

ment Act, 1912, is not quite as equitable as the method prescribed in section 39 of the Valuation of Land Act. Under the former the lessee is punished, because he is deprived of a portion of his equitable interest in the land. In this connection I may state that the writer of the article in the *Auckland Star* and a section of the public do not appear to understand what has taken place in regard to the Hetana leaseholds. The Legislature has given to lessees the right to acquire the freehold of their leaseholds on payment of the State's interest therein. The following example shows how the State's interest is arrived at by the method prescribed in section 59 of the Land Laws Amendment Act, 1912: W. Rutherford is the lessee of Section 4, Block XV, containing $4\frac{1}{2}$ acres, and he has applied to purchase the freehold of the section. The special valuation made of the property under the Valuation of Land Act fixes the unimproved value of the land at £120.

12. *Mr. Anderson.*] Is that a New Lynn case?—Yes, I am dealing specifically with New Lynn (Hetaña) now. The unimproved value of the land is, as I have stated, £120. The original value on which the rental is based is £30. The difference between the original and present values is therefore £90. The unexpired term of the lease is approximately $30\frac{1}{2}$ years. What has therefore to be ascertained by mathematical computation is the present value of £90 for $30\frac{1}{2}$ years at 5 per cent. compound interest, convertible half-yearly. This is found to be £19 19s. 2d. This sum added to the original capital value (£30), makes up the purchase price—viz., £49 19s. 2d. Now, I dare say that if the method of ascertaining the Crown's interest in the land prescribed by section 39 of the Valuation of Land Act had been authorized by the Land Laws Amendment Act, 1912, the purchase price would have been accepted without comment, for it is based on the principle that the Crown's interest is the present value of the net rent under the lease for the unexpired term, plus the present value of the reversion to which the Crown is entitled. Here is an example of the method of computing the Crown's interest under section 39 of the Valuation of Land Act, 1908, as applied to Rutherford's leasehold referred to above. The original value of the allotment is £30. The rental paid is $4\frac{1}{2}$ per cent. on £30. That amounts to £1 7s. per annum. The present value of £1 7s. for $30\frac{1}{2}$ years (unexpired term of lease) at 5 per cent. compound interest is £20 9s. The present value of the reversion of £120 (the unimproved value by recent valuation) is £27. Thus £20 9s. plus £27 equals £48, which is the Crown's interest in the lease. The lessee's interest is the difference between £48 and £120—viz., £72. You will observe that under the Land Laws Amendment Act, 1912, the Crown's interest in Rutherford's lease is £49 19s. 2d., and under the Valuation of Land Act it is £48. As a matter of fact, the lessee is required under the Land Laws Amendment Act, 1912, to pay more for the Crown's interest than it is worth as a business proposition. What the tenant is supposed to pay for is the Crown's interest only. In renewable leases, as I have already pointed out, the interest the Crown has in the lease is the present value of the net rental of the land for the unexpired term of the lease, plus the present value of the reversion—i.e., the present value of £120 (the latest value), not £30 (the original value). In reply to the statement which has been made in the Press that the lessee is getting the freehold on terms which enable him to acquire the whole of the increased value of the land, I take it that as the Legislature has decided to sell the freehold the purchase-money should include no portion of the lessee's interest. The lessee purchases the Crown's interest, while Crown Lands Boards every month in the year allow lessees of valuable properties to transfer the leases for goodwills which include the whole of the increased value of the land.

13. *Mr. Statham.*] They get the whole of the goodwill on the transfer of the lease?—Yes. In the cases under notice the Crown is not giving the purchaser the whole of the goodwill.

14. *Hon. Mr. Massey.*] You mean we are not allowing it?—It is not allowed. The lessee is buying out the Crown's portion of the increased value, and paying for it a little more than its market value. I have prepared a schedule showing the results of the valuations that have been made of twenty-four allotments in Hetana Hamlet, New Lynn, applications to acquire the freehold of which have been made. The total original value (on which the rents are based) of these twenty-four allotments is £2,585. The purchase price is £3,420.

15. Not the present value?—No. The present value of the twenty-four allotments is £6,165. The difference between the purchase price (£3,420) and the present value (£6,165) is the lessee's portion of the increased value of the land.

16. *Mr. Anderson.*] That is the difference between the valuation that your Department has put upon the land and the selling-price in the open market to-day?—No.

17. Well, what do you mean?—The average fair selling-value in the market to-day of the twenty-four allotments is £42 10s. per acre, equal to £6,165. Deduct from this amount the lessees' interests (£2,745) and the remainder is the purchase price.

18. And the actual selling-value in the open market is how much?—£42 10s. per acre. That is our estimate of the fair selling-value. I dare say land at New Lynn may be sold at a higher price—a speculative value based upon the assumption that on account of the progress of the City of Auckland land-values will go higher. There are prices spoken of in excess of our values. The statement was made in the *Auckland Star* that land in the neighbourhood of New Lynn is worth £300 an acre. Of course, we do not endorse that price. As I have said, our fair average up-to-date value of the allotments valued is £42 10s. per acre.

19. *Hon. Mr. Massey.*] In your opening remarks you referred to the extreme values at which property at the Hutt and Petone stood ten or eleven years ago?—Yes.

20. The values to-day are very much lower than they were then?—Yes. Land is unsaleable there.

21. Did the Government purchase any land at the extreme values to which you referred in the districts mentioned?—I do not think so.

22. You think there is a possibility of history repeating itself in the case of New Lynn and the suburbs of Auckland generally, and that values in a few years will not be so high as they are now? Do you think there is a possibility of that?—I have no doubt about it. The trend of legis-