

chance of so overloading a small place that no one else has a chance of getting the lease. We get our powers from the Canterbury College Act of 1896. In the case of farm lands we do not allow valuation for grassing; for fencing and other such permanent improvements we do. In the event of a tenant desiring that drainage should be counted as part of the improvements for which compensation should be paid I have no doubt it would be counted. I think it is open to argument whether, if we allowed for grassing and other improvements, we would get any larger rent. We have some lands which in the opinion of the Board it is not desirable should be broken up.

CYRUS J. R. WILLIAMS examined. (No. 30.)

1. *To the Chairman.*] I am Secretary and Engineer to the Lyttelton Harbour Board. The Board has reserves—reclaimed lands—which it lets out on lease. They are in the nature of town properties. We at present lease under a modified form of Glasgow lease. The essential provision is that towards the end of a period valuers are appointed, one from each side, and they together appoint an umpire. These assess the annual rental value of the land, also the actual value of the improvements. At the end of the term the lease is offered at auction; the incoming tenant must pay to the outgoing tenant the assessed value of the improvements. The idea is that it shall be a perpetual lease. The basic idea appears to be that the original lessee, if he chooses to pay the assessed rental from time to time, shall continue in possession. We have added to our form of lease that the original tenant is to have the first offer of it at the newly assessed rental in order to incorporate what was thought to be the idea of the Glasgow lease into actual fact. Then we have made an express provision that if the tenant does not renew and there is no other bid he forfeits his interest in the improvements: he forfeits the whole lease. This form of Glasgow lease we have only adopted during the last two years. Previous to that we had twenty-one-years leases, with an arbitration clause, valuers, and all the rest of it. At the termination of the lease the landlord was to pay to the tenant the assessed value of his improvements. We found that a very disastrous form of lease. This land may fall in at the end of twenty-one years, and its value for the purpose for which it has been used for that time requires adjustment owing to changes in the character of the harbour or something, and the buildings are valued as a going concern. Probably the Board find their value is only worth so much brick and iron, and so on. Although they are valued against us as a going concern they are actually of no value to us whatever. The proposal of the Wellington Corporation to pay 60 per cent. of the value of the improvement in the event of the tenant not taking up a new lease I consider a mistake. I know the difficulty there is in devising a form of lease that will be satisfactory to the landlord and to the tenant. In these revaluations I think the question of the continuing use of the improvements should be taken into consideration. I might mention a specific case as an example: Some alterations required to a railway-station yard in Lyttelton meant that ultimately a store standing on one of our twenty-one-years leases would have to be abolished. When the lease fell in, however, in order to avoid paying an extravagant price for the store we have had to renew the lease. We are still faced with the difficulty, of course, but we hope the next valuation will not be so absurd. In any case, when we do decide to close down the buildings will be valued against us, and we shall have to pull them down. I think valuations of buildings at the termination of a lease must take such things into consideration. We have had our valuation done by valuers. We look with horror on the arbitration system, where you have the calling of evidence and that kind of thing. If there is to be arbitration I would prefer a Judge of the Supreme Court as the arbitrator. I have been a witness in arbitration proceedings, and I have seen the personnel of the arbitrators. I know something of the difficulties in getting arbitrators who are unprejudiced and unbiased, and I have come to the conclusion that in a small community like Canterbury it is absolutely impossible to get a competent arbitrator who is not concerned in the matter directly or indirectly or sympathetically, whereas in the case of a Judge you have a man whose decision is unbiased. But I think a tribunal of three valuers acting on their own knowledge, provided the principle upon which they are valuing is laid down by Act, is the simplest and cheapest to all concerned. Not long ago I sat on a Commission with the Chief Justice and another gentleman to inquire into certain matters connected with the Foxton Harbour, and I was disappointed to see the amount of paraphernalia involved in arriving at what Mr. Ferguson and I could have arrived at in about three days without any of that evidence whatever.

2. *To Mr. Milne.*] In assessing the value of the new rentals the valuers have to look ahead rather than backwards, though, of course, one must take into account what kind of a time the tenant has had in the past on his holding. If he has had a bad time I do not think his want of judgment should be taken into account.

3. *To Mr. Thomas.*] We used to assess the rental, on the renewal of leases, on the basis of 6 per cent. on the capital value of the land—that is, on the Government valuation. To get the actual capital value we added 20 per cent. to the Government value. It works out at about 6 per cent. on the Government value. I think 5 per cent. on the actual capital value is a more reasonable rate. Over a long period I think  $4\frac{1}{2}$  per cent. would be a reasonable rent. Even though the security to the landlord is excellent, I do not think he should expect less than the current rate of interest, and I think  $4\frac{1}{2}$  per cent. is a reasonable rate. At any rate, anything under 4 per cent. seems to me too low. The capital value must ultimately be based on what you can get out of it, and the test of what you can get out of it is auction. I do not think we have fixed our rentals too high, but the Government valuations are too low.