

By Mr. Heaps:

Q. If the spread is greater it does not necessarily follow that the selling price was greater.—A. The percentage of gross profit is greater in 1933 than it was in 1930.

Mr. HEAPS: Could it not be accounted for by a reduced price from the wholesaler?

Mr. SOMMERVILLE: No.

Mr. ILSLEY: There is no explanation but an increased mark-up so far as I can see.

The CHAIRMAN: I think Mr. Adamson and Mr. Heaps are not thinking of the same thing. The thought Mr. Heaps expressed was in my own mind. The cost of these goods and the sale price of these goods might have—and I think in fact—did drop between 1930 and 1933?

The WITNESS: Yes.

By the Chairman:

Q. Therefore, if there was a wider spread between the cost and the sale price it might in substantial portion be accounted for by a much lower proportion of cost to the manufacturer?—A. That is right.

The CHAIRMAN: That is the point, Mr. Heaps. That is right, is it not?

Mr. FACTOR: Well, is it? That is very important.

The CHAIRMAN: A lower price paid to the manufacturer.

By the Chairman:

Q. Mr. Adamson, can you give us an example of just what you mean?—A. The cost of the goods has fallen in greater proportion than the selling price.

The CHAIRMAN: Why, of course. It is the very point that Mr. Heaps wants to get at.

Mr. YOUNG: What about the net profit? The gross profit you say is greater.

Mr. SOMMERVILLE: We will come to that.

By Mr. Factor:

Q. Is it Mr. Adamson's contention now that the reason that 10 per cent increase was in the gross profit is because the proportion of the cost was reduced greater than the selling price?—A. Yes.

By Mr. Somerville:

Q. In other words, there was not the same amount of reduction passed on to the public as previously?—A. That is right.

Mr. ILSLEY: There was an increased percentage of mark-up.

Mr. HEAPS: The mark-up may have been the same but the cost of the goods may have been less.

The CHAIRMAN: They were without doubt. We will demonstrate that.

The WITNESS: The increase in sales volume of the period 1924 to 1929 was accompanied by a proportionate increase in expense. From 1930 to date expenses have fallen rapidly, but not so rapidly as sales, so that in 1933 when the dollar value of sales was 48.1 per cent less than in 1929, expenses (which did not reach their peak until 1930) were only 25.7 per cent less.

Operating Statement 1933:

Statement D-3 attached shows the results of operations for 1933 after eliminating buying expense from gross profit and segregating expenses as to: