

253. On the 27th April, 1936, the following advertisement was inserted by Dominion Breweries in the Wellington newspapers, from which the following is an extract :—
To the Public of Wellington.

Certain brewers who own or hold the leases of certain hotels in the Wellington District have warned their tenants that their leases will not be renewed, or will only be renewed at an increased rental, if they sell any bottled beer other than that of their own manufacture.

Are these brewers to be permitted to dictate to the public as to what it shall drink ? Hotels obtain their licenses on condition that they meet the requirements of the people, and such an act of intimidation is repugnant to the British sense of freedom and fair play.

A list of hotels which refuse to be dictated to, and are free to supply the public with any brands of bottled beer they demand, more especially Dominion Bitter and Vita-Stout (products of the Waitemata Model Brewery) will be published at an early date should this objectionable practice continue. (R. 6726 : Ex. C. 23.)

254. The reasonable inference from this advertisement is that some opposition brewery had decided to enforce the tie in respect of bottled beer in the licensed houses controlled by it. It appears, however, from the evidence, that, after a reply from McCarthy's Brewery on the 28th April, 1936 (R. 6890), the threat of publicity by Dominion Breweries was sufficient to prevent the tie from being enforced. New Zealand Breweries was not at this time financially interested in Macarthy's Brewery, though it became so subsequently.

255. In June, 1936, Ballins Breweries (N.Z.), Ltd., was formed in Christchurch, with a capital of £250,000 to take over Hickmott's Victoria Brewery and the wine and spirit business of Ballin Bros., Ltd. The prospectus made these statements :—

Ballin Bros., Ltd., possess valuable financial and trade interests in 81 hotels in New Zealand, and its trading organization regularly contacts 774 hotels out of approximately the 1,200 in the Dominion. The purchase-price was stated to be £57,607, of which £20,000 was for goodwill, payable to Ballin Bros., covered by the allotment of 20,000 ordinary £1 shares fully paid up.

256. During 1936 New Zealand Breweries continued its policy of purchasing hotels. It also purchased a brewery, the Timaru Brewery, for £73,000.

257. During 1936 Dominion Breweries purchased from one owner his hotels at Huntly and Taihape for a total cost of £45,000. The chairman of directors considered the amount reasonable.

258. The legislative provision contained in section 19 of the Law Reform Act, 1936 (passed on the 18th September, 1936), then exercised an influence on the mode of letting hotels. This section provided that in all leases, containing a covenant or agreement against the assigning or underletting of demised premises without license or consent, the covenant or agreement should be deemed to be subject to a proviso to the effect that such license or consent is not to be unreasonably withheld, subject to the right of the landlord to any expenses incurred in connection with such license or consent. New Zealand Breweries had had a personal lease form under which it could refuse its consent where excessive goodwills were asked. The company found it could no longer refuse consent on this ground, so it allowed existing leases to run out and then continue on a monthly basis (R. 6804).

259. In 1936 the directors of Dominion Breweries came to the conclusion that the policy of subleasing hotels was not as sound a policy as managing with a licensed manager. The chairman of directors informed us that the company became involved in losses in nearly every case with assignments from the original subtenants, by reason of the high goodwill payments which had been made.

The amount invested by Dominion Breweries in hotel premises, furniture and fittings, hotel advances, and securities rose from £28,458 in 1936 to £153,094 in 1937.

260. In February, 1937, Ballins Breweries made an advance on a mortgage for six years on the Commercial Hotel, Pahiataua. This is an example of the extension of the company's trade to the North Island.

261. In 1937 New Zealand Breweries purchased twenty-five hotel properties, comprising twenty-three freeholds and two leaseholds, from the Wellington company of J. Staples and Co. for £496,000. To finance this the company offered its shareholders