485. Excepting the practice of New Zealand Breweries in respect of its freehold hotels, we think it is generally true to say:—

(1) That a rent is fixed by reference to the amount which has been paid for an hotel, that those amounts are fixed by reference to the trading of the hotel, that, if the trading has included substantial after-hours trading, the rentals fixed will tend to induce after-hours trading in order to make the hotel pay, and

(2) That, if a high goodwill has been paid by reason of competition, that payment is likely to be reflected in the rental required for an hotel and may be so high as to tend to after-hours trading.

486. We have evidence that a company adjusted rentals according to the state of the business of the hotel. Mr. Robinson, a director of Hancock and Co., Ltd., admitted that he had received complaints from licensees that the rent was too high. He then saw the licensees, went into the accounts, and recommended an adjustment to the directors, who would act upon it if they agreed. When, however, trade increased, the rentals were raised again. Thus the benefit of an increase in custom due to a public-works camp at Karapiro went to the company, not to the licensee of the National Hotel, Cambridge (R. 3847).

487. There is another aspect of the payments for goodwill which appears to be of minor importance to-day. It is the goodwill charged not by the owner or lessor, but by the lessee on an assignment of his lease for the purpose of making a profit out of his leasehold interest. The opportunity to do this occurs practically to-day only when a lessee has a term exceeding a weekly or monthly tenancy and either the hotel company with which he deals permits the transaction or is not in a position by any means, direct or indirect, to stop it.

488. The following examples of sales by a lessee of the balance of his lease carrying the license were given by Mr. Tuck, the Assistant Commissioner of Stamp Duties at Auckland (R. 3569):—

Hotel.	Unexpired Term and Rent.	Unexpired Portion of Premium paid.	Payment received as Goodwill for Balance of Lease.
		£	£
Albion	6 months; £16 per week ..	250	450
City Club	1 year 4 months; £32 per week ..	444	1,750
Kings Arms	1 year 4 months; £24 per week ..	556	1,600
Rob Roy..	2 years 4 months; £26 per week..	777	2,500

These hotels were all owned by Hancock and Co., and "tied" under the leases. The return indicates that these lessees could obtain substantial goodwill payments for short-term balances of their leases, even where the rents were very substantial.

489. We think that many goodwills have been paid which are much too high, and that many rents and premiums are also much too high.

490. The views of certain Licensing Committees who have expressed their opinions upon the point without having the benefit of the evidence we have had confirm this conclusion. For example, the Licensing Committees of Stratford (R. 172), Rangitikei (R. 196), Hurunui (R. 237), Christchurch, Avon, Riccarton, and Lyttelton (R. 245), Kaiapoi (R. 252), and Dunedin (R. 263) all express the opinion that excessive rents or excessive goodwill payments, directly or indirectly, cause illicit after-hours trading. A majority of the New Plymouth Licensing Committee (R. 168) and some members of the Egmont Licensing Committee (R. 176) take the same view. Other committees expressed the views that no goodwill should be allowed, presumably on the ground that it had bad effects, the most likely of which is illicit trading—viz., the Licensing