

1913.
NEW ZEALAND.

LANDS COMMITTEE

(REPORT OF) ON THE ACQUISITION OF THE FEE-SIMPLE OF RENEWABLE LEASES IN HETANA HAMLET.

(MR. E. NEWMAN, CHAIRMAN.)

Report brought up on the 21st October, 1913, and, together with the Minutes of Proceedings and Evidence, brought up on the 15th December, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

THURSDAY, THE 3RD DAY OF JULY, 1913.

Ordered, "That Standing Order No. 219 be suspended, and that a Committee be appointed, consisting of fourteen members, to whom shall stand referred after the first reading all Bills affecting or in any way relating to the lands of the Crown or educational or other public reserves; the Committee to have power to make such amendments therein as they think proper, and to report generally when necessary upon the principles and provisions of the Bill; the Committee to have power to call for persons, papers, and records; three to be a quorum: the Committee to consist of Mr. Anderson, Hon. Mr. Buddo, Mr. Coates, Mr. Forbes, Mr. Guthrie, Mr. MacDonald, Mr. E. Newman, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. Robertson, Mr. R. W. Smith, Mr. Statham, Mr. Witty, and the mover."—(Hon. Mr. MASSEY.)

THURSDAY, THE 17TH DAY OF JULY, 1913.

Ordered, "That paper No. 107 C, 'Acquisition of Fee-simple of Renewable Leases in the Hetana Hamlet under the Land Laws Amendment Act, 1912,' be referred to the Lands Committee."—(Hon. Mr. MASSEY.)

REPORT.

THE Lands Committee, to whom was referred the above-mentioned paper, has the honour to report that it has carefully considered the same, and during the course of the inquiry has examined the following witnesses: J. W. Flanagan, Valuer-General; E. Morgan, District Valuer, Auckland; F. G. Ewington, land and estate agent, Auckland; H. M. Skeet, Commissioner of Crown Lands, Auckland; and J. D. Ritchie, Chairman of Land Purchase Board.

That, having heard the evidence of the witnesses above mentioned, the Committee is of opinion that the State has received full value for its interest in the land, as proved by the valuation made by the most competent land-valuers obtainable, and that the statements made by several newspapers to the effect that £30,000 worth of land had been parted with for £3,000 had no foundation in fact.

A copy of the minutes of proceedings and evidence is attached hereto.
21st October, 1913.

E. NEWMAN, Chairman.

MINUTES OF PROCEEDINGS.

THURSDAY, 31ST JULY, 1913.

The Committee met at 10.30 a.m. pursuant to notice.

Present: Mr. E. Newman (Chairman), Mr. Anderson, Hon. Mr. Buddo, Mr. Coates, Mr. Forbes, Mr. Guthrie, Mr. MacDonald, Hon. Mr. Massey, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. R. W. Smith, Mr. Statham, Mr. Witty.

The minutes of the previous meeting were read and confirmed.

Paper No. 107 C: Re the acquisition of Fee-simple of Renewable Leases in the Hetana Hamlet under the Land Laws Amendment Act, 1912.—The order of reference referring the paper to the Committee was read by the clerk.

Resolved, That the Valuer-General, together with the District Valuer who made the valuation, be summoned to appear before the Committee on Thursday, the 7th August, at 10.30 a.m.

The Hon. Mr. Buddo moved, That Mr. Ewington be also summoned; but the Committee decided that they would hear the other evidence first, and if Mr. Ewington was required he would be called later.

The Committee then adjourned.

THURSDAY, 7TH AUGUST, 1913

The Committee met at 10.30 a.m. pursuant to notice.

Present: Mr. E. Newman (Chairman), Mr. Anderson, Hon. Mr. Buddo, Mr. Coates, Mr. Guthrie, Mr. MacDonald, Hon. Mr. Massey, Mr. Nosworthy, Mr. Robertson, Mr. Statham, Mr. Witty.

The minutes of the previous meeting were read and confirmed.

Paper No. 107 C: Hetana Hamlet.—The Valuer-General, Mr. Flanagan, was questioned by the Hon. Mr. Massey, made a statement, and was examined by members of the Committee.

Mr. Edward Morgan, District Land Valuer, Auckland, was examined by Hon. Mr. Massey and also by other members of the Committee.

The Committee then adjourned.

FRIDAY, 8TH AUGUST, 1913.

The Committee met at 10 a.m., pursuant to notice.

Present: Mr. Guthrie (Chairman), Mr. Anderson, Hon. Mr. Buddo, Mr. Coates, Mr. MacDonald, Hon. Mr. Massey, Mr. Nosworthy, Mr. Robertson, Mr. Statham, Mr. Witty.

The minutes of the previous meeting were read and confirmed.

Paper No. 107 C: Hetana Hamlet.—The Committee proceeded to hear further evidence on this paper.

Mr. Edward Morgan, District Land Valuer, Auckland, was further examined by members of the Committee.

Resolved, on motion of Mr. Witty, That the Commissioner of Crown Lands, Auckland, and Mr. F. G. Ewington, land agent, Auckland, be summoned to tender evidence as to values of land in their district.

The Committee then adjourned.

THURSDAY, 28TH AUGUST, 1913.

The Committee met at 10 a.m., pursuant to notice.

Present: Mr. E. Newman (Chairman), Hon. Mr. Buddo, Mr. Coates, Mr. Forbes, Mr. Guthrie, Mr. MacDonald, Hon. Mr. Massey, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. Robertson, Mr. R. W. Smith, Mr. Statham, Mr. Witty.

The minutes of the previous meeting were read and confirmed.

Paper No. 107 C: Hetana Hamlet.—The Committee proceeded to hear further evidence on this paper.

Mr. F. G. Ewington, land and estate agent, Auckland; Mr. H. M. Skeet, Commissioner of Crown Lands, Auckland; and Mr. J. D. Ritchie, Agricultural Department, Wellington, were examined by members of the Committee.

Resolved, on motion of Mr. Nosworthy, That the evidence in connection with this paper be printed.

The Committee then adjourned.

THURSDAY, 2ND OCTOBER, 1913.

The Committee met at 10.30 a.m. pursuant to notice.

Present: Mr. E. Newman (Chairman), Mr. Anderson, Hon. Mr. Buddo, Mr. Coates, Mr. Forbes, Mr. Guthrie, Mr. MacDonald, Hon. Mr. Massey, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. R. W. Smith, Mr. Statham, Mr. Witty.

The minutes of the previous meeting were read and confirmed.

Paper No. 107 C: Hetana Hamlet.—Deliberation.

Mr. Guthrie submitted the following draft report, which was discussed by the Committee:—

“That with regard to certain lands at New Lynn disposed of under land legislation of 1912, the Committee has examined the following witnesses—Mr. Flanagan, Mr. Morgan, Mr. Ewington, Mr. Skeet, and Mr. Ritchie—and beg to report as follows:—

“That, having heard the evidence of the witnesses before mentioned, the Committee is of opinion that full value has been obtained by the State for the sections the fee-simple of which has been disposed of; and, further, the statements which appeared in several newspapers to the effect that the Government had parted with £30,000 worth of land for £3,000 were incorrect and misleading.”

