

It is very obvious to any student of cost that gasoline generally in the United States is selling to-day well below the equivalent cost of crude. And we see in Detroit, for instance, where this low market exists 30 companies have gone out of business in the last year, and there have been frequent applications to the courts by the smaller companies for an injunction against the other companies selling gasoline at such low prices. This is a matter of record.

The secretary of the American Petroleum Association gave evidence a few weeks ago before the Ways and Means Committee of Congress. He, I believe, compared the gasoline tax evasion racket to the prohibition racket. He said it approximated it in size.

*By Mr. Hanson:*

Q. Can you tell us, Mr. Ross, how long that gasoline war has been on in the United States?—A. Well, I will tell you,—it came on—of course it could not come before they began to put the tax on, but curiously enough it has progressed in size with the increase in the tax, and it has been the experience I believe in several states that the higher they put the tax the less the revenue. But Canadians pay the tax. There is no evasion, or practically no evasion in this country. I think the gasoline tax is the most efficiently collected tax and the cheapest collected tax.

Q. I suppose you would not express any opinion on the constitutionality of that tax?—A. I came down without a lawyer and I am beginning to be sorry.

The CHAIRMAN: Gentlemen, I would prefer—and I think you will agree with me—that Mr. Ross should continue to make his statement, following which any gentleman who wants to ask him any questions will be quite at liberty to do so providing he will rise so that we can see who he is, and one at a time.

The WITNESS: Well, Mr. Chairman, I have very little more to say. As I say, I came down here to find out what was wanted, and so that I could give it to you in the best shape possible. But I do want to say this, with all respect to this committee I do not think it is competent to go into this question. In 1925 the Hon. Howard Ferguson notified the oil companies that he was going to investigate them, just as this announcement came to us, and he started an investigation. We told him that we, for instance, our own company, made gasoline in Montreal and sold it in eastern Ontario. We made a lot of gasoline in Sarnia and sold it in the Canadian west; so that any investigation conducted by him could not be anything else but futile because he could not go outside the boundaries of the Province of Ontario. Something of the same situation existed then as has existed in the past six months. There was a clamour about the price of gasoline. We told Mr. Osler that if he would appoint a competent investigator, a man who after going into it for a month would know as much about it as we did, we would open our books to him, that is, we make a profit in Liverpool, we make a profit in Lisbon, or we make a profit in Montevideo; but we told him that he could have everything, including the National, which is our principal subsidiary, if a man took a hold of the job who could do it, and he appointed Messrs. Clarkson & Company. Clarkson came into our office with a list of questions in June of 1925, then under the leadership of a man named Guilfoyle who, I believe, is a very competent chartered accountant of high standing, brought in a staff of chartered accountants and went through our books. They went through the books of all the other oil companies as to the quality of the products, prices, and so forth. Clarkson was in there from June 1925 to January 1926. I do not think anyone would question his integrity or his authority; but he found that our earnings in the 5-year period from 1925 back to 1920, which were covered by the investigation, averaged 8 per cent per annum, and that was in a prosperous time.