

1931.

NEW ZEALAND.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

MOTOR-SPIRIT

(REPORT ON INVESTIGATION REGARDING DISTRIBUTION AND PRICES OF).

Presented to both Houses of the General Assembly by Leave.

REPORT.

The Hon. the Minister of Industries and Commerce.

6th October, 1931.

IN accordance with instructions received from the Right Hon. the Prime Minister, the Department has made investigation into the purchase price overseas of motor-spirit, and expenses incurred in importing and distributing through marketing channels in New Zealand.

The undermentioned companies import the greatest proportion of motor-spirit used in New Zealand: The Shell Co. of New Zealand, Ltd.; Vacuum Oil Co. Proprietary, Ltd.; Atlantic Union Oil Co., Ltd.; the Texas Co. (Australasia), Ltd.

The imports of these companies are confined almost exclusively to bulk shipments by tanker ships.

In addition to the above companies, there are approximately forty other importers of motor-spirit, who import in drums of 40 to 44 gallons and cases containing 8 gallons.

The major oil companies are all foreign corporations, not registered in New Zealand, and are associated with corporations having world-wide ramifications. The Shell Co. is a branch of the Royal Dutch Shell group, and the Vacuum Oil Co. is allied to the Standard Oil Corporation of the United States of America. Three of these companies operating in New Zealand are essentially controlled from Australian offices.

All the companies approached readily supplied the information that was requested and generally facilitated the work of the inquiry. The original invoices and other shipping documents were requested and made available for the inspection of an officer of the Department, together with statistical and other returns provided for the companies' head offices.

In the case of the Vacuum Oil Co. the general manager for New Zealand stated that no accounts are kept at the New Zealand head office. All returns are forwarded to the head office in Australia and are made up on a basis which covers the two countries jointly, and no separate working accounts are, it is stated, kept for New Zealand. Information has been obtained from the Commonwealth head office but the particulars are inadequate for the Department to arrive at any satisfactory conclusion regarding the accuracy of the various figures as a true indication of the costs incurred in the importation and distribution of motor-spirit by the New Zealand branch of the company.

The Shell Co. of New Zealand, Ltd., is registered in England with a capital of £1,000,000. The assets of the company, however, total over £2,000,000, and it is reasonable to assume that the very large sum shown under the item "Sundry trade creditors and loans" in the 1929 balance-sheet includes a substantial amount in the nature of semipermanent advances from an associated company. This company keeps in New Zealand only branch records, and statements to their head office in London comprise accounts current and statistical returns. The financial accounts of the New Zealand branch are compiled by the London head office, and as a consequence considerable delay ensues in obtaining the annual figures for the New Zealand branch. The latest annual figures available to the Department are those for the year ended 31st December, 1929. It is quite impossible from an examination of the annual accounts which have been investigated by the Department to obtain the necessary information in order to determine and verify the various costs of importation and the items of expenditure which are associated with the distribution of motor-spirit. To illustrate the difficulty experienced, the purchases of motor-spirit are recorded in quantity only in the New Zealand books, and for stocktaking purposes quantities only of oil and other products are shown; the importing expenses, such as duty and other landing charges, storage costs, &c., are, however, shown in returns of stock forwarded to the London head office. It follows, therefore, that the London head office fixes the cost of motor-spirit into the New Zealand harbour for stock-valuation purposes. As the value of stock at the beginning and ending of the period materially affects the trading results, it is obvious that correct information on this point is essential before offering criticism, which can be of any value, of items appearing in the trading and profit and loss accounts.