On the question being put, That this report be adopted, the Committee divided, and names were taken down as follow:—

Ayes, 9: Mr. Anderson, Mr. Coates, Mr. Guthrie, Hon. Mr. Massey, Mr. E. Newman, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. R. W. Smith, Mr. Statham.

Noes, 4: Hon. Mr. Buddo, Mr. Forbes, Mr. MacDonald, Mr. Witty.

So it was resolved in the affirmative.

After further discussion it was resolved that Mr. Guthrie's report be withdrawn.

The Hon. Mr. Massey moved, That the following report be adopted:—“That with regard to certain lands at New Lynn disposed of under the land legislation of 1912, the Committee has examined the following witnesses—Mr. Flanagan, Mr. Morgan, Mr. Ewington, Mr. Skeet, and Mr. Ritchie—and beg to report as follows:—“That, having heard the evidence of the witnesses before mentioned, the Committee is of opinion that the State has received full value for its interest in the land, as proved by the valuation made by the most competent land-valuers obtainable, and that the statements made by several newspapers to the effect that £30,000 worth of land had been parted with for £3,000 had no foundation in fact.”

Mr. Buddo moved, That the proposed report be amended by the insertion of the words “in accordance with the land legislation of 1912” after the word “obtainable.”

On the question being put, That the words proposed to be inserted stand part of the report, the Committee divided, and names were taken down as follow:—

Ayes, 3: Hon. Mr. Buddo, Mr. Forbes, Mr. Witty.

Noes, 9: Mr. Anderson, Mr. Coates, Mr. Guthrie, Hon. Mr. Massey, Mr. E. Newman, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. R. W. Smith, Mr. Statham.

So it passed in the negative.

On the original question being put, the Committee divided, and names were taken down as follow:—

Ayes, 9: Mr. Anderson, Mr. Coates, Mr. Guthrie, Hon. Mr. Massey, Mr. E. Newman, Mr. Nosworthy, Mr. T. W. Rhodes, Mr. R. W. Smith, Mr. Statham.

Noes, 3: Hon. Mr. Buddo, Mr. Forbes, Mr. Witty.

So it was resolved in the affirmative.

Resolved, on the motion of Mr. E. Newman, That the resolutions of the Committee be reported to the House.

The Committee then adjourned.

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

of Land Act, 1908, of the capital value of the land comprised in the lease as at the date of the notice." I would like you to stress these words in the paragraph just quoted, "in accordance with the provisions of the Valuation of Land Act, 1908." As I have already stated, a valuation made under the Valuation of Land Act does not permit of any speculative or prospective value being included in the value fixed. In this connection I will read the correspondence that has taken place between myself and the Lands Department on the subject. The Commissioner of Crown Lands at Auckland wrote to the Under-Secretary for Lands on the 6th February, 1913, as follows:—

Referring to your circular No. 972 of the 14th ultimo, directing that application be made direct to the Valuer-General where valuations of renewable leases of land-for-settlements lands are required in connection with applications to acquire the freehold, I desire to submit for your consideration that the Valuer-General should be asked, before he finally determines the present value, to allow this Department the opportunity of tendering evidence in regard to the matter, if deemed advisable.

I may instance numerous applications which are being received from holders in the Hetana Hamlet, New Lynn, to acquire the freehold. In this connection we have evidence that adjoining land of similar character has been offered to the Government for workers' dwellings at £65 per acre, which is very far in excess of the values on which our tenants' rents are based. Cases such as these indicate a substantial increase in land-values, of which the Crown should reap the full benefit in conferring the right to the freehold, seeing that the increase of values, and the probability of some of the settlers being able (after acquiring the freehold) to subdivide their holdings to considerable advantage, point to the conclusion that they will reap a very large profit out of their freehold rights, and the Crown should participate in this to the fullest extent allowed by law.

I wish you to mark the statement in the letter just read that an offer of land to the Government at £65 an acre indicates a substantial increase in land-values. The Under-Secretary for Lands sent that letter on to me, and I replied as follows:—

With reference to your letter of the 17th instant enclosing a memorandum of the Commissioner of Crown Lands, Auckland, in which he suggests that "the Valuer-General should be asked, before he finally determines the present value, to allow this Department (Lands) the opportunity of tendering evidence in regard to the matter," I have to state that this Department will be glad to receive any authenticated information relating to land-values which the Commissioner of Crown Lands or his officers may be possessed of, and give it due consideration. As the concluding paragraph of the memorandum under notice implies that a valuation of a renewable lease is to be made on a basis other than that invariably observed by this Department, it is necessary to point out that section 59, subsection (3), clause (a), provides that the valuation is to be made in accordance with the provisions of the Valuation of Land Act, 1908. Under this Act the valuer has to ignore the fact that Parliament has conferred on Crown lessees the right to acquire the freehold of the holdings; and, furthermore, the question of the probable profit or loss to the purchaser arising out of the purchase cannot be admitted as a factor in the valuation. Under the Valuation of Land Act the duty of the valuer is to ascertain to the best of his ability the fair selling-value of the land as at the date of the notice of the lessee's intention to purchase the fee-simple of the land.

Valuations made by this Department are impersonal, or, in other words, the valuations returned are the fair selling-values of the lands—presuming such lands are put to the best use—apart altogether from any considerations relating to the purpose for which the valuations are required. Land can have only one value for all purposes.

Any information which the Commissioner of Crown Lands deems of value to this Department should be communicated to the officer in charge at Auckland.

I sent a copy of the correspondence to the District Valuer, Mr. Morgan. Since the valuations were made I have had a further communication, through the Under-Secretary for Lands, from the Commissioner of Crown Lands, Auckland. He writes as follows:—

I forward herewith a schedule of applications as above for transmission to the Valuer-General, with a request that he will cause the necessary valuations to be supplied to this office in terms of the Act. This includes eight sections in the Hetana Hamlet, New Lynn.

In previous cases I have forwarded these schedules direct to the Valuer-General. My object in forwarding the present one to you in the first instance is to suggest for your consideration that the attention of the Valuer-General be drawn to the statements recently made public (of which you have particulars) which appear to show that the Valuation Department has not given sufficient weight to the increase of suburban values that is taking place in the neighbourhood of Auckland. The fact that even if the tenants were paying the full unimproved value as fixed by the Valuer-General (instead of merely the present value thereof) they would still be acquiring the land at considerably less than prices ruling for surrounding freehold lands of similar character would appear to indicate that the interests of the State need fuller consideration and protection than seems evident in the case of some of the valuations already received. Under the Valuation of Land Act the unimproved value is defined as "the sum which the owner's estate might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* settler might be expected to require," and I submit that this value should not be less than the prices which are being obtained for adjacent lands of similar character. You will have noted that it is stated that already some of the Crown tenants who are acquiring the fee-simple of their leaseholds are preparing to subdivide and offer the land in building-sites at an enormous profit, rendered possible by the advantages of the suburban railway service and the demand for suburban lands arising out of the rapid expansion of the city. I suggest for your consideration that it can never have been intended that the interest of the State should be sacrificed to put large sums into the pockets of Crown tenants through a process of speculation.

