

it first became profitable about the year 1920 (R. 4661). We think that credit should be given to Hancock and Co. and L. D. Nathan and Co. for their early enterprise at Rotorua. On the other hand, it is evident that these companies established their hotels at Rotorua at a time when the practical limitation of licenses had been brought about by legislation (paras. 137, 142, and 148, *supra*) and when it was probably apparent to keen business minds that the holders of all the licenses in any district would have a monopoly of the licensed trade in that area, a monopoly which would become more valuable as the population increased (see Chapter 9 and para. 164, *supra*).

632. The risk which the two firms took was that Rotorua might not ultimately develop into a tourist centre. That risk was successfully taken. The risk then arose that prohibition might be carried. If it were carried, the tourist traffic from abroad might diminish, but it was not likely, we think, that the internal tourist traffic of New Zealand would be affected. We think that there has been good ground for many years, even during the period when prohibition seemed a probability, for the assumption that Rotorua would require ample first-class accommodation for its tourists. For many years past the hotels and the boardinghouses have been pressed for accommodation at various times during the year, but particularly during the summer season. On the other hand while the probability of the loss of the bar trade remained, it must have acted as a deterrent to the provision of modern hotels. We have given our reasons for saying that since 1929 there has been no good reason why, if other more urgent building operations did not prevent it, the hotel companies at Rotorua should not have provided at least one modern hotel.

633. We have shown that Hancock and Co. have built three substantial new hotels in the last fifteen years and have made improvements to others at a total cost of £259,694. The company is a very wealthy company with ample resources and it has made substantial profits for many years from the Grand Hotel and the Palace Hotel at Rotorua. L. D. Nathan and Co. is a half-owner of the land of these hotels and also a wealthy company. Viewing the whole position, we do not doubt that if there had been competition at Rotorua a modern hotel would have been erected between 1929 and 1939. The fact is that the companies which conduct the hotels at Rotorua are so interlocked that they constitute a practical monopoly with respect to hotel licenses. We think it is regrettable that the Lake House Hotel, which occupies the best site in Rotorua with a view looking over the lake, should not have been rebuilt in 1938, instead of being repaired at a cost of £6,000. In that year the company chose to build a new hotel at Whakatane at a cost of £32,848. It is difficult to think that the provision of a modern hotel at Whakatane was more urgent than it was at Rotorua. If it was more urgent in 1938, there were earlier years. It is a reasonable inference that one of the reasons which has prevented the rebuilding of the Lake Hotel is that the Grand Hotel occupies a site in the town. If the tourist trade went to a modern hotel on the lakeside with a beautiful view, the Grand Hotel would suffer. We repeat that, in our opinion, if the licenses at Rotorua were not under the control of a monopoly, but had been held by real competitors, we have no doubt that some fine modern hotels would have been built in Rotorua before the present time.

634. We think, also, that close attention should be given to the question whether the hotels at Rotorua should be built so as to accommodate the traffic reasonably to be expected during the tourist season and that, if necessary, rooms or wings should be closed in the off season as is done abroad. It is a relevant consideration that if modern hotels were built, more tourists would probably be attracted for longer periods.

#### SECTION 4.—THE CONDUCT OF SOME LICENSEES IN BREACH OF THEIR OBLIGATIONS AS INNKEEPERS IN NOT MAKING EXISTING ACCOMMODATION AVAILABLE

(See para. 583)

635. Apart from the unsuitability of many hotel premises to meet the standard of demand, the accommodation which might be available has been made less available by the attitude of some licensees.