referred to as the " K.O.G." agreement (Keep Off the Grass). At least one of the representatives of the chain companies at the hearing implied that this term was now inappropriate, and referred to the " understanding " between the companies. Although no express mention was made in evidence that any such arrangement existed except between the two major chains as far as the first-release situation is concerned, it is not unlikely that similar understandings exist in other cases where theatres are nominally competing with each other for film-supplies.

Rejection Rights

47. Because of the system within the industry of " blind " and " block " bookings, a right is afforded exhibitors who have booked more than four films at the same time to reject 20 per cent. of the number in the contract. As explained in the departmental report, paragraph 7, this provision has been of greatest value to independents and is used not only to avoid taking pictures of doubtful box-office value, but also in cases where an exhibitor desires to avoid paying too high a price for any particular film included in his contract.

ORDER OF REFERENCE No. 1

Whether the existing monopoly conditions in the exhibition of films in New Zealand are compatible with the public interest and whether any legislative or other action should be taken to overcome, limit, regulate, or supervise these monopoly conditions.

48. There appears to be general agreement amongst all sections of the industry, and, indeed, amongst all witnesses who gave evidence before the Committee, that a tendency towards monopoly was inherent in the motion-picture business; it was, however, asserted with confidence (and not seriously attacked) that the public interest had not suffered in any way from such progress towards monopoly in control as had so far resulted in New Zealand. That is not to say that there were not groups within the industry who complained or pointed out that their particular interests were affected by the growth of the monopolistic tendency—but the public interest as represented by those who attend performances in cinemas in New Zealand was not shown to have been affected adversely; indeed, there was a body of evidence which tended to show that in amenities of theatres, standards of film exhibited, and prices of admission the New Zealand theatre goer was better off than his counterpart in the rest of the world.

49. The logical inference from the acceptance of this result flowing from the " tendency towards monopoly " would be that complete monopoly would still further advance rather than prejudice the public interest. Mr. Kerridge in terms claimed that this was in fact the case; Mr. Moodabe, on the other hand, regarded human nature as too weak to withstand the temptation to use complete monopoly for the benefit of the monopolist and not for the benefit of the public.

50. The Committee is strongly of the opinion that as a matter of principle the control of the motion-picture industry in New Zealand, whether on the distribution or on the exhibition side, must not be allowed to develop into a monopoly. The Committee, goes further, and is of the opinion that the tendency towards further monopolistic control should now be arrested and that in so far as the exhibition side of the industry in first- and second-release situations is at present under the control of the two chains (Kerridge-Odeon and Amalgamated) these chains should not be allowed to grow bigger, or at any rate that their enlargement should be regarded as the exception rather than the rule.