With regard to the second last paragraph of this letter, I regard the statements therein as uncorroborated and of no more value than I would attach to an auctioneer's advertisement. I replied in these terms:—

Referring to your letter of the 24th instant enclosing memorandum addressed to you by the Commissioner of Crown Lands, Auckland, in which he suggests that "the attention of the Valuer-General be drawn to the statement recently made public which appears to show that the Valuation Department has not given sufficient weight to the increase of suburban values that is taking place in the neighbourhood of Auckland," I have to state that I have seen the statements referred to and regard them of as little importance as I do the ordinary run of irresponsible statements which appear in newspapers under the shelter of anonymity.

I have already explained to you fully in my letter dated 24th February, 1913, the basis on which valuations are made under the Valuation of Land Act, and as clause (a), subsection (3), of section 59 of the Land Laws Amendment Act, 1912, provides that the valuations shall be made under the Valuation of Land Act, there can be no doubt that my duty is quite clearly defined.

Now, as to the increase in values that has taken place in Hetana Hamlet: To go back to the date of the acquisition of the settlement in April, 1902, the area purchased was 451 acres 1 rood

34 perches, and the purchase price was £4,899—at the rate of £10 17s. an acre. The property has increased in value to £42 10s. an acre.

4. Is that the average value?—Yes. The average value per acre of the twenty-four allotments which the lessees have applied to purchase. That is the Department's valuation—£42 10s. an acre. In eleven years the average value of the property has gone up, according to our valuation, from £10 17s. an acre to £42 10s. an acre.

5. The comparison is between the value at which the Government purchased in 1902 and the Valuer-General's value in 1913?—Yes.

6. *Mr. Anderson.*] That is not the selling-value, of course—the actual market value?—£42 10s. an acre is what the Valuation Department estimates as the market fair selling-value. This is the average value, some allotments being valued higher and some at a lower price per acre. Each allotment is separately valued, and the value fixed is the sum on which the purchase price of the freehold is based. The *Auckland Star* states that the land should be valued at £300 an acre. That I regard as absurd. Assuming that the 306 acres not yet revalued are of the same average value per acre as the twenty-four sections recently valued, the total unimproved value of the settlement to-day is £19,187, an increase of £14,288 on the price the Government paid for the property—viz., £4,899.

7. *Mr. Guthrie.*] Is that your value?—That is our estimate of value based, as I have said, on the average values returned for twenty-four allotments of the estate, and it represents an increase in value of 299 per cent. from the date when it was purchased to about May, 1913—eleven years. The average increase in the unimproved value of the twenty-four allotments that have been revalued, containing a total area of 144 acres 3 roods 28 perches, from the values on which the rentals are based (£2,585, or £17 16s. 8d. an acre) to the special values fixed for the purposes of the Land Laws Amendment Act, 1912 (£6,165, or £42 10s. an acre), equals £3,580, or an increase of 138·5 per cent.

8. *Mr. Anderson.*] That is, from 1902?—Not necessarily, because in some instances the allotments which were taken up originally were forfeited and readvertised for lease, and selected again at various dates. The values on which some of the existing rentals are based were not therefore necessarily fixed at the original values. The average increase in the unimproved value of sixteen allotments in Hetana Hamlet from the date of the last revision of New Lynn Town District—31st March, 1912—to the date of the special valuation made for the purposes of section 59 of the Land Laws Amendment Act, 1912—31st May, 1913—a period extending to fourteen months, is 54·4 per cent.

9. *Hon. Mr. Massey.*] That is to say, the values increased by 50 per cent. in twelve months, practically?—That is so. I do not know of any place in New Zealand of the character of Hetana Hamlet—admitting the prosperity of the Auckland suburban localities—where fair values have increased more rapidly. Apparently New Lynn is the field of operations of a speculator if average values are in excess of 54·4 per cent. in twelve months.

10. One or more?—No doubt there is more than one concerned. At any rate, the impossible values quoted show that speculators are at work in and around New Lynn, and Hetana Hamlet is not very far from New Lynn. What is happening in the district is just what happened in Wellington suburbs when the land boom obtained a few years ago. Suburban areas within twelve miles of the city were affected. Now, with regard to the duty imposed on the Valuation Department by the Land Laws Amendment Act, 1912: The Valuer-General is required to return the capital value of the land. The responsibility of the Department begins and ends at that. But in making a valuation of capital value under the Valuation of Land Act I have by law to return the unimproved value and the value of improvements, these two items together making up the capital value. I furnished the Lands Department with the complete valuations, and pointed out to the Under-Secretary for Lands that as the Land Laws Amendment Act, 1912, does not make it obligatory that the Valuer-General's estimate of the value of improvements shall be accepted he could accept or reject the estimate. The Under-Secretary for Lands expressed no opinion on the subject during our interview, but he evidently decided that the Valuer-General's estimate of value of improvements should be accepted. I may point out here that in accepting the Valuer-General's estimate of the value of improvements the Lands Department has specially conserved the interest of the State. Under the Valuation of Land Act the lessee is treated less liberally than he would be if the Crown Lands Ranger's estimate of value of improvements were accepted, for this reason: that in the Valuation of Land Act the definition of "improvements" and value thereof differs from the definition in the Land Act. I know from my experience as Commissioner of Crown Lands that the Land Boards liberally estimate the value of a lessee's improvements. If, therefore, the Lands Department had chosen to reject the Valuer-General's estimate of value of improvements and had accepted instead the Crown Lands Ranger's estimate, the likelihood is that the interests of the State would have been prejudiced. For instance, suppose that the Valuer-General determined the valuation of a lessee's improvements at £300, and capital value of the property at £445, the unimproved value would be £145. Suppose, on the other hand, that the total value of the improvements on the same property as estimated by the Crown Lands Ranger is £350, that £350 would be subtracted from the capital value (£445), leaving an unimproved value of £95—i.e., £50 less than the unimproved value returned by the Valuer-General. Obviously, the lower the unimproved value the less the lessee would pay for the freehold.

11. The interests of the State would be depreciated?—Yes. The State has, however, been given the benefit of a doubt, as I have pointed out. Now, although I am not responsible for computing the purchase prices of the Hetana allotments, I have taken the trouble to check some of the purchase prices according to the method defined in section 59 of the Land Laws Amendment Act, 1912, and I find them correct. In this connection I would point out that the method of computing the purchase price laid down in paragraph (b) of subsection (3) of the Land Laws Amend-

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-

lation in this country having been for some years past to put the whole burden of taxation and rating on land, the time will come when land-values will go down. I think that is inevitable.

23. Do you think it has nearly reached that stage now?—I believe it has in some parts of the Dominion. There are some localities which in my opinion will not stand much increase on present values.

24. Have you any personal knowledge of this Hetana property at New Lynn?—No personal knowledge.

25. You have not seen it?—No.

26. You simply received your instructions from the Lands Department to have a valuation made in accordance with the provisions of the Valuation Act?—Yes.

