

1949  
NEW ZEALAND

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# MASTERTON LICENSING TRUST

SECOND ANNUAL REPORT, FOR PERIOD ENDED 31ST MARCH, 1949

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*Presented to Both Houses of the General Assembly Pursuant to Section 43 of the Masterton Licensing Trust Act, 1947*

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## MEMBERS OF THE TRUST

J. A. Betts, Esq. (Chairman); E. W. Cheetham, Esq.; H. H. Ewington, Esq.; S. J. Gilman, Esq.;  
R. P. Levien, Esq.; J. C. D. Mackley, Esq.

SIR,—

29th April, 1949.

I have the honour to forward herewith the report of the Masterton Licensing Trust for the period ended 31st March, 1949.

J. A. BETTS, Chairman.

The Hon. the Minister of Justice.

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## REPORT

### CONSTITUTION

THE Trust is constituted under the Masterton Licensing Trust Act, 1947, and the members thereof were elected by popular vote at an electoral poll held on the 10th December, 1947.

### PERIOD OF FIRST REPORT

As the first annual report of the Trust covered a period of only four months and outlined the policy being formulated, an opportunity has now been afforded of reporting on the work of the Trust for a full year and also reporting on the progress made in implementing that policy.

### MEETINGS HELD DURING THE YEAR

There were forty-seven meetings of the Trust held during the year and numerous Committee meetings.

## TEMPORARY BOTTLE-STORES

Restoration of the sale of liquor was partly effected on Monday, the 24th May, 1948, when two bottle-stores were opened, one at the north end of the town and one in the south.

A good variety of stocks was available and excellent business was recorded from the opening day in both stores. As the volume of turnover at peak periods became unduly heavy at the two stores, and it was considered desirable to offer the convenience and service of a more centrally situated selling-point when suitable premises became available, a third bottle-store was opened on 20th December, 1948, in a central position in the town. This store could have been opened a month earlier, but an objection was filed by thirty-nine residents under the provisions of section 34 of the Trust Act. The objection was heard in the Magistrate's Court, and was adjourned until January, 1950, subject to conditions laid down and agreed to by both parties.

Very favourable comment has frequently been made both locally and by visitors from other parts of New Zealand on the modern layout, brightness, and cleanliness of the stores and on the variety of stocks and service of the staff.

## PROPERTIES ACQUIRED

During the course of the year the following properties were acquired in accordance with earlier decisions:—

- (a) *Cosy Theatre Building*.—A contract has been entered into for reinstatement of earthquake damage, and conversion into a bar and lounge, and the work has been commenced.
- (b) *Northern Approach Site*.—Purchased with a view to the establishment of both bar and accommodation facilities for the public, plans and specifications are being prepared for the immediate erection of a two-story bar and lounge, the design and setting of which has been given local prominence and has been the subject of most favourable comment as representing an outstanding advance in the planning of such amenities. Agreement has been reached with interested local bodies for development of the area in conformity with the local War Memorial and beautifying schemes, and preparation of the site has gone forward to create a large park-like recreational area at the entrance to the town. A sufficient area is being reserved for the erection of a main residential hotel.
- (c) *Empire Hotel*.—Plans are being prepared for the reinstatement of earthquake damage and reconstruction, and for the complete modernizing of the existing hotel building for accommodation of the travelling public. In addition, bulk-store facilities, staff quarters, and additional guest accommodation is to be provided by a two-story annex to be erected on the site at the rear of this building, and for which plans have been commenced. Bar facilities for guests are included.
- (d) *Midland*.—Negotiations have been completed for the acquisition of this hotel, and it is intended that the Trust will take possession on 1st October next. It is proposed to reinstate earthquake damage and modernize the existing building at a later date, but in the meantime, with the pressing need for accommodation, business will be conducted in the premises as at present. Facilities for the sale of liquor to guests in these premises will be provided when the Cosy project is opened.

