

41. The deletion or modification of the clause was strongly opposed by Mr. W. R. Kemball, jun., on behalf of Kemball Theatres, Ltd., and Mr. Beaumont Smith, for Williamson Picture Corp., Ltd., both of whom expressed the opinion that the deletion of the clause would inevitably result in a price war. Mr. Beaumont Smith submitted an alternative proposal that the clause should be retained, but that an arrangement should be made under which registered unemployed and their families should be admitted to all theatres on certain specified days at half minimum rates. It was admitted in cross-examination that there would be difficulty in the application of the system owing to the possible misuse of identification cards, and that it would be difficult to arrange for similar concessions to many other persons in financial circumstances similar to those of the registered unemployed. It also appears to the Committee that the proposal would open the door to general breach of the minimum-price clause by exhibitors, owing to the difficulty of checking whether persons admitted at the lower rate were genuinely entitled to the concession.

42. On behalf of the Auckland suburban exhibitors, Mr. H. Hayward, who was a pioneer of the industry in New Zealand, and who at present operates a small chain of suburban theatres in Auckland, strongly advocated the complete deletion of the clause. He stated that it was a general practice in the Auckland suburbs to run "guest" nights (Appendix, paragraph 61) on one night a week, the necessary films being obtained from non-association renters. Figures were produced for several theatres showing that the number of persons admitted on the "guest night" was greater than the aggregate admissions on the other nights of the week when a 1s. minimum was charged. His general view was that a reduction of the price below 1s. would result, particularly in the cities, in a market being reached which was not at present available to the industry, since many persons apart from the unemployed could not afford regular payments of even 1s., and the tendency was for those people to stay away altogether, and to lose interest in the films.

43. It was stated in evidence that, as far as could be ascertained, Australia and New Zealand were the only countries in which a standard minimum admission charge was provided for in the film contracts, and that this charge was considerably higher than the lowest admission prices in United States of America and Canada (10 cents = 5d.) and in England (3d. plus tax 1d. = 4d.). It was also pointed out that the minimum charge was not a compulsory one, and that many exhibitors, particularly in country towns, where the possible attendance was limited, still charge a minimum of 1s. 6d., as it had been found that a lower charge was not economic.

44. With regard to the question of price-cutting, it was shown in evidence that at the time the clause was introduced differential minimum-price admissions were in operation in city and suburban theatres, the principal city theatres having a minimum of 1s. 6d., and the suburban theatres of 1s. The minimum in the principal theatres was not reduced to 1s. until the effect of the depression and the wages cut had been evidenced in city theatre business. It was also pointed out that no serious price wars had been experienced prior to the insertion of the clause in the contracts. An interesting sidelight on the effects of the depression was given by the evidence with regard to this clause. It was stated that exhibitors had noted that individual patrons who previously patronized the 3s. 3d. and 2s. 9d. seats now patronized the 2s. 2d. and 1s. 6d. seats, and the previous patrons of these latter sections of the theatre are now found in the minimum price 1s. seats. It had also been found necessary to increase the number of seats available at the minimum price to meet the demand, and to reduce the maximum prices in most of the theatres.

45. The Committee is of opinion that the 1s. minimum should not be universally applied. It is recommended that in the standard form of contract to be drawn up in terms of the Committee's recommendation in regard to Order of Reference No. (1), a clause should be inserted providing for a minimum admission charge of 6d. The Committee sees no objection to a higher minimum price being charged for the better-grade pictures (specials, road-shows, or floaters—see Appendix, paragraphs 19 and 27) or for not exceeding 50 per cent. of the films rented to any exhibitor on a percentage basis, provided such differentiation in charges provided in the contract-form is jointly approved by the renters' and exhibitors' organizations. In the event of the parties failing to agree it is recommended that the minimum be reduced to 6d. without qualification.

#### ORDER OF REFERENCE No. (7) :—

*Whether any restriction on the erection or licensing of additional theatres or in those already existing is desirable in the interests of the industry or in the public interest to prevent economic waste.*

46. The Committee has approached this problem with a realization that restrictions or control on the commercial side of the industry would not be warranted unless it could be very clearly shown that a condition of competition either had been reached or was likely to be reached such as would have a serious effect on the public interest, the industry, the capital invested therein, and the taxation Departments of State. It would also have to be shown that the consuming public either was not greatly advantaged by the additional competition or was reasonably satisfactorily served in its absence. Alternative or contributory reasons for imposing control would be either that a harmful monopoly existed or that the extension of competition might, by the elimination of weakly units in the industry, tend to create such monopoly. The Committee has taken as a basis for its consideration the principle that monopoly under proper safeguards is not necessarily an evil, but that any restriction or control which might possibly create or in future tend towards a monopoly should be carefully safeguarded to conserve the public interest.

47. The Government has taken restrictive action with respect to a number of industries. Two of these—transport and freezing—were considered by the Committee to be more analogous to the picture-theatre industry than ordinary merchandising businesses, since in each case a service and not goods is sold to the consuming public. It is noted that in the case of the transport industry control was deemed necessary almost entirely to prevent uneconomic competition, while in the case of the freezing industry there was the added factor of possible monopolistic control. In the service industries the expenditure is substantially confined to operating and overhead costs, and these remain practically the same irrespective of whether the service is utilized by the public to the full capacity or to only a fraction of it, and the unutilized service has no value. Such industries normally operate with buildings