27. You are of opinion that the valuations made in accordance with the Valuation Act would be higher from the point of view of the State than valuations made in accordance with the provisions of the Land Act?—There is no doubt about it.

28. *Hon. Mr. Buddo.*] In considering your evidence for to-day's meeting, did you note what prices had been given in the sales of property approximately as near Auckland as the New Lynn property?—The District Valuer has given careful consideration to the sales that have taken place at New Lynn and suburbs of Auckland.

29. In making a comparison there, would you consider that the valuations you have given to the Committee to-day were approximately on the same basis as prices paid for land, or would there be a deduction for fluctuations in value?—We value on the safe side. All values are subject to constant fluctuation. The District Valuer is familiar with the whole district. He knows of the sales that have taken place. The Department is supplied with information from the Deeds Office and other sources as to what has taken place and the terms on which the sales have taken place. The District Valuer having this information estimates what are the fair selling-values. The District Valuer's estimate is on the safe side, because to him I entrust the return of values of properties offered as securities to the State Advances Office.

30. Is the allowance made in this connection much? Does the allowance make it in this case much lower than the actual values ruling in the district?—No, not much, if at all, lower than what might be considered the fair selling-value. Of course, there is a great difference between securities—first-class securities would not be discounted perceptibly. All estimates of value are, however, hypothetical. But we do not take any risks.

31. *Mr. Coates.*] Do the Valuation Department always make these valuations? Do the Lands Department ever make them?—The Valuation Department makes all valuations for State tax, rating, and mortgage purposes, and for all Departments except Crown Lands, Land for Settlements, and Railways. The Crown Lands Rangers generally make valuations of Crown lands to be opened for settlement.

32. Do they ever make valuations themselves? Are these valuations accepted by the Valuation Department?—No, they are not accepted without our verification.

33. The Valuation Department always make their own valuations?—Yes. The Valuation Department acts quite independently. Its function is to return fair uniform values. Complications arise sometimes between the Valuation Department and the Lands Department. The District Valuer in the course of his revaluation of a district recently settled has to revalue land that has been disposed of by the Land Board at a certain price. On several occasions it has happened that the District Valuer's estimate of the unimproved value of that land is less than the value on which the rental is based. In such instances the lessees are paying more than the market rental of the land, and consequently their interests in the leases are reduced by amounts which represent the differences between the existing rentals and the market rentals capitalized at 5 per cent., and these amounts are credited to Crown's interest. This explains why lessees cannot get the benefit of the full value of their improvements when they apply for loans from the Advances Office.

34. There are therefore two separate Departments?—Yes.

35. You do not accept their values at all?—No.

36. In the cases before us they would be your values?—Yes.

37. *Mr. Anderson.*] You were dealing with a section which is valued at present at £120, and you went on to say that the present purchase price is £49 19s. 2d. Then you went on to deal with the whole estate, which you said was purchased at £4,000-odd, and that the present price was £6,000?—£6,165 represents the present value of twenty-four allotments of the Hetana property, which constitutes only a portion of the property.

38. I did not really follow you there. Then you went on to say that the difference of something belonged to the tenant. What did you mean there?—If you will permit me I will recapitulate what I said. I said, first of all, that the Government paid £4,899 for the estate, containing 451 acres, in 1902. Recently we have revalued twenty-four allotments. The average value returned for those allotments is £42 10s. an acre—£6,165. The area covered by the twenty-four allotments is only 145 acres. There are therefore 306 acres not yet revalued, and on the assumption that this area is worth the same price per acre—£42 10s.—as the twenty-four allotments, the value of the whole estate to-day is £19,187, an increase of £14,288 on the price paid for it in 1902.

39. *Mr. MacDonald.*] The difference between what belongs to the State and the tenant's interest?—There are two interests, the Crown's and the lessee's. All the Crown is entitled to is the present value of the net rental for the unexpired term of the lease—30½ years—plus the present value of the reversion.

40. *Mr. Anderson.*] And all the rest belongs to the tenant?—Yes.

41. Take, for instance, a section of 1 acre, in which the State's interest is £42. If a man can sell that outside at £100, he is entitled to the balance as being his interest in the lease?—Yes. He is entitled to all he can obtain in excess of the State's interest. In the case I have already quoted the original capital value on which the rental is based is £30. The present rental value is £120.

There is thus a difference of £90 between these values. The present value of the difference—£90—for 30½ years at 5 per cent. compound interest is £19 19s. 2d. Add to this the original value—£30—and you have £49 19s. 2d.: that is the Crown's interest.

42. That is £49, and the balance of the value is the tenant's interest?—Yes; £70, and any additional amount he may sell it for.

43. *Hon. Mr. Massey.*] I wish to refer to this section of 4½ acres, the original value of which was £30, but the Valuer-General's value is £120, leaving the purchase price at £49 19s. 2d. What I want to get from the Valuer-General is this: that £49 19s. 2d. if invested at 5 per cent. for the remainder of the lease, would that bring the amount up to the value fixed by the Valuer-General's valuation?—Yes; £49 19s. 2d. invested at 5 per cent. compound interest for the remainder of the term of lease is the equivalent of the rental invested at 5 per cent. compound interest for the remainder of the lease plus the Crown's reversion of £120—the Valuer-General's valuation.

44. Exactly?—Yes, practically.

45. Well, the tenant gets nothing for his interest in the lease?—No payment.

46. It is a renewable lease?—Yes.

47. *Mr. Statham.*] The original capital value on which the rent was based in this case was £30?—Yes.

48. The position, I take it, is this: the present value is £120?—That is so.

49. But the State, instead of getting a rent based on the £120 value, would have to be content for the next 30½ years with a rent based on the original value?—Precisely.

50. Assuming that you are personally the absolute owner of the lands, and these at the present time are worth £120 an acre, but that your interest is encumbered by the leases having 30½ years to run, in the transactions which have taken place would you feel that you had personally got the whole of your interest paid to you as owner of the land?—A little more than my interest.

51. Would you feel that you had got the full benefit of the increase in the value of the land up to the present time?—Yes, and £2 in addition.

52. In other words, assuming that the lands remain at the same figure, £120, the owner of the land would be entitled to that £120 at the end of 30½ years?—Yes.

53. In the meantime, you are losing the difference between the rent on the original value and the rent you would have got if you had been leasing the land now?—Yes.

54. If the tenant, instead of converting his lease into freehold, were to transfer it to another tenant?—He would get the whole benefit of the £90 increase in the value of the land.

55. Instead of that the whole benefit is going to the State?—The State is getting its full share of the increased value and something more. It has got the better bargain.

56. It has been said that, although the State has not lost anything in these transactions, it would pay the State better to hold the lands because the value is increasing so rapidly. Have you any reason to suppose that the land will continue to increase in value at such a rate as this?—No. In a growing community one cannot tell what is going to happen in, say, ten years' time. I have known localities to start most favourably—land rose in value and then receded. One need not go further than Karori, a suburb of Wellington, or the Hutt as instances of this—both popular places a few years ago.