### PROBLEMS OF DEVELOPMENT

(a) *Building Permits.*—In May, 1948, full details of the Trust's building proposals were submitted by the architects to the Building Controller, together with estimates of costs based on then-current price levels, and approval in principle of the proposed building projects was asked. Provisional approval for the bar and lounge in the Cosy Building and the Empire Hotel conversion and annex was given, a permit being later issued for the Cosy Building work. Approval of the erection of the bar and lounge unit on the "Northern Approach" site, however, was deferred, and although this matter has been the subject of repeated applications and deputations, it has not been possible to obtain a definite decision. In view of the fact that the "Northern Approach" plans represented so great a development and has received the approval of the public, and had been favourably commented on by all Ministers of the Crown to whom they had been submitted, and in view of the known special circumstances (paramount in which was the Trust's declared policy of providing higher standards) and in view of the relative size of the works, the Trust confidently expected that the issue of an authority for this new unit would be justified. However, the proposal in each instance has been "deferred," and the Trust must record that inability to obtain consent, or even a final refusal, has been a major embarrassment to the Trust and has held up, and is continuing to hold up, the planning of development, and may seriously interfere with the existing plans for the restoration of the full sale of liquor and development of additional hotel accommodation. Apart from the Trust's desire that the sale of liquor in bars and lounges should be under conditions of comfort, service, and hygiene far higher than the average standard, all the information available to them, including the expert advice of the General Manager, shows that it is unlikely that the facilities available in the reconstructed Cosy Building will be sufficient to cope with half the expected normal peak demand. The simultaneous opening of a minimum of two bars has been, and remains, the considered policy of the Trust, and they are greatly concerned at their inability to obtain a final decision on this proposal to provide for minimum requirements.

(b) *Tenants.*—While the auditorium of the Cosy Building had been vacant for some years, the front portion was occupied by three business tenants. The Trust was advised by its architects that in order to carry out earthquake reinstatement and conversion it would be necessary to dispossess the tenants. As no suitable alternative premises were available, negotiations took place over many months in an endeavour to solve this problem with the least possible disruption.

Of the ground-floor tenants, one has been provided with temporary premises erected by the Trust, but this was not possible in the other case, and the business was of necessity closed for an indefinite period. Both these tenants will return to improved premises immediately the front portion of the building is completed. The first-floor tenant was permanently dispossessed, as he required an area greater than can be made available. It was necessary, therefore, for the Trust to meet compensation claims where tenants' businesses were interrupted or discontinued.

(c) *Building-materials.*—In planning their building policy the Trust has been concerned to avoid drawing from building supplies required for housing. For this reason and to ensure that no delay occurred when contracts were let, the Trust has placed orders for steel, cement, and timber from available sources overseas. In some instances steel orders were placed for immediate shipment at prices then ruling in Europe, and which have since fallen. The Trust balanced the then difficulties of supply and the urgency of making progress against varying market reports, and decided that the factor of certainty of supply was paramount. Much of the steel required is to hand or on the water; orders for cement and timber have been confirmed.

## PUBLIC MEETING

A representative public meeting was held in the State Theatre on 18th November, 1948, for the purpose of tendering a report to the electors. A full explanation of the Trust's policy and plans was given by Trust members and reference made to the problems that were being encountered. The meeting terminated with the passing of a unanimous vote of confidence in the Trust, and a request to the Government to facilitate at the earliest possible date the granting of the building permit for the "Northern Approach" bar and lounge.

## PROGRESS OF PERMANENT DEVELOPMENT

A contract was let in mid-December for the conversion of the Cosy Theatre Building, and work was commenced by the contractor early in February. After an initial delay in the first few weeks, progress has been steadily maintained and the estimated time for completion is fifteen months. In the meantime, orders are being placed for equipment and furnishing. Plans and specifications for the "Northern Approach" bar and lounge are being completed and the Trust will be in a position to call tenders for this work immediately a building permit is forthcoming. Major work was carried out in filling and levelling of this site in preparation for building. The Trust has appointed a landscape architect, and plans are in hand for laying out and beautifying the area. Final plans for the Empire Hotel are being expedited by the Trust's architects, and it is hoped to call tenders for the work within the next few months. It is intended that erection of the annex to this building will be completed simultaneously with the completion of the existing building.

