

1930 AND 1931 PRICE TREND OF CRUDE OIL AT THE WELL AND GASOLINE IN  
CANADA—IMPERIAL OIL LIMITED

As the 1931 operating figures of Imperial Oil Limited are not yet available the committee instructed us to base our investigation on the 1930 accounts and secure sufficient information so as to indicate the probable trend of operating results as between 1930 and 1931. This was done on the basis of the average price trend of crude oil with added costs and the average gasoline prices of Imperial Oil Limited in the two years.

Our findings are that the average spread between crude oil with added costs and tank wagon gasoline prices in Canada for the years 1930 and 1931 were equitably maintained, whereas the average spread between crude oil and wholesale prices showed an increasing tendency in 1931 due to the reduction of differentials to certain wholesalers, some of whom were also engaged in competitive refining.

COMPARISON OF IMPERIAL OIL LIMITED RESULTS WITH THOSE OF THE BRITISH  
AMERICAN OIL COMPANY LIMITED AND MCCOLL FRONTENAC OIL COMPANY LIMITED

The Committee Order dated 22nd March, 1932, to us covering the comparison of Imperial Oil Limited operating results with those of the British American Oil Company, Limited, and McColl Frontenac Oil Company, Limited, reads as follows:—

That simultaneously with this investigation by the auditors into the aforementioned cost and selling factors of Imperial Oil Limited, they secure from the 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.

In accordance with the aforementioned Committee order we secured from the British American Oil Company, Limited, and McColl Frontenac Oil Company, Limited, the required operating statements in similar form to those prepared in connection with the investigation of Imperial Oil Limited, but in view of our findings on the net profit on gasoline sales by Imperial Oil Limited we have deferred our examination of these statements pending further instructions from the Committee.

## CONCLUSION

Our conclusions, based upon the examination of the records of Imperial Oil Limited in respect to gasoline are summarized as follows:—

- (a) That the Company's records relating to the 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 not fully shown because of the Company's stated policies in the treatment of such matters as fire insurance premiums, depreciation rates, contingency reserve charges and inventory pricing.

The total costs were free of charges for interest 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 of surplus earnings in extensions of plant and equipment facilities.