MINUTES OF EVIDENCE.

THURSDAY, 7TH AUGUST, 1913.

F. W. FLANAGAN, Valuer-General, examined. (No. 1.)

1. *Hon. Mr. Massey.*] Have you noticed the statements that have been made in certain papers with regard to the conversion of New Lynn leases?—Yes, I have read an extract from the *Auckland Star* on the subject.

2. Will you kindly tell the Committee what you know about those transactions—I am not referring particularly to the statements in the papers. Will you tell us what you know about the transactions generally?—It may be as well if, with the permission of the Chairman, I give a brief explanation of the system adopted by the Valuation Department in making valuations. Such an explanation will throw light on the system under which the valuations were made in the case of New Lynn leaseholds.

3. You mean valuations for the purposes of the Act?—For the purposes of the Valuation of Land Act, 1908. The New Lynn leaseholds were valued in accordance with that Act. The valuers are instructed to return fair and uniform values of lands, founded as far as possible on the values generally recognized in each particular locality. Sale values are not absolutely accepted as an indication of true value, for in many instances sentiment and various motives induce purchasers to pay more for land than its true value. In valuing rural land, dairying land, and pastoral land, the valuers—who must in all cases be practical men of farming experience—estimate the average producing-capacity of the land, and place that estimate against the reputed selling-value of land in the district. If there be a wide difference between the two the selling-value is discounted accordingly. In valuing urban and suburban land the valuer assigns a site value in conformity with the general values ruling for sites in the locality, making allowance for aspect, frontage, distance from business centres, main roads, railway-stations, &c. In valuing suburban lands in localities where the values are subject to rapid changes—and those are mostly localities where the speculator is at work—speculative values are ignored. The valuer fixes values a little in advance of the roll values, and these values remain until such time as he has ascertained that purchasers have shown their *bona fides* by improving the lands and building upon them. As soon as they show their *bona fides* the values go up gradually. As I have already stated, speculative values are ignored, and so also are prospective values. In the Valuation of Land Act the definition of "value" is very specific in excluding prospective value. It in there laid down that the valuer shall value the land at the sum which it might be expected to realize as at the date of valuation. Let me give you instances of the effect of valuing on the basis of prospective value, such a value as that assigned to the New Lynn leaseholds by those whose estimates of value have appeared in the Auckland newspapers. These instances occurred not very far from the City of Wellington under circumstances somewhat similar to the circumstances operating in the City of Auckland and suburbs to-day. During the period 1904 to 1910 land speculation was rife in portion of the City of Wellington and suburbs. It extended over the Lower Hutt, Upper Hutt, Karori, Island Bay (South Wellington), and Miramar. A property containing an area of 256 acres, situated in the Hutt Valley, was in March, 1898, entered on the valuation roll at £500, unimproved value. At March, 1902, it had increased to £540, the improvements being valued at £60. In March, 1908, the unimproved value had increased to £11,758, and the improvements had only advanced to £190. In March, 1913, the unimproved value of that property fell to £1,670—a drop of £10,088 in five years. The speculative value of 1908 was entered on the valuation roll, in my opinion inadvisedly, with the consequence that persons and syndicates who were offering land for sale quoted it as the Government valuation. It is a fact that the entering of a high speculative unimproved value on the Government valuation roll gives persons who are offering land for sale good reason for asking similar prices. There is another property at the Lower Hutt, consisting of 28 acres. In 1897 this property was valued at £1,960, unimproved value. In November, 1900, the same property had increased in value to £2,540. By March, 1904, it had increased in unimproved value to £6,790. By March, 1907, the unimproved value had increased to £22,199. At March, 1911, it had come down to £19,369. At March, 1912, it had come down to £14,423, and it would be down much lower to-day only the syndicate who are concerned with it cannot get loose from their obligations. These are two instances—I could quote others—where land has been valued on a speculative and prospective basis with disastrous results. And history would repeat itself in Hetana Hamlet if the Valuation Department were to follow the values quoted recently in newspaper comments on the values of the leaseholds there. There is no doubt—I admit it—that the Valuation Department's values are under what the public regards as selling-value, and for this reason: the Department values for the State Advances Department, the Government Life Insurance Department, the Public Trustee, and the values appearing on the Government valuation roll are the values of the securities offered by local authorities for money advanced under the State Advances Act. It is therefore quite clear that if the Department adopted prospective values it would land the Dominion in a most unfortunate position. The very fact that the Department has to value for the lending Departments of the State makes it conservative in the public interest. The District Valuer who made the valuations of the New Lynn leaseholds is present to-day, and he will furnish information as to how he arrived at his values. He was instructed to make these valuations in conformity with the usual practice. The usual practice has to be followed. Section 59 of the Land Laws Amendment Act, 1912, subsection (4), paragraph (*a*), lays it down that "The Valuer-General shall cause a new valuation to be made in accordance with the provisions of the Valuation