57. Do you consider that this land is just as likely to go down in value as it is to go up in value?—I could not go so far as to say so definitely. I go so far, however, as to say that I would not take the risk of putting higher values on it in the expectation that they would be permanent. Auckland is a growing city, expanding at a rapid rate, on what I believe to be a sound basis, speaking generally; but I know there are many land speculators and jerry-builders operating there at present. Our experience with applications made to the State Advances Department for loans has proved that values are being forced up by speculators.

58. In your opinion, then, is it a matter of pure speculation as to whether the value of land will go up any more or go down?—It is a matter of pure speculation.

59. *Mr. Witty.*] You said that the law does not allow the valuer to put on a prospective value at all?—Yes.

60. And you said that your valuers value really less on account of people requiring mortgages and also with regard to its affecting local bodies?—I did not say that the valuers valued at a figure under safe value, but that they exercised extreme care for the reason mentioned.

61. I think your words were that the Valuation Department valued at under selling-values on account of advances by way of mortgage and to local bodies?—Yes, under speculative selling-value.

62. You did not say "speculative" at the time?—No, but it is assumed that I am speaking of a fair selling-value as against speculative value.

63. You say that the adjoining land was offered to the Government for workers' homes. Do you know at what price it was offered?—£65 an acre. The District Valuer will be able to give evidence on that point.

64. The land adjoining has been sold for a higher price than that put on New Lynn, has it not—I mean land in the vicinity?—Yes, land in the neighbourhood of New Lynn. Hetana is some distance from New Lynn.

65. Taking the comparative prices, it has been sold at a higher value?—Yes, there are isolated instances.

66. Do you think it is right for the State to receive less than other people are receiving for the same class of land?—Certainly not, if the values are fair; but if a speculator gives, say, £300 an acre for land that we estimate is worth only £200, it does not follow that the State is securing less than the fair value of the land if we ignore the speculative value.

67. Is it all speculation—are there no *bona fide* sales?—Yes, there are *bona fide* sales, and we are guided by *bona fide* sales. *Bona fide* sales are generally followed by the erection of houses and the carrying-out of improvements.

68. I think you stated that you had not seen this land. The Auckland Crown Lands Commissioner's idea was that the values were not high enough: is that not so?—Hardly. The Commissioner's suggestion was that the State should reap the benefit of an alleged prospective value which he assumes attaches to this land, and that this value should be a factor in our valuation. I could not permit that for reasons already stated. Who knows what the future value will be? It may be a decreased value.

69. Have you any reason to think that land in New Lynn will be of less value in 30½ years than it is to-day?—No; but, as I have said already, if the trend of future legislation is to be as much in the direction of burdening land with taxation and rating as has been the case during the last fifteen or twenty years, land is inevitably bound to come down in value.

70. We are dealing with the New Lynn cases now. Do you think there is any possibility of the value being less in thirty years than it is to-day?—I cannot say, and no man living can say. We have instances of townships which flourished twenty years ago, and they are paper townships to-day. The least circumstance may affect land-values. As Valuer-General I never prophesy at all in returning values.

71. Do you not think that by giving the freehold, by and by the State will be left with the worst lands and also the worst tenants?—I cannot say.

72. And that the tenants will only buy where there is a large prospective value?—I cannot say. That is a question very difficult to answer.

73. You do not think the tenant would buy unless there was a prospective value?—I do not know, because I am unaware of a tenant's reason for buying.

74. These sections at New Lynn could be cut up into smaller areas and sold, could they not?—They could be cut up, but it is another question whether they could be sold. At the Hutt to-day there are sections cut up for sale, and there are no buyers even at reduced prices.

75. I am speaking of New Lynn?—I cannot give you any answer to your question unless it is based upon experience in other localities.

76. You do not think that these people are buying in order to sell out as speculators?—I cannot say. I do not know the lessees. On points affecting the value of the land and intentions of the lessees the District Valuer, Mr. Morgan, is in a better position to give evidence than I.

77. How do your Department's valuations compare as a rule with those of the Crown Land Rangers with regard to improvements?—You can hardly make a comparison, because the value of improvements under the Land Act is not the same as under the Valuation of Land Act. There is a more liberal allowance under the former Act, as a rule, for obvious reasons.

78. You think that the man who sells his goodwill is doing better than the man who is purchasing his freehold?—Immeasurably better.

79. *Mr. Robertson.*] How do you distinguish between a speculative price and a *bona fide* price?—The Department has the means of ascertaining who are the persons who are at the root of land transactions. Records of sales are kept, the terms and conditions of sales are inquired into, and the valuer in travelling through the district notes all the information which he becomes possessed of regarding the properties which have changed hands. If there are no indications within a reasonable period that improvements are being effected, we have a suspicion that the land is not bought for *bona fide* occupation.

80. Merely waiting for a rise in value?—That is so. We do not put up values, and thus assist the speculator, until there is evidence of *bona fide* occupation.

81. It is possible, of course, that they may be holding it for speculative purposes even if they make improvements?—Yes, in isolated instances. As long as a city or district is in what is called a flourishing condition—plenty of employment and cheap money available—so long will the speculator be in evidence.

82. In fact, most values are more or less speculative?—I would not say that, because I know of agricultural districts in New Zealand where the values are not speculative. For instance, in parts of Otago it is easy to value. The farmers have resisted the temptation to sell out, consequently there is little, if any, speculation in land. I regret to say that in some parts of the South Island the abnormal price given for land is due in a large measure to speculation.

83. Where development is taking place the value will always be more or less speculative?—Where development takes place consistently there is less speculation, for you may depend upon it that the farmers are more concerned with legitimate pursuits than with speculation.

84. *Mr. Guthrie.*] I understood you to say that in making those valuations you were very careful in all cases to conserve the Government's interests?—I carried out the duty imposed on me by Act—that is, to return the fair selling-value of the land.

85. Therefore in every valuation that you or your Department are called upon to make and submit to the Government, you feel that the interests of the State have been conserved?—Yes. I certify to the correctness of the valuation.

86. In connection with these New Lynn leases, the whole matter has been through your hands and the valuation has been under your supervision?—Yes.

87. And when you submitted those valuations you considered you were submitting valuations that conserved the whole interests of the State?—Quite so.

88. The values that you have put upon these lands appear to be considerably below what has been stated in the papers to be the present-day selling-value of other sections?—Yes.

89. In making your valuation I take it you assessed the tenants' interests in those leases that the State had no interest in at all for the time being?—In computing the purchase-money nothing more was apportioned to the lessees than was their due according to law, and nothing less was apportioned to the State than was its due according to law.

90. From what I can learn from those newspaper articles it is sought to be made out that the State has parted with an interest that should belong to it. In making your valuation you have been fairly satisfied that you have conserved the interests of the State?—Yes, decidedly.

91. Did you take into account the tenure that those tenants had?—No. It is not a question of a particular tenure; it is a question of the unexpired term of the lease and rental.

92. That is what I mean?—These are essential factors in getting at the interests of lessors and lessees.

93. It is a renewable lease for all time?—Yes.

94. Only there is revaluation at different periods?—Yes.

95. You have simply taken the present-day value of what the Government's interest would be at the end of the thirty-three years—in other words, if you were to invest the money that the State will now get from those tenants, that money, at the end of thirty years, would produce the full value?—I have already demonstrated that.

