or indirectly, to the amount of intoxicating liquor sold in the premises or to the profits of the business carried on therein. Regulation 17 (3) required that if the parties to the contract could not agree upon the adjustment the matter was to be referred to arbitration.

503. The two agreements to which we have referred in paragraph 501 entered into by Ballins Breweries (N.Z.), Ltd., with the managers of Barrett's Hotel and the Taita Hotel respectively are stated by Ballins Breweries to have been determined, but that the company of its own volition does in fact pay a bonus estimated at the share of the actual net profits payable under the respective agreements.

504. Another example of the inducements held out to managers by some companies in order to keep up bar sales is the allowance known as the " hospitality " or " spending " allowance. This allowance is not referred to in the agreements for service between the manager and the company which were produced to us in evidence. The allowance is said to be intended to place the manager in the same position as a licensee on his own account would be when he is spending money in the bar to maintain custom. The difference is that the manager gets a fixed amount every week. The amount varies from £2 or £3 per week, but mostly from £4 or £5 per week to £12 per week.

505. No account of the allowance is required by the hotel company (R. 6758 9). In a small hotel like the Caledonia, in Symonds Street, Auckland, belonging to the Campbell and Ehrenfried Co., the manager receives a hospitality allowance of £12 per week (R. 4194 and 6927).

In the large Commercial Hotel at Hamilton the spending allowance is £10 per week and the licensee-manager is permitted to pay part of the allowance to the bar manager (R. 3993).

506. The primary object of the hospitality or spending allowance is obviously to maintain or increase the sales of liquor in the hotel. Mr. O'Connell, the assistant manager of New Zealand Breweries, said he supposed the allowance all came back in the form of sales (R. 6927). Mr. Wanklyn, of New Zealand Breweries, said the company had made a check at odd intervals which satisfied the company that the allowance had been used (R. 6805).

507. Another payment made by some companies, which must tend to operate as an inducement to keep up the bar sales, is the bonus at the end of the year. These hotel companies explain that the bonus is not calculated as a percentage on turnover or profits (R. 3873, 3966, 4719, and 6785). Mr. Ibbertson, of the Campbell and Ehrenfreid Co., stated that the bonus was " considered on the general conduct of the management " (R. 3966). This company, for example, has paid a bonus of £200 to the manager of a residential hotel, as against a bonus of £65 to the manager of a hotel relying on the beer trade. Nevertheless, without reflecting on any particular hotel, the payment of bonuses to managers, which are apt to be increased as liquor sales increase, is open to abuse and may be a breach, at least of the spirit, of regulations which prohibit a contract of remuneration at a rate or rates affected even indirectly by reference to the amount of liquor sold or to the profits of the business.

508. An illustration of the effect of the policy of developing the bar sales was given in the uncontradicted evidence of a witness who had booked in for three or four weeks in June, 1944, at one of the leading managed hotels in Auckland. He was a manufacturer's representative and in Auckland on business in the capacity of a traveller. He was also a teetotaller, but prepared to spend money in the lounge for his friends who drank. About the second day after his arrival he was told by the licensee-manager that he was not staying, as the company was not encouraging long bookings. On protesting, he was subsequently told by a director of the company that he had an impudence to expect to stay in the hotel, as the manager was turning away friends who were spending £2 or £3 in the hotel, meaning, apparently, the bar, but that he would be found accommodation at another hotel. He objected to that hotel. As a result of other representations to a member of the company, the witness was allowed to stay