

2. That a basis of establishing the ascertainment of costs be mutually agreed upon between the auditors and the officers of Imperial Oil, Limited.
3. That for the purposes of the two preceding paragraphs, the investigation be specifically applied against,—
  - (a) The Sarnia and Halifax Refineries as regards the elements entering into production costs as a whole and as applicable to proportionate distribution of these total costs against gasoline and other commodities refined from crude.
  - (b) The relative wholesale price of gasoline and other commodities refined from crude in relation to costs of production at the Sarnia and Halifax Refineries.
  - (c) The elements embodied in the selling, distribution and administration expenses, added to the costs of production, in relation to selling prices for Imperial Oil Limited, as a whole and as specifically applied in the following marketing divisions,—
  - (d) That such marketing divisions may be designated by your sub-committee.
4. That synonymous with this investigation by the auditors into the aforementioned cost and selling factors of the Imperial Oil, Limited, they secure from British American Oil Co., Limited, and from McColl-Frontenac Oil Co., Limited, statements in such form as will render practicable a comparison of the relative costs and selling prices of the three corporations, thus offering means of disclosing any major variations without entailing the additional expense of investigating the smaller oil companies operating in Canada.

The auditors were also directed to make an examination and audit of the books of the McColl-Frontenac Oil Company with respect to certain operations of that company.

The auditors' report was duly presented to your Committee by Mr. O. A. Matthews, a member of the firm of George A. Touche and Company, who explained in detail the clauses of the report as the same was read at presentation. Mr. Matthews was subsequently recalled, sworn and examined in respect to matters connected with the audit and report. Statements of figures abstracted from the books of the audited companies, and extended in the report, were duly filed.

A summary of the conclusions as set out in the auditors' report is as follows:—

- (a) That the Company's records relating to 1930 operating costs charged to gasoline showed no evidence of "cost loading" by reason of affiliations in the United States and South America, or because of unfavourable accounting practices, but rather, that the gasoline costs, if anything, were understated because of the Company's conservative policies in not loading into costs such matters as fire insurance premiums, depreciation rates, contingency reserve charges and inventory pricing.
- (b) That the total costs for 1930 were free of charges for interest on capital invested, or such as might be related against funded debt or as a charge imposed by a parent company in the form of rental for use and operation of the Refineries and marketing stations and equipment. In other words, the financing of Imperial Oil, Limited, has been effected through the sale of capital stock and the investment of a proportion