

Motor-spirit at country towns is fixed at prices which cover transport charges, and the companies thereby recover a certain proportion of the above expenses. The additions to arrive at prices fixed for districts outside the main centres are termed "differentials," and are determined by the cost of freighting motor-spirit in small containers from main centres to selling-points in inland or coastal towns. While the actual freight costs are in many cases less than the "differentials" the total transportation and distribution expenses to inland points must be allowed for. It is impossible to segregate the expenses to different points and in respect of different commodities, and thus to judge accurately whether or not the "differentials" are more or less than adequate to cover the extra expenses involved in the inland distribution.

OVERHEAD EXPENSES.

The following classes of expenditure are included under this heading: Operating terminals and depots, maintenance of pumps and other equipment, depreciation, selling-expenses, advertising, management and office expenses, and miscellaneous expenses.

These expenses represent a cost to three of the companies of 5·5345d., 5·601d., and 6·0781d. per gallon. The more important items are salaries and wages, depreciation, advertising, and these are dealt with separately as follows:—

(1) *Salaries and Wages (including Travellers).*

The item "salaries" assumes a large proportion of expenses incurred by oil companies in distributing motor-spirit and other products. The method of accountancy employed by oil companies and statistical returns required by the head office of each company apparently necessitates the maintenance of large staffs in New Zealand. The following figures show the effect of this expense on the total cost of distribution per gallon:—

	d.
Company A	1·8428
Company C	2·627
Company D	1·406

(2) *Depreciation.*

It is the practice of all oil companies to provide depreciation at rates which appear to be more than sufficient to cover the estimated length of service or life of the plant or fixed asset. The cost of distribution is consequently increased by what appears to be an excessive charge under this heading. Expert engineering advice would be necessary in any attempt to determine accurately the proper allowances for depreciation.

The principal fixed assets employed by oil companies in the importation and distribution of motor-spirit in bulk are terminal tanks, pipe-lines, railway tank wagons, railway-sidings, kerbside and commercial pumps, automotive equipment, buildings.

The provision for depreciation apportioned on a sales basis to motor-spirit account for the following costs per gallon:—

	d.
Company A	0·881
Company B	0·860
Company C	1·1325
Company D	1·296

(3) *Advertising.*

The cost per gallon apportioned to sale of motor-spirit by three of the companies is—

	d.
Company A	0·17
Company C	1·026
Company D	0·38

(4) *Other Overhead Expenses, including Income-tax.*

The balance of overhead expenses comprise expenditure in connection with repairs and maintenance of terminal tanks, distributing equipment, general management and office expenses. These expenses account for—

	Per Gallon.
	d.
Company A	2·7072
Company C	1·2926
Company D	2·4525

STORAGE-TANK CAPACITY OF MAJOR OIL COMPANIES.

The total storage capacity of the major oil companies is 39,237,756 imperial gallons, the storage capacity of marine terminal tanks being 37,077,519 gallons, and country and other depots 2,160,237 gallons. On the basis of the imports of motor-spirit for the year ending 31st December, 1930, storage accommodation is available to supply the Dominion's requirements for seven months.