96. At the next term—following the first renewal—the tenant still retains the right to his goodwill in the lease?—Yes, to his improvements only. His goodwill in the land is exhausted at the termination of the lease.

97. But the same thing would happen every term?—Yes, if the lessee accepted a renewal of the lease.

98. And if the tenant wished to purchase, the State could only claim the value at the date of purchase?—Yes.

99. I understood you to say that your Department was very careful not to be led away by values of speculators who were trying to raise the value of land in the country: was I right?—Yes. Valuers are specially warned to ignore altogether speculative values.

100. In connection with these leases, do you think there was necessity for your valuers to be careful in the values they put upon the land?—Yes, for this reason: that it was a duty imposed on the Valuation Department by special Act. As I have already pointed out, that Act directs that the valuation has to be made in accordance with the Valuation of Land Act, and as it is prescribed by that Act that valuations shall be made as at the dates of valuation, prospective values cannot be accepted as fair selling-values.

101. Do you, as representative of the Valuation Department of the State, consider that you have put a fair selling-value upon that land in the price that you have fixed—that you have put a fair value on it, conserving the interests of the State and at the same time the interests of the tenants?—I do.

102. *The Chairman.*] The point has been raised whether these lands are likely to increase or decrease in value in the future. I want to ask you if you know of any lands situated adjacent to cities that have decreased in value within the last few years?—Yes. There is no need to go further afield than Wellington suburbs for examples. Land at Island Bay, Miramar, Karori, Lower Hutt, Petone, Upper Hutt has decreased in value, and is unsaleable even at reduced prices.

103. *Hon. Mr. Massey.*] Reference has been made to these New Lynn leases carrying a perpetual right of renewal. Such being the case, do you think that a tenant could sell his goodwill in any one of these leases if he felt so inclined?—If one endorsed the opinions of the writer of the article in the *Auckland Star* and others who hold the view that the land is undervalued, he should be able to sell it at a high figure. I do not think, however, I would be wrong in stating that the lessees could not find purchasers for their interests in the leases.

104. When he acquires the freehold does he give up his interest in the goodwill—does he lose the goodwill?—Yes.

105. *Mr. Witty.*] Has not the State a perpetual right to any increase in value at each renewal—each revaluation?—Yes; at the end of thirty-three years the land is revalued, but I cannot say whether there will be an increase or decrease in value.

106. But there is that right?—Yes.

107. Then if the State sells to the tenant it sells this right, and therefore cannot participate in any increase in the future?—No. The increase is, however, problematical, and the tenant may under his first lease sell the whole of the increased value.

108. I am not speaking of the tenant; I am speaking of the State now. If the State sells to the tenant, the State sells the right to the increase for all time—that is, it can get no more, can it?—No.

109. It sells it for all time?—Yes.

110. Then in that case the State must be a loser in the end?—It does not follow. That opens up questions of policy.

111. The question, I think, was very simple. First of all, has not the State the perpetual right of increase should the value increase, and the answer to that was Yes. Then, if the State sells to the tenant during the first lease, it has no further prospective value at any revaluation—that is, an increase in rent?—That is obvious.

112. *Hon. Mr. Massey.*] And if the land decreases in value the State, of course, will have been saved from any loss?—That is so.

113. *Mr. Anderson.*] Did the Government interfere with your Department in any way in making these valuations?—Certainly not.

114. Did they make any suggestions?—No.

115. As soon as the land becomes freehold it becomes liable to taxation?—Liable to land-tax.

116. *Mr. Robertson.*] You referred to a particular section, the present-day value of which I think was £120 and the original value £30. You stated that if the tenant transferred his lease he would be able to acquire the whole of that difference in value for himself?—Yes.

117. Would not that be modified by this consideration, that at the end of the thirty-three years—the first term of the lease—a revaluation would take place and the rent be increased accordingly?

—There is nothing to warrant the assumption that the rent will be increased. The tenant in very many cases may profit to a greater extent by goodwill than the Crown will by the reversion and increased rental for the new term of lease. I know of cases in Canterbury where transfers have taken place during the term of lease at about three times the increased value of the land, and the amounts have been pocketed by the transferor.

118. But supposing that the value in the meantime did not increase and that £120 was the valuation at the end of the thirty-three years, it would mean that the value of his goodwill would decrease to that extent, and that consideration would enter into the present computation of the goodwill?—That consideration is taken into account in computing the interests of Crown and lessee. As the lease approaches termination so the interest of the lessee diminishes if the increase in the value of the land does not go up in value. But, as I said before, no one can say that land will go up or down in value. My own opinion is that the maximum must be reached before many years are over.

119. Would not that probably modify your previous statement that the man would secure the whole of that difference if he transferred his lease in the meantime?—Not in the least.

EDWARD MORGAN, District Valuer, Auckland, examined. (No. 2.)

1. *Hon. Mr. Massey.*] You have had considerable experience of the Auckland District?—Yes; I was born there, and have spent most of my days there.

2. How long have you been valuer for the Department?—I have been valuing permanently for six years, and temporarily for about nine.

3. For the Department?—Yes.

4. You have a personal knowledge of this land at Hetana—you went over it when you made the valuation?—Yes. I know it very well.

5. Will you tell us what distance New Lynn is from Auckland by rail?—Ten miles.

6. Is Hetana on the northern or the southern side of the New Lynn Station?—On the southern side.

7. What is your opinion of the quality of the land at Hetana?—Originally it was poor gum land, but there are certain patches of it that are better than the rest. It is land with a clay bottom. Parts are fairly loamy. It responds to good treatment, but naturally it will not grow anything in the way of useful vegetation. It requires manuring and farming well.

8. As a farmer would you care to make a living from it?—As an ordinary farmer, No; as a fruit-farmer, Yes.

9. You think it is fairly suitable for fruitgrowing?—Yes, more suitable for fruitgrowing.

10. Reference was made in the Valuer-General's evidence to the fact that adjoining land had been offered at £65 an acre. Do you know the block that was offered at £65 an acre?—Yes.

