

Q. The whole of which would go in as income. Now you put it in as income, but you take it out again, or part of it; instead of taking a lump sum out of your total income, and put it aside as reserve, you take part of that which you get from a particular company and set it aside as a reserve instead of putting it in your income account and I was just wondering what the reason was. Is this the reason, that perhaps you get a substantial sum as dividends from the Tuckett Tobacco Company in one year and that next year there might be a loss and, therefore, you take part of that substantial sum which you get in dividends and put it aside as a reserve?—A. Yes.

Q. And I am wondering whether that particular practice is pursued in reference to a particular subsidiary company because of the possibilities of loss in the carrying on of the business of that company?—A. Well, I would not say there would be any special reason to assume that there would be any loss in the Tuckett Tobacco Company any more than any other business; but as to why we do it that way, why, it seems to me that it is very difficult if you have got investments in subsidiary companies, or what not, to gauge definitely what they might be worth. You want some yard stick to measure as to how the business is being carried on, in order to set up something, and it seems to me to be a conservative way of doing it, in a particular investment to put part of that aside; it seems to be a perfectly justifiable way of doing it, and we have felt that way about it.

By the Chairman:

Q. Mr. Miller, you see what the committee by its order of reference is particularly concerned in is the spread between what is received by the grower and what is paid by the consumer, and the committee's duty is to determine if, in its opinion, that spread is justified, and also to break down the various charges that enter into it to see to what degree there is equity in the distribution of it among all those concerned. I simply bring that to your recollection because that is the object of this committee according to its order of reference. If company A—and we will leave your company for the moment out of the picture—owns companies B, C, D, E, and F, and in its operation of these subsidiary companies it makes unusually high earnings which are not fully disclosed in its own profits, it might very well be that there would be buried there and not disclosed to the committee, shall I say, profits far beyond what the service warranted which, if discovered by us, would indicate to us that the grower on the one hand is not getting a fair share, or perhaps the consumer on the other hand is paying too much. Therefore, it is of great importance to the committee that we should know not only the officially disclosed gross profit or profits but how that profit is built up, and that is the object that we have in pursuing this matter in this way. Therefore, what Mr. Ilsley is speaking about and enquiring about is very important to the members of this committee. For instance, if the Tuckett Tobacco Company had in its operation as a separate entity set up a reserve, then paid you a profit of \$800,000 in one year, out of which you set up a reserve of \$300,000 and took \$400,000 into your earnings it might be—I am not saying it is—that a careful examination of that might disclose a rather abnormal amount carried to reserve?—A. Quite.

Q. And it is very essential, I think, to the committee that such should be fully disclosed, of necessity. I am not criticizing, because I think the Imperial Tobacco Company in their brief is showing a willingness to assist the committee in its effort, but I do not want you to feel that we are unjustly pursuing the point, because I really think that point is of importance to the committee.—A. All right, sir, I am perfectly willing to give you all the information we have.

The CHAIRMAN: We have before us the Tuckett statement.