

DUTY-PAID COST INTO TERMINAL STORAGE-TANK.

The table below includes the various costs involved in the importation and delivery to main seaboard terminals of first- and second-grade spirit of each of the four main companies. The figures of three companies are based on an average over the twelve months ending 31st December, 1930. The other company's figures are for twelve months ending 30th November, 1930.

	Company A.		Company B.		Company C.		Company D.	
	First Grade.	Second Grade.	First Grade.	Second Grade.	First Grade.	Second Grade.	First Grade.	Second Grade.
	d.	d.	d.	d.	d.	d.	d.	d.
Average f.o.b.	5-8567	5-146	5-365	4-874	5-4570	4-129	6-6170	6-3010
Inspection charge	0-002	0-002
Tanker freight to New Zealand ..	1-6750	1-675	1-592	1-615	1-7940	1-815	1-4537	1-5010
Marine insurance	0-0390	0-039	0-017	0-016	0-0140	0-012	0-0176	0-0167
Evaporation and leakage	0-0750	0-068	0-035	0-033	0-3570	0-290	0-0824	0-0797
Exchange	0-4320	0-424	0-296	0-277	*	*	0-3165	0-3059
C.i.f. & e.	8-0777	7-352	7-307	6-817	7-6220	6-246	8-4872	8-2043
Duty (average twelve months) ..	5-0400	5-040	4-935	4-968	4-7040	4-704	4-66674	4-84675
Landing charges	0-1490	0-149	0-138	0-138	0-1849	0-1849	0-1689	0-1689
Duty paid at terminal	13-2667	12-541	12-380	11-923	12-5109	11-1349	13-32284	13-21995

* Funds not remitted being mainly invested in the Dominion in plant and equipment.

The figures in the above table, which have been obtained from records kept in the New Zealand offices of the major oil companies, are subject to the qualifications referred to elsewhere in this report, particularly in regard to such matters as the f.o.b. value of motor-spirit, freight rates, &c.

All the information in these tables, with the exception of that supplied by one company, has been verified by reference to original invoices and other documents submitted at the request of the Department.

DISTRIBUTION EXPENSES.

The accountancy methods employed by oil companies in New Zealand do not lend themselves to the extraction of annual totals of expense accounts as usually kept by commercial trading companies. The allocation of overhead expenses to any particular product is, of course, difficult, and the results obtained are necessarily arbitrary. The information obtained has been supplied at the request of the Department, and has involved considerable amount of work on the part of the oil companies, due to the fact that the details required had to be extracted from accounts kept on systems which do not readily disclose the particulars required.

One company has allocated overhead expenses on an estimated expenditure based on the experience of previous years, but no means of checking the accuracy of the method adopted are available to the New Zealand branch of the company.

In another case the marketing-expenses are those submitted in statements from the head office of the company overseas, and is based on a gallonage basis of all products. In support of this principle the management states: "It is impossible to say with any degree of accuracy how much of salaries, rents, rates, and other overhead expenses is applicable to any particular branch of our trading, and for this reason the only method which can be adopted, and which is adopted by this company, is to distribute our expenses over the various products on a sales gallonage basis, for the reason that, as a general rule, the marketing-expenses are governed by the volume of sales. The method of this company is to apportion our expenses on a gallonage basis. If it were possible to earmark the expenses of petrol as against any other product, they would tend to increase by reason of the fact that we have so much equipment, such as rail tank cars, tank wagons, filling-apparatus, the expenses of which are being averaged over the other products marketed by us which, strictly speaking, do not share in this particular class of expenditure."

The figures of one company are on an Australian and New Zealand average, and therefore cannot be accepted as truly representative of New Zealand business only. A great amount of intensive investigation would be necessary to reconstruct figures for the New Zealand section of the business.

In the case of another company a somewhat complicated method has been adopted in allocating distributing charges against particular products. As separate sales values of motor-spirit and other products were available, the total overhead expenses were apportioned by the Department on a sales basis with results which agree very closely with the figure shown by the company.

TRANSFER CHARGES, FREIGHTS, AND CARTAGES.

It is the policy of all the major companies to provide storage accommodation at the principal towns of the Dominion, which are termed depots. These depots are supplied from marine terminal-port tanks by rail tank wagons, and, in the case of one company, also by coastal steamer service.

The delivery cost in servicing city and suburban retail distributors at terminal depots, together with transfer charges to country depots, is shown as 2-3503d. per gallon on total sales by one company, and 2-4411d. per gallon by another, in the two cases where the figures examined could be reasonably verified.