20. At that time what is now understood as the "unimproved value" of land according to the Valuation of Land Act had apparently not been thought of. It might be thought, and it evidently was thought in 1892, that the value of a piece of land considered without improvement (which was then regarded as the unimproved value) was the difference between the value of the improvements and the gross or capital value of the land, the residue left after deducting the value of the improvements from the gross or capital value. In that process the gross or capital value, which may be taken to be the selling value in the market, would be first ascertained, then the improvements would be valued and their value deducted, and the residue would be the value of the land *simpliciter*, or what might be called the unimproved value. Indeed, that was the scheme which had been laid down in respect of perpetual leases of rural land under the Land Act, 1885.

21. It was also the plan prescribed by the Government Valuation of Land Act, 1896, to provide for the periodical valuation of all landed properties in New Zealand. The particulars to be ascertained in respect of valuations under that Act were: the area of the land, its description, the number and nature of the buildings thereon and the total capital value thereof; the nature and total capital value of all improvements other than buildings; the total capital value of the whole property; and the unimproved value of the land, "being the difference between the total capital value of the whole property and the total capital value of all buildings and other improvements as aforesaid."

22. It was found, however, that that system did not work satisfactorily and that it did not give the true unimproved value of the land—that is to say, the sum that the owner's estate or interest might be expected to realize in the market if no improvements had been made on the land. The law was therefore altered in 1900 (Government Valuation of Land Act), and the law as so altered by that Act and a subsequent amendment of 1912 is now contained in the Valuation of Land Act, 1925. By the new legislation (now the Act of 1925) "capital value" of land was and is defined as meaning the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to require. The term "improvements" was also defined, but it is not necessary for our purposes to refer to it, at all events at present. "Unimproved value" of any land was defined as meaning "the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to impose, and if no improvements (as hereinbefore defined) had been made on the said land." There was also a definition of "value of improvements," which was defined as meaning "the added value which at the date of valuation the improvements give to the land." It will be seen that the scheme of this Act is different from the scheme of the 1896 Act and that of the West Coast Settlement Reserves Act, 1892. The "unimproved value" is no longer obtained by first ascertaining the capital value of the land as improved, then the value of improvements, and then deducting the one from the other; but under the new scheme the unimproved value is ascertained first, then the improvements are valued, and the sum of the unimproved value and the value of improvements so ascertained should agree with the "capital value" of the land. In the result the "unimproved value" as now understood may be quite a different thing from the "residue" upon which the rental was based for the purpose of computing the rent under the West Coast Settlement Reserves perpetually renewable leases.

23. There was, of course, no difficulty in fixing the rental for the first term of twenty-one years because the lands were actually in an unimproved state or were deemed to be so in the case of converted leases by reason of the payments made by the lessees representing the value of improvements. The position at that time was therefore that the unimproved value was, in substance, the capital value: the two things were really