and the competitive exhibitor. (During the Committee's discussions time-limits for exercise of rejection of seven, fourteen, and twenty-one days were considered, and any rejection within a limit of twenty-one days was deemed to be satisfactory.)

35. It has been shown to the satisfaction of the Committee that it is essential for the success of an exhibitor's business that he should screen in his theatre a fair proportion of the better class or "special" pictures, but it is also indicated that many of the films which are rejected under a selective-buying contract can be used with advantage by a competitive exhibitor, particularly in double-feature programmes, should he be forced by circumstances to adopt this expedient. The renter would usually prefer to get even the small revenue obtainable from such screening than to have the films completely rejected for the particular town.

36. Evidence before the Committee shows that the division of the service of an individual renter between competitive exhibitors is not practicable. Experience of a number of cases of what are known as "pick and pick" arrangements between associated exhibitors in which films were selected alternatively have not proved satisfactory. In the past several of the renters have adopted a policy of dividing the "service" into "blocks" each containing "specials" and "programme pictures." Should this practice be developed in the future it may relieve the situation to some extent, but the Committee is unable to recommend any statutory provision on these lines.

37. The Committee is of opinion that, in view of the situation which is arising owing to the limited number of high-class films available and the competitive conditions existing or likely to arise in some towns, exhibitors should be adequately safeguarded against any monopoly of film-supplies or unfair practices which would result to the disadvantage of competitive exhibitors. After consideration of the problem in conjunction with the question of theatre expansion, the Committee recommends that the following provisions be made to meet the position:—

(1) That it be made an offence for any exhibitor to hire more films than are necessary for the operation of his theatre.

(2) That rejection rights under the statutory provision recommended in paragraph 32 of this report, or under contracts providing for the selection of a portion only of a renter's service, should be exercised within twenty-one days.

(3) That any renter having films available—*i.e.*, which are not contracted for with another exhibitor in the same town or situation, or which are rejected by such exhibitor—shall be required to rent such films on request to another exhibitor on the usual terms and conditions.

(4) That provision be made for the prevention of monopolies on the lines of section 5 of the Commercial Trusts Act, 1910.

ORDER OF REFERENCE NO. (5):—

Whether the proposals of the Exhibitors' Association with reference to insurance against loss or damage to films are reasonable as an alternative to the condition insisted upon by the renters under the present contract, and, if so, whether provisions should be made for giving effect to such proposals.

38. The opinion was fairly generally expressed by both exhibitors and renters that this question was largely a domestic matter and could be settled without legislative action. The Committee concurs with this view. The evidence shows that concessions have been made on both sides, and the Renters' and Exhibitors' Association have, at the suggestion of the Committee, agreed to meet with a view to arriving at a satisfactory settlement. Under these circumstances it is not considered necessary to make any recommendation.

ORDER OF REFERENCE NO. (6):—

Whether the clause in the contract requiring a minimum charge of 1s. for admission to theatres is reasonable, or whether a modification is desirable in certain cases in the public interest.

39. This clause (Reference No. 18, Warner Bros.' Contract) was introduced into all the American contracts in 1930 at the same time as the cancellation clause (see paragraph 13 above) on the resumption of trading by the renters after the film-hire-tax dispute. It was stated in evidence by Mr. Stewart, for the Film Exchanges' Association, that this was done at the request of exhibitors. The Exhibitors' Association file regarding the matter, which was put in as evidence, shows that if any such request was made by New Zealand exhibitors it was not authorized by the association, which appears to have consistently advocated a reduction of the minimum admission price in special cases. Mr. Stewart also stated that the 1s. minimum was regarded by the renters as a most important safeguard for the business, and that any modification of it would render the whole clause inoperative. It has been the renter's experience in the Auckland suburban area that the only way the clause could be enforced was by a complete stoppage of film-supplies to offending exhibitors. If variations were permitted in special cases, the onus of enforcing the minimum on exhibitors in the district who were not granted the concession would be on the renter, and this would inevitably lead to friction between the parties.

40. Most of the exhibitor witnesses were strongly in favour of some modification of the clause, particularly with reference to the Auckland suburban areas (see paragraphs 60 to 62 of the Appendix). An attempt was made in cross-examination of witneses to obtain some indication of a method which would be satisfactory for application of reduced minimum to one area only without causing difficulties in respect of contracts generally, and a proposal was submitted by certain exhibiting interests in Auckland that the clause should not apply to films which were (*a*) released more than twelve months prior to the date of proposed exhibition; (*b*) sold to the exhibitor on a flat-hire basis; and (*c*) supplied for exhibition during the day-time or for mid-week evening screening only.