## LEGISLATIVE AMENDMENT

In its policy the Trust aimed at separation of bar facilities from accommodation hotels, and, while provision in the Trust Act permitted this as a temporary measure, on the Trust's recommendations the Statutes Amendment Act, 1948, has now amended the Masterton Licensing Trust Act, 1947, and has given permanent authority for the separation of the units of the Trust.

## FINANCE

Acknowledgment is made of the generally helpful attitude and advice of the Minister of Finance and of the officers of his Department. The Trust's officers have faced an almost impossible task in preparing reliable estimates of capital expenditure in face of delays, uncertain costs, and other factors outside the Trust's control. It has not been possible to approach this problem either from the view of normal local-body finance or of normal commercial practice. The Trust early formed the opinion and urged that the Government should permit development to proceed on the finance of bank overdraft until the stage was reached when this temporary finance could be converted to longer-term loans offered to the public or suitable lending institutions. This, however, was not agreed to, and negotiations are still proceeding.

As a result of steadily rising costs, the eventual total capital expenditure will be much greater than would have been the case if the Trust had been able to proceed unimpeded with its plans. On the latest figures available, based on cost levels expected when permits to do the work are made available, it is estimated that the minimum basic development (which includes completion and equipping of Cosy and "Northern Approach" bars and lounges, Empire and annex and Midland residential hotels) cannot be less than £300,000. To complete the total development as at present proposed, and which includes a modern residential hotel unit on the "Northern Approach," it is considered a total expenditure in the vicinity of £500,000 may be required. As already indicated, plans for obtaining these capital sums are under discussion with the Minister of Finance, as is required by section 37 of the Trust Act.

### MINISTERIAL AND DEPARTMENTAL INTERVIEWS

Throughout the year the Trust found it necessary to seek assistance and co-operation of Cabinet Ministers and Departments regarding difficulties and problems of implementing various aspects of its policy. Deputations from the Trust have waited on the Prime Minister, Ministers of Finance, Justice, and Works, and numerous interviews have been held with Government departmental officers. At no time has the broad policy of the Trust been questioned.

### TRADING RESULTS FOR THE YEAR

The annual accounts and Balance-sheet are appended, and show that the net trading profit after providing for depreciation and for all expenses, but before providing for taxes, amounts to £15,857.

Revenue from sales represents only ten months' trading, as the bottle-stores did not open for business until the end of May.

No comparison can be made with the previous annual statement, as trading operations had not commenced at the end of March, 1948. The expenses incurred in that period have been written off in the current accounts as shown.

Full provision for taxes amounts to £10,032, and this amount, deducted from the trading profit, leaves a final net profit of £5,825. The burden of taxation has proved very heavy, and, due to the fact that what would normally be a number of units of business being concentrated in the one Trust holding, is inflated, and in the future will tend to be at still higher levels. Over 12s. 7d. from each £1 of profit is taken by taxation. Over £10,000 which could be used for development will be withdrawn in the one year. It is quite clear that at this stage payment of the tax must result in an additional £10,000 of borrowings. The cure for this paradox appears to lie in some form of special legislation. It is obvious that this and all other similar Trusts must in the long-run pay for their capital development out of profits, and must in the initial stages borrow substantial sums from one source or another. The heavy withdrawal of profits by taxation therefore appears uneconomical. It is not anticipated that profits in the near future will be greater. In many ways the year just completed was particularly advantageous, including as it did very low capital costs and the most profitable class of trade, in conjunction with a starved market and relatively low overhead. For some years the Trust will have a good deal of non-profit-earning development, and then for a time will have very heavy interest and depreciation charges. As the public bars and accommodation units come into operation, these charges will be gradually overtaken and reasonable profits should again be shown.

