It also operates a transfer point at Fort William, Ontario.

The common stock of the company is entirely owned by the International Harvester Company (U.S.A.) and with the exception of Mr. F. M. Morton, the vice-president and resident manager at Hamilton, Ontario, all of the directors are resident in Chicago.

In the United States during the period covered by the inquiry the various factories of the International Harvester Company have sold their products in the United States through a wholly-owned selling subsidiary, the International Harvester Company of America which for that purpose maintained branches and a distribution organization throughout the United States.

The conditions in Canada, however, did not parallel in that respect those obtaining south of the international boundary in that the manufacturing and distributional functions were and are not segregated. Thus the International Harvester Company of Canada Limited operates both as manufacturer and as distributor of the following commodities:—

Farm implements and machines and parts, manufactured at Hamilton, Ontario.
Twine, manufactured at Hamilton, Ontario (Twine Factory).
Trucks and truck parts, manufactured at Chatham, Ontario.

It acts as distributor only of the following products:—

Trucks and truck parts manufactured in the United States factories of the Harvester Company.
Farm implements and machines and parts, including tractors and tractor parts, manufactured in the United States factories of the Harvester Company.

The Canadian company has not found it necessary to provide in its accounting system for any segregation as between its operations in regard to Canadian manufactured products and United States manufactured products nor does it separate its operations in regard to trucks and twine (which do not come within the purview of the present investigation) from its operations in regard to farm implements and machines and repair parts therefor (which are the subject of this inquiry). Its financial statements show, in effect, only one combined sales figure, one combined cost of sales figure covering all of the foregoing and one composite figure only for cost of distribution of all of the above-mentioned products.

(The accounting system of the company in Canada in regard to manufacturing is, we are informed, identical with that used by the company's manufacturing plants in the United States. This is also true, we are informed, in regard to accounting for cost of distribution.)

The situation regarding this company is further complicated by the fact, referred to on several previous occasions during the conduct of the Inquiry, that the parent company has invoiced (manifested) to the Canadian company, tractors, implements, and parts, manufactured in its United States plants for sale in Canada at prices considerably in excess of those at which it would have sold the same product to its selling subsidiary in the United States. In terms of Mr. Morrison's evidence before the committee in June, 1936, these enhanced prices were used to conform to the requirements of the Canadian Customs and it is inferred that had it not been for this provision the parent company would have charged the Canadian company prices equivalent to those used in invoicing its American selling subsidiary. In a later section of this report information will be presented to you on the financial effect of this practice.

"Cost of sales" as shown in the profit and loss statements herewith submitted (Exhibit A) includes, in one total, the following elements:—

All Canadian manufactured goods; Factory cost at the factory door.