

theatres used for legitimate stage production. It also operates a subsidiary company which runs the refreshment business in most of the controlled theatres. There is, in fact, a substantial monopoly. Attached are Schedules showing—

Schedule 1: The theatres operated by Kerridge-Odeon or in which they have an interest sufficient to control policy, or for which they arrange the film buying;

Schedule 2: Theatres similarly controlled by Amalgamated Theatres, Ltd.; and

Schedule 3: Theatres operated by "independent" exhibitors.

It will be seen that since 1934 the major companies have both consolidated and extended their grip on the exhibition side of the industry and, excluding the city suburban theatres, there is now only one town with a population of 5,000 or more (Gore) in which a theatre is operated by an "independent."

14. The present position traces back to the facts set out in paragraphs 57-64 of the report of the 1934 Committee and was clearly foreseen in paragraph 63. By 1936 the effects of the competition of Amalgamated Theatres in the first-release situation and in secondary centres was already felt by the loosely-organized Fuller-Hayward, Williamson, Kemball "combine." The pooling arrangements were mostly discontinued and a scramble for film-supplies developed on a three-cornered basis. Fullers-Fuller-Haywards had the largest chain, Williamson's the smallest but the best first-release theatres, and Amalgamated the lowest overhead. Amalgamated were the first to safeguard their position by association with a foreign renter. They had previously had a film-hiring agreement with Fox Films (America) for several years, and this was converted to a sale to the latter of a half-interest in the company. The departmental officers have been assured that the provisions of the agreement and the effect of the sale were to retain administrative control in the hands of the Moodabe brothers in New Zealand, and for arbitration in New Zealand of any matters in dispute.

15. Fullers had, at this time, association with Australian interests which (coupled with the strength of the New Zealand Circuit) temporarily enabled them to hold out and to obtain reasonably satisfactory film-supplies. The market was, however, definitely a seller's one and their situation remained vulnerable. Williamson's were in a particularly difficult position in competitive buying owing to the limited number of secondary-town theatres they controlled, and their prospects were so unsatisfactory that negotiations were entered into for the sale of the shareholding to foreign interests. In an endeavour to avoid this an approach was made to ascertain whether the Government would provide finance on a temporary basis so that the control could be retained in New Zealand hands. The position was finally cleared up so far as the "combine" companies were concerned by the purchase at the end of 1937 of a controlling interest in Williamson's by the J. R. McKenzie Trust and the establishment in 1938 of Theatre Management, Ltd.

16. This latter company was formed to buy films for and to operate the theatres controlled by Fullers, Fuller-Haywards, and Kemballs. The latter interest had, in the meantime, been reorganized as New Zealand Theatres, Ltd., and in this company Mr. R. J. Kerridge, who up to this time had operated a circuit of theatres in the Auckland district, obtained an interest. He was thus, in the first instance, connected with Theatre Management, Ltd., but later obtained from the associated companies the controlling interest in New Zealand Theatres, Ltd., and withdrew from the association by mutual agreement.

17. The articles of Theatre Management, Ltd., provided for control of the theatres by the company for a period of seven years. At the end of this time Fullers, then in control of Mr. A. Ben Fuller, broke away, and a further period of instability in the exhibition side of the industry was threatened. A series of cross-negotiations followed between the Kerridge interests (which had by this time effectively absorbed New Zealand Theatres, Ltd.) and Amalgamated, Fullers, Williamson's, and certain foreign interests. Kerridge first bought Fullers and later Williamson's. With the latter purchase he achieved complete amalgamation—as distinct from a temporary association—of all the interests included by Mr. J. H. Mason in the initial formation of Theatre Management, Ltd. It might be unkind to say that King Stork had replaced King Log, but it is to be noted that no previously independent theatres were affected. The Moodabes in the meantime, after some effort at the sale of their interests in both New Zealand and abroad, settled down to operate Amalgamated Theatres on the basis established in 1936. Mr. Kerridge sold a half-interest in his amalgamation to the British Rank interests, thus establishing Kerridge-Odeon.

18. One important factor which must be given major consideration is that of the location of control of the principal New Zealand theatres operated by the two circuit companies. In 1936 there was serious danger that all the first-release companies, both in Australia and New Zealand, would come under the control of foreign and particularly American interests. The view is held in most countries that, particularly having regard to its propaganda possibilities, national control of the industry is desirable—at least to the extent that effective and not nominal control of majority shareholding should be permanently retained by nationals. This view was expressed on behalf of Cabinet at the time of the Amalgamated sale to Fox. The position with respect to Williamson's was held in 1936 by the purchase by the McKenzie Trust, which is predominantly a New Zealand interest. The majority shareholding in Fullers at that time was in Australian hands. The Kerridge purchase has from this point of view the advantage that the company at first had entirely New Zealand capital and the later sale of half-interest was to a British company. The question does arise for consideration as to whether any action should be taken to stabilize the position of both this and the Amalgamated shareholding.