11. Were you called upon to express an opinion upon it?—Not officially.

12. Was the offer accepted by the Government?—I believe not.

13. Do you know the reason why it was not accepted?—I might perhaps make a statement with reference to that land which will explain the position as far as I know it. As far as my getting to know of any offer having been made of a particular block of land is concerned, it was on the occasion of my conferring with Mr. Skeet, the Commissioner of Crown Lands at Auckland, following a letter which was read by Mr. Flanagan in reference to the desirability of the Department getting information from the Lands Department. The information Mr. Skeet gave me was that a block of land had been offered to the Crown for the purpose of workers' homes at £65 an acre. While he was on the place he was shown various allotments in the neighbourhood of New Lynn which had been sold for varying prices. I quite understood that the people offering this land for sale followed the usual tactics adopted by anybody who has land for sale and pointed out various pieces of land here and there which had brought certain prices, indicating that their particular proposition was something exceedingly cheap. I have here a map of the piece of land which was offered to the Department at £65 an acre. This piece of land consisted of either 237 acres or 300 acres—I am not quite sure which, because the same people bought an adjoining piece of land, and I do not remember whether they offered the whole of the block to the Crown or whether it was the 237 acres. I am inclined to think it was the whole block of about 307 acres. The 70 acres lying nearest to the New Lynn Station was for sale at the time this district was last revised, and that was as at 31st March, 1912. The property was then for sale at £40 an acre. These people, with the idea that it was a good "spec," negotiated for it. They would not give the £40, but I understand they purchased it at £38 an acre. I am not taking this as a record from the Department's memoranda on the question, because it has not been put through; but it was stated by one of the members of the syndicate who bought it that they had purchased it at £38 an acre. That was 70 acres, and the part nearest to the New Lynn Station. The other part—the 237 acres—which joins on to the 70, but which is that much further away and goes down on to the Manukau Harbour, where there are some very good building-sites with water frontages—that was sold for £6,000, which works out at somewhere in the neighbourhood of £25 an acre. This was purchased during the early part of 1912—just about a year from the time I made my valuation. It was a part of the data which I had to go upon from our records at the time. That is the block which was offered to the Crown at £65 an acre, and, I believe, not accepted.

14. Have you any idea of the Valuer-General's value of that land which was offered to the Government?—For the 70 acres which were sold at £38 an acre—I am speaking from memory now—the valuation was somewhere about that figure.

15. Are the 70 acres north of New Lynn Railway-station or south of it?—South of New Lynn Station. The land in question almost touches the Hetana Hamlet, only it is on the Auckland side.

16. Does the Hetana Hamlet come between it and the station?—Not exactly, because you go down a road which leads from a point of the hamlet and go to the station.

17. How far is Hetana Hamlet from the station?—The nearest point is within 15 or 20 chains.

18. And the average of the block?—The average would be about a mile from the station.

19. Had you any knowledge of the block at the time it was purchased by the Government?—No; but very soon after I had, because I began to travel over the block soon after the first tenants were in occupation. I have a very good knowledge of the condition of the land at the time it was purchased.

20. Do you know whether it was readily taken up?—No, it was not.

21. Can you tell us the length of time that elapsed between its being made available for settlement and its being taken up?—The first sections that were taken up were in the most accessible part. The land was then under lease in perpetuity, and there were a number of sections taken up, I think, soon after it was opened under lease in perpetuity.

22. What about the balance?—The balance remained unoccupied and uncalled-for. It was originally surveyed into sections averaging about $2\frac{1}{2}$ acres. The Lands Department were evidently under the impression that the areas were too small, and responding, I believe, to a petition that the areas be made larger, they put two sections together, making most of them 5 acres.

23. How long ago is that?—About three to four years ago, speaking from memory.

24. Have all the sections been taken up since then?—There are two sections—I do not know whether they are open for selection, but I understand all of them available are now taken up.

25. Can you tell us how long ago it was that the last available section was taken up?—The Crown fixed various rentals for them, and they have been taken up and forfeited, and in some cases the rentals were increased. That will account for the apparent erratic capital values on which the rents are based. The last, I believe, was taken up about eighteen months ago. I am trusting to my memory about that.

26. Apparently there was not a keen demand for this land on the part of intending settlers?—There was not at the time.

27. You made the valuations?—Yes.

28. You think that from the point of view of selling-value the valuations were fair?—I think so.

29. Reference has been made in some articles that have appeared in the Press to what has been going on at Ellerslie. Do you think there is any parallel between land at Ellerslie and land at New Lynn, from the point of view of residence sites or any other point of view?—Not at all. New Lynn is clay land, and the principal industry there is brickmaking. There are two establishments quite close to the station engaged in that industry, and there are several others a little distance away, down the creek, which have also been engaged, and are more or less now. The appearance of New Lynn when you approach it is rather repellant on account of these brick-kilns and the dug-out places where they get the clay. So there is no attraction there compared with what there is on the Ellerslie side. Furthermore, the distance to travel into town is very much greater. It is twice the distance by rail, and the service, although fairly frequent, is slower. Then again, the land about Ellerslie is volcanic, and the land about New Lynn is clay, and an ordinary person in buying a small area for a home would prefer to give very much more for volcanic land than he would for clay.

30. As a matter of fact, you think Ellerslie is a very attractive suburb: is that your opinion?—It is apparently so, judging by the number of people who settle there. It can only be indicated by the building which goes on.

31. From what you have said, you consider that New Lynn is not exactly attractive?—That is so.

32. You have seen these articles, have you not, that have appeared in one of the Auckland papers and some of the southern papers on the New Lynn transactions?—Yes.

33. Would you consider that a comparison between Ellerslie and New Lynn was misleading or otherwise?—I remember seeing something in an article about the Government selling land at New Lynn and purchasing it at Ellerslie. I am not in a position to state whether I think the Ellerslie land is cheap, because I do not know the particular block which the Government have purchased.

34. Do you know that they have purchased any block?—I do not.

35. As a matter of fact, they have purchased none. I want to call your attention to this paragraph: "It is rather a peculiar anomaly to find that the Government is paying £300 per acre at Ellerslie for land whereon to build workers' homes, and at the same time is parting with land even better suited for the purpose at New Lynn for £30 an acre." Would you think that land was as cheap at Ellerslie at £300 an acre as at New Lynn at £30 an acre?—That would depend entirely on the particular part of each district. I could pick out land that I think would be dearer at New Lynn at £30 than other land at Ellerslie at £300. I would not like to make a comparison of values without knowing the particular pieces of land.

36. Do you think that the paragraph I have just read sets up an unfair comparison as between Ellerslie and New Lynn? Is it possible to compare the two places?—No, it is not. I think the article is misleading.

37. You see the *Auckland Star* occasionally, I suppose?—I see it occasionally, not regularly.

38. Do you recollect seeing the *Auckland Star* of the 2nd July—that was the paper in which the first of these articles appeared?—I saw the *Auckland Star* in which the first article appeared.

39. Did you at the same time notice this advertisement in the same issue of the paper: "New Lynn. £50 per acre. 5 acres level land, only 12 minutes station. Cheap. Easy terms"?—I do not remember seeing that. The prices asked in many cases, of course, are no indication of the value. It is not a question of what a man is asking for a property: it is a question of what he can get.

40. Land within twelve minutes of New Lynn Station at £50 per acre: do you think that would be anything in the way of a bargain, or would it be an approximately fair value?—In some cases it would be very good value, and in other cases it would be too high. There is a great variation.

