

- (b) 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 of the country and competitive conditions 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 the solution of the problem would seem to lie in the elimination of marketing competition with the object of reducing duplication costs to the consumer but this would undoubtedly tend, under present conditions, towards the more undesirable position of a monopoly in the distribution and marketing of gasoline in Canada.
- (c) That variations in gasoline prices in 1929, 1930 and 1931 to consumers were not based directly upon ascertained refinery costs but upon the variations in the market cost of crude oil with fluctuating additional charges for excise tax, sales tax, freight surcharge and exchange, and as a result it automatically follows that no grounds exist for any statement contending 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.
- (d) That the reason for the unfavourable comparisons at some points between United States competitive prices and those of Imperial Oil is due to the demoralized condition of the gasoline industry in the United States caused by the overproduction of gasoline and the various tax evasion rackets which, in turn, resulted in the price of United States gasoline falling far below the relative movements in crude oil prices.
- (e) 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 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.
- (f) 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.
- (g) 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.
- (h) That in view of the fact our 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, we are of the opinion that the expenses which would be involved in extending our 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 our findings on the average net profit per gallon of gasoline sold by Imperial Oil Limited in 1930.

Yours faithfully,

GEORGE A. TOUCHE & CO.,  
*Chartered Accountants.*