charges for excise tax, sales tax, freight surcharge and exchange. It has not been demonstrated that any grounds exist for any allegations that the Company has taken unfair advantage of either the specific or dumping duties in its gasoline prices to consumers during the period under investigation.
- (e) That the reason for the unfavourable comparison at some points between United States competitive prices and those of the Imperial Oil, Limited, is due to the demoralized conditions of the gasoline industry in the United States, caused by the over-production of gasoline and various tax evasion "rackets," which, in turn, result in the price of United States gasoline falling far below the relative movements in crude oil prices and other costs of production and distribution.
- (f) That the zoning basis of establishing gasoline prices results in the spreading of transportation differentials to the comparative disadvantage of gasoline consumers at centres of trade in proximity to some refineries, whereas the zoning price basis frequently operated to the advantage of gasoline consumers in the territories outlying from the refineries. It was also found that tank wagon gasoline prices are given to farmers and coastal fishermen both East and West.
- (g) That in such outlying districts as have no dealer competition or where any dealer association arrangements exist, the spread between Imperial Oil, Limited, tank wagon prices and the prices to the consumer is entirely in the hands of the independent dealers.
- (h) That apart altogether from the basis used in the establishing of gasoline prices, the spread between such selling prices and the combined costs of refining and marketing showed an average net profit of not exceeding 1.01 cents per Imperial gallon of all gasoline sold by Imperial Oil, Limited, in the year 1930.
- (i) That in view of the fact that the investigation of Imperial Oil, Limited, disclosed no improper accounting practices in the matter of costs or unstated profits, and because Imperial Oil, Limited, occupy the leading position in the gasoline industry in Canada, the auditors gave it as their opinion that the expense which would be involved in extending their investigation into the records of the British American Oil Company, Limited, the McColl-Frontenac Oil Company, Limited, and other oil companies in Canada, would not be justified in view of their findings on the average net profit per gallon of gasoline sold by Imperial Oil, Limited, in 1930.