

The Crown claims that the whole plant should be depreciated to the extent of 60 per cent. of its original cost, making its present value only two-fifths of its original cost. It is admitted that most of this claim is for "obsolescence," a term already explained. I reject this claim for "obsolescence" as a basis of depreciation, but I certainly consider that to the extent that the plant is obsolete due allowance must be made. The Crown in its case before me confined itself to a general claim of 60 per cent. depreciation, and made no attempt to separate "obsolescence" from "obsolescence," so that I have no assistance from the witnesses called for the Crown upon the real point in the case. It was admitted that most of its claim was for "obsolescence." Moreover, although the Crown in its opening led me to understand that it claimed that the proper value was to be arrived at by taking the original cost and deducting 60 per cent. from such original cost, it appeared during the hearing that the Department, for some reason not explained, refused to avail itself of the opportunity given to it by the company of ascertaining what the original cost was. What the Department did was to ignore figures showing what had actually been paid by the company, and the Department's officers then attempted to ascertain what was the original cost either by insufficient inquiries from outside sources or by mere valuation. By adopting this process the alleged original cost was a figure never above the actual cost, and in many instances, a figure well below the actual cost. The Department was thus departing from its own basis, because it lowered the actual cost, and then asked me to award 60 per cent. depreciation on such lowered cost. This meant that I was asked to award depreciation in greater proportion than the Department itself claimed. As an instance of the unfairness of this method, I would refer to one particular item—an extra speech-input equipment installed in the studio at Wellington. This actually cost the company some £700, but the Department's officers treated this item as costing now the sum only of £70, and they claimed a deduction of 60 per cent. from that figure as fair value as part of a going concern.

The difficulty I am faced with in considering the Department's figures for valuation of the plant is, firstly, that they entirely ignore actual cost; secondly, I have no means of knowing precisely how they arrived at their estimates as to the original cost; thirdly, they claim 60 per cent. depreciation, and it is admitted that this 60 per cent. is mainly for "obsolescence," but they could not give me any indication what proportion of this 60 per cent. was attributable to "obsolescence" and what portion was attributable to obsolescence. In the result the whole of the Department's figures relating to plant and equipment were of little use to me for the purpose of ascertaining what was the value of the plant. The Department's officers certainly all expressed the view that 60 per cent. depreciation should be allowed, but once the theory of "obsolescence" is rejected, the whole basis of the Crown's case is gone, and they do not help me by offering any alternative. A great deal of the evidence tendered by the Crown dealt with the question of "obsolescence" and with speculation as to the possibilities of future developments in the art of broadcasting. For instance, some time was spent in suggestions of the possibility that the future development in broadcasting might be upon very long wavelengths, and such a system if ever adopted would call for new plant, and a new arrangement for masts and antennæ. The Crown were faced with this position, that they were on the 1st of January buyers for a broadcasting-plant. If the Department had gone into the best markets in the world for the purpose of getting equipment equivalent in power to that used at the company's stations, it would have been compelled to buy a plant similar in design to that used by the company, but with certain modern refinements. If in a year or two such advances were made in the art of broadcasting as made that plant obsolete, this would not have affected the price the Department would have had to pay on the 1st January last for the latest system in vogue on that date. The company does not dispute that its plant should to some extent be depreciated in price by reason of the partial obsolescence of portions of the plant, and by reason of some slight ageing or wear-and-tear in the plant. The company for income-tax purposes and possibly for the purpose of making generous provision for depreciation, made an allowance for depreciation of 10 per cent. per annum. This is pointed at by the Crown as indicating what should be allowed for depreciation. The company contends that physical deterioration of the plant is negligible, and that any deterioration in value due to advances in the art is very small.

Although, as already stated, I am entirely without any evidence tendered by the Department as to what is a fair percentage to allow for obsolescence, one must apply common-sense to the position and ask oneself what an ordinary buyer desirous of purchasing this plant would be prepared to give for it, with the knowledge that portions of it are slightly out of date due to improvements in the art, and that it has actually been in use for some years. Such a buyer would ask himself, by how much has that plant depreciated by these factors. In essentials broadcasting methods are the same to-day as when these plants were first made. But even if this plant were identical in every respect with the most modern plants, a buyer would call for a reduction by reason of the fact that the plant is second-hand. I think it may well be said that these plants each have a reasonable expectation of life of approximately twenty years from the time they were installed, and that a buyer would demand and receive depreciation in price calculated at five per cent. per annum on their original cost. As the company has devoted most assiduous attention to the maintenance of the plants, the position is that these are in every respect in perfect mechanical condition, so that this depreciation which I allow is really referable to partial obsolescence and the limited life of such plants in the eyes of a buyer.

The plants were respectively installed as follows: Auckland, 7th September, 1926; Christchurch, 7th February, 1927; Wellington, 16th July, 1927; Dunedin, 16th October, 1929.

The three smaller stations have identical equipment, except that in Christchurch crystal control has been installed. I do not think that in the eyes of a buyer he would make any distinction as to the depreciation to be allowed on each of the three stations; and although Dunedin has been in use only two years and three months the other two on the 1st January last had been in use for five years. I consider that a buyer would treat each of these three stations in the same category so far as concerns depreciation, and I accordingly find that the plant and equipment (excluding the steel towers which are in a different category) of each of these three stations, is subject to depreciation for five years at five per cent. per annum—in all, a depreciation of 25 per cent.