41. You are not in a position to offer an opinion?—No. I do not know which particular block that refers to.

42. Coming back to the valuations: having made them, do you think the interests of the State have been sufficiently looked after in connection with those valuations?—I think so. If the Committee feel there has been a want of care in reference to this matter I should like to state the care I took to see that the State's interest was safeguarded. The Act states, somewhat vaguely to my mind, the terms regarding capital value—they are not what we are accustomed to. Section 59, subclause (3) (b), states: "From the capital value ascertained by such new valuation there shall be deducted the value (to be ascertained by valuation) of any improvements effected by the lessee and of any other improvements to which the lessee is entitled by reason of their being effected after the grant of the first lease of the land, whether such first lease was a lease in perpetuity or a renewable lease. The resulting sum is herein-after referred to as 'the present capital value.'" The idea seemed to be to make a valuation of the whole property, then to make a valuation of the improvements, and call what was left the "unimproved value." This was so far from my general usage that I wanted to be quite clear about it. I should like to impress on the Committee this fact: that in fixing an unimproved value my usual practice in all valuations is to make an unimproved value independent of the value of the improvements. It is a very important point, because it is only by that means that you can get any sort of uniformity. Where pieces of land are for sale, some of which are almost unimproved and some absolutely unimproved and some pieces have improvements, it is not a difficult matter, after finding out what is a fair selling-value for these lands, to subtract a very liberal amount for the value of the improvements. You can then fix in your mind what is a fair land-value or unimproved value. Then you can work up and down from that, according to the position of the land, the aspect of it, the quality, and the means of communication. That is the system I always adopt, because I find there is no other system it is possible to work out which treats the owner of the land fairly. Then, having fixed an unimproved value, on the top of that I place my improvements, and the two together form the capital value. In some instances, mind you, these two together do not form so high a value as the land is selling at, because when a person is buying an improved farm he very frequently will put a much higher value on the improvements than a valuer can do by the ordinary methods of valuation. You may take a piece of land the unimproved value of which, we will say, is only £16 an acre. The capital value would generally be accepted as worth £30 an acre. When we sum up our improvements on the usual basis of what they are worth to-day—their intrinsic value to-day—they might not come to more than £10 an acre. It is obvious that if we were to take £30 an acre as the value of the land and subtract £10 from that £30 and call what is left the unimproved value, an injustice would be done, because there would be £20 left. Rather is it better to fix an unimproved value, then on the top of that put your improvements and call those two together the capital value. Then if you have underestimated the improvements you are not doing it at the expense of the owner of the land. That is the system that I have always adopted, and I think it is the fairest system. On reading this section in the Act, which I did carefully before proceeding to value the sections, I saw that it would be possible, if the capital value—that is to say, the full value of improvements and land—was fixed by our Department, for some other Department to value the improvements and subtract their value from our capital value, and a loss to the State might result. Take a case which I happen to know—the case of a man holding 5 acres 1 rood. My capital value in that case was £485, made up of £285 land and £200 improvements. This man, I may state, was able to buy this property for £150, notwithstanding that my valuation was £285 for the land. But this is where the injustice might have crept in: if some other Department were to come along and value those improvements, and, instead of putting on an estimate of £200, put on an estimate of £225, which might easily be done—it is only a matter of reckoning a little more for the improvements—£25 more or £50 more—if that were deducted from my £485, instead of the unimproved value being £285 it would be considerably less. Consequently I was very careful about that, and I wrote to the Valuer-General for an explanation of it, and to find out whether our improvements were to be taken any notice of, and the answer I received he read out in his evidence, so that evidently they are. I want to make that quite clear, that the interests of the State have been safeguarded, inasmuch as I made a comparison with unimproved land that had been sold round about these lands, and on that basis I fixed my unimproved value.

43. Have you heard of land being cut up into quarter-acre sections and sold at a higher rate than that at which you valued these sections—a higher rate per acre?—Oh, yes, certainly.

44. Is it not a fact that when cutting up a block of land into building sections the owner of the land is compelled to road, and has to go to considerable expense in subdividing and surveying, and so forth?—As a general rule he has. Occasionally there is a section that does not require roading, but other expenses have to be incurred.

45. You mean a section that happens to have a frontage to an existing road?—Yes. Then again, there is always the principle of valuing a larger block at less per acre than you value a small block.

46. Is it a fact that the sections referred to as having brought very much higher prices than the values which you put upon these Crown lands were quarter-acre sections?—I think they must have been, and even then I cannot call to mind anything, unless you take a few sections round about the business part, that are suitable for business areas. There are a few shops near the

station, and possibly some of those sections may have sold at the rate of £300 an acre. But as for the quarter-acre sections sold, as far as my memory goes they run from about £30 to £50 per quarter-acre.

47. Close to the station?—Closer to the station that the average part of Hetana is.

48. I want your opinion on this paragraph in the *Auckland Star* of the 5th July: "It was shown that the Government had approximately parted with £30,000 worth of land for £3,000." What is your candid opinion of that statement?—I consider it is like very many other newspaper statements—grossly exaggerated—that there is no reliance to be placed on it.

49. *Hon. Mr. Buddo.*] What is the distance from Auckland to this New Lynn land under discussion?—Ten miles by rail to the New Lynn Station.

50. There is no means of getting there except by rail—no tram?—No.

51. Have the sections all been improved?—No.

52. There are a number with no buildings?—There are not very many that have not some sort of building, but the value of the building is very low in some cases—only £10 or £15.

53. An instance has been quoted where the original value was £30 and the present value is £120. Do you recognize the section from the description?—It will be Section 4 of Block XVI.

54. Are there any improvements on that section?—At the time I valued it—I believe it had been a forfeited section—a man had it and he put up a place worth about £5. It is a very broken section. A gully comes down and runs through it.

55. When you were valuing these blocks did you take into consideration the prices paid for adjoining land?—I took into consideration the prices which a good deal of land round about New Lynn had been sold at.

56. You made the statement that when you made an unimproved value it was independent of improvements?—Quite so.

57. Did you make that unimproved value on the basis of situation?—Situation, aspect, and quality of soil. Situation, of course, was the biggest factor.

58. Did you take into consideration the question of what a prospective buyer would want if he wanted a site for a home?—Yes, decidedly. Any factor which affects the selling-value of the property is taken into consideration.

59. Did you make any deduction on account of fluctuations in value that might not unlikely take place in a suburb?—I adopted my usual practice of taking into account how land generally is selling in the district. That indicates the demand. Then, where there are a number of sales taking place there are always some that are very much in excess of the ordinary prices. That occurs not only with suburban land but with country land, when a man will go to a district and, in ignorance of values, will pay far more than the market price. At any time when I come across a case of that kind, though I may use it for the purpose of argument and supporting the valuations I put on—in discussing values with an owner I may quote it—still, I never use it as a basis on which to go.

60. Did you make any addition, then, on account of prospective value? You understand the term, I take it?—It just depends how you regard prospective value. Land that has got a prospective value is more saleable. If it is a question of taking into account that this land could be cut up and sold at so-much a quarter-acre, I did not; but if it is a question of taking into account that it could be sold in smaller areas, I did.

61. What was the principle you adopted in arriving at this valuation?—The principle adopted was, first, to discover how land was selling generally, taking land in different parts of that district, and then to base my estimate in accordance with what was a fair average of that.

62. Did you add to the value of these properties, in making your valuation, by reason of the fact that they were in small areas and suitable for building purposes?—Oh, yes. For instance, a block that I quoted—a large block—was purchased at £25 an acre, whereas the average value of this particular block is £42. Another block of 70 acres which almost adjoins was sold at £38 an acre. This section in Hetana [indicated on map] was valued at £80 an acre because it was a 5-acