

Zealand Breweries entered on a course of dealing which it had recognized in its prospectus was contrary to the public interest and which it had been professedly incorporated to prevent.

215. The public apparently thought that there was a substantial risk in the investment offered by New Zealand Breweries in 1923. They took up only £414,390 of the debenture stock and exercised their option to acquire shares to the extent only of £41,946. The vendor companies took up the balance required.

216. New Zealand Breweries took over the breweries of the amalgamating companies and paid for them out of the proceeds of the debenture issue. Five hundred thousand ordinary shares were allotted to the vendor companies in payment for the goodwill of their businesses.

217. Following upon the amalgamation, the amalgamating companies continued to carry on their remaining business, and those which controlled hotels dealt with New Zealand Breweries for their beer. The English company of Hancock and Co. (N.Z.), Ltd., was wound up and transferred its hotels and other assets, other than its brewery interests, to a new company, Hancock and Co., Ltd., registered in New Zealand with a capital of £250,000, the shares being held mainly by members of the Davis family. (The only vendor companies continuing in business to-day as separate entities are Hancock and Co. and D. J. Barry, Ltd. (R. 6889).)

218. It was natural that the amalgamated company should have power to protect its trading interests. Much money had already been spent on the prohibition polls, both by the trade and by the New Zealand Alliance, and the issue had been in doubt. Clause 3 (2) of the memorandum of association of New Zealand Breweries enabled the company "to contribute funds to or otherwise assist or encourage or carry out any propaganda or take other steps to further the interests of the company or to prevent the company's interest being prejudiced or affected." This provision enabled the company to contribute to a Trade Defence Fund.

219. There is nothing unusual about a Trade Defence Fund. Many businesses in various classes of industry contribute to a fund in defence of their industry. As a background to an understanding of the facts, however, it is necessary to remember that the licensing trade has maintained for many years an extensive Trade Defence Fund.

220. It appears that contributions are made by hotelkeepers and brewery companies to Provincial Councils of the trade and also, directly or indirectly, to the National Council of the Licensed Trade. The basis of contribution is 1d. in the £1 paid by hotelkeepers on all beer purchased by them and either 1d. or ½d. in the £1 paid by the breweries by way of subsidy. The funds so contributed are available for expenditure either in the district or nationally.

221. Counsel assisting the Commission, Mr. Willis, has made certain calculations upon the evidence before us as to the annual income from the fund in 1945, and from these calculations some idea may be gained of the extent of that income in 1924. For the year ended 31st March, 1945, it appears that the hotels purchased from the breweries some 22,500,000 gallons of beer for approximately £6,400,000. At 2d. in the £1 the annual income of the Trade Defence Fund would be about £54,000; at 1½d. in the £1 about £40,000. We have not the figures for the purchases of hotels from breweries in 1924, but the retail sales of that year, as given in a book on statistics put in evidence by the New Zealand Alliance at page 6, were £8,310,000. Assuming the publicans paid the breweries only one-third of that amount—viz., £2,770,113—the amount at 2d. in the pound would be £23,084; at 1½d. in the pound, £17,313. Counsel for the trade were asked by us to notify us if they had any objection to make to these estimates, but they made no objection. Official accounts have not been submitted to us to enable us to check these estimates.

222. A distinguishing feature of this Trade Defence Fund is that no explanation of its disbursement is rendered to those who contribute to it. According to the evidence of the Honourable Eliot Davis, no accounts are issued. The money is spent as the officials in control of it determine, and those who contribute must have confidence that affairs are administered in such a way as to protect their licenses (R. 4685).