### DISTRIBUTION OF PROFITS

The Trust has decided, in view of the heavy capital expenditure programme and other commitments now in progress, that no amount will be distributed from profits this year.

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## MASTERTON LICENSING TRUST

## TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1949

	£
Sales .. .. .	77,760
Deduct cost of goods sold .. .. .	48,859
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Leaving gross profit of .. .. .	28,901
Add permit fees received .. .. .	6
	<hr/>
	28,907
Deduct—	£
Balance of expenses incurred in previous period carried forward, 31st March, 1948	705
Bottle and bulk store expenses—	£
Wages .. .. .	2,702
Rents .. .. .	617
Wrapping .. .. .	380
Freight and cartage .. .. .	602
Fire, loss of profits, and other insurances .. .. .	205
General trade expenses, including licence fees, power, and laundry .. .. .	403
Depreciation on equipment .. .. .	63
Proportion of cost of temporary alterations to leased premises written off .. .. .	1,318
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	6,290
Administration and management expenses—	£
Salaries .. .. .	1,822
Trust members' honoraria .. .. .	1,050
Rent, rates, and insurances .. .. .	466
Postages and telephones .. .. .	98
Stationery .. .. .	308
Advertising .. .. .	57
Members' travelling-allowances .. .. .	137
Legal expenses .. .. .	92
Internal Affairs Department : Election expenses .. .. .	360
General administration expenses, including power, cleaning, staff travelling-expenses, and audit fees .. .. .	401
Depreciation on office equipment .. .. .	21
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	4,812
Financial expenses : Interest on overdraft and advances .. .. .	387
Non-recurring expenses : Valuation fees, structural engineers, and legal fees and stamp duty on properties purchased .. .. .	856
Unauthorized expenditure .. .. .	..
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Total expenses deducted .. .. .	13,050
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Leaving net trading profit before providing for taxes .. .. .	15,857
Deduct—	
Provision for income-tax and social security charges .. .. .	10,032
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Leaving net profit after providing for taxes carried forward to next year .. .. .	£5,825
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(N.B.—Shillings and pence omitted)

BALANCE-SHEET AS AT 31ST MARCH, 1949

<i>Liabilities</i>	£	<i>Assets</i>	£
Current liabilities and provisions—		Current assets—	
Bank overdraft .. .. .	9,333	Cash in hand .. .. .	70
Sundry creditors .. .. .	8,365	Stocks in hand and in bond .. .. .	17,487
Interest accrued .. .. .	223		
Provision for taxation .. .. .	10,032	Fixed assets—	17,557
	<u>27,953</u>	Land and buildings—	
Long-term liabilities: Treasury advance .. .. .	30,000	Cosy .. .. .	£ 21,970
Revenue reserves: Unappropriated profit .. .. .	5,825	Plus compensation to tenants .. .. .	3,344
		" Northern Approach " site .. .. .	8,025
		Filling .. .. .	2,490
			<u>25,814</u>
		Empire Hotel .. .. .	5,515
		Steel on hand .. .. .	6,500
		Temporary building, Bannister Street .. .. .	1,741
			<u>1,254</u>
		Alterations to premises—	40,324
		Temporary alterations to leased premises .. .. .	2,636
		Less amount written off .. .. .	1,318
			<u>1,318</u>
		Equipment—	£
		Equipment in use .. .. .	1,804
		Less depreciation .. .. .	84
			<u>1,720</u>
		Equipment in stock .. .. .	2,859
			<u>4,579</u>
			<u>£63,778</u>

(N.B.—Shillings and pence omitted.)

Masterton Licensing Trust:

C. CRAWFORD, Secretary-Treasurer.

The Audit Office, having examined the Balance-sheet and accompanying accounts required by law to be audited, hereby certifies them to be correct.—J. P. RUTHERFORD, Controller and Auditor General.

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