

time. Furthermore, the factors of perishability, credit sales, and the holding of wide ranges of stock which apply to grocers and which are usually held to justify a high margin of gross profit scarcely apply to beer (R. 7703).

398. The very profitable nature of the trade done under a fixed number of licenses and a sense of security due to a practical view that prohibition is not likely to be carried in New Zealand within the measurable future must be the basic reasons for the very high prices paid for hotels, even during the war period.

399. From 1933 to 1945 New Zealand Breweries spent in all the sum of £1,062,450 in the acquisition of hotels (R. 6775, 6776, and 7693). This amount includes the sum of £126,000 spent on building the Hotel Waterloo. In addition, New Zealand Breweries has paid £29,000 in premiums for leasehold hotels. According to the company's balance-sheet at the 31st March, 1945, the company's investments and advances to the trade were £405,118, shares in subsidiary companies were valued at £35,001, and amounts due on current accounts were shown at £463,797. The total investments of New Zealand Breweries in hotel premises, furniture, fittings, hotel advances, and securities are therefore, on the company's figures, £1,995,366. It should be noted, however, that the two items of (a) investments and advances, and (b) shares, together totalling £440,119, are worth, on a very conservative estimate, £612,390 (R. 7699). The difference of £172,271 should be added to the above total to obtain a market value. If the amounts due on current account have also been conservatively written down, a further amount should be added. It may safely be said that New Zealand Breweries has more than £2,000,000 invested in hotels in one form or another, although the primary purpose of the company's formation was to deal only with the manufacture of beer.

400. The investments of Dominion Breweries in hotel premises, furniture and fittings, in hotel advances, and securities rose from £6,321 in 1931 to £724,884 in 1945.

401. Ballins Breweries (N.Z.), Ltd., has so far expended £189,696 on the purchase of freehold hotels, paid £1,625 as premiums for leasehold hotels and advances on mortgage, and otherwise to the trade £77,322, a total of £268,645.

Ballin Bros., Ltd., a much older company than Ballins Breweries (N.Z.), Ltd., has paid £83,653 on the purchase of freehold hotels. It has other hotel assets worth £4,349, has advanced on mortgage of hotels £11,339, and made other investments on hotels amounting to £48,834, and is owed by sundry debtors in respect of hotels £31,632, a total of £179,807. Ballins Breweries (N.Z.), Ltd., and Ballin Bros., Ltd., have altogether a total investment in hotels of £448,452.

402. For the purpose of comparing the investment of the three big companies in hotels and in respect of hotels, it may be said that New Zealand Breweries has invested, approximately, £2,250,000; Dominion Breweries, £750,000; and Ballins Breweries (N.Z.), Ltd., and Ballin Bros., Ltd., together, £475,000.

CHAPTER 17.—COMPETITION OR MONOPOLY ?

403. Counsel for the licensed trade submitted to us that the businesses of the licensed trade carried on under licenses issued under the Finance Act, 1915, or the Licensing Act, 1908, are a monopoly to the same extent as those businesses which are licensed under the Industrial Efficiency Act, 1936, are a monopoly. We take the view that there is one common feature to the two systems of licensing, but that there are some essential differences. We express no opinion upon the merits or otherwise of the control under the Industrial Efficiency Act. We merely point out here the common feature and the differences.

404. The common feature is that only licensees may engage in the industry or trade to which the licenses apply. As a group these licensees enjoy a monopoly of the industry or the trade which is licensed. They may compete or may come to trade arrangements among themselves. To the extent to which competition is reduced, the extent of monopolistic control of the whole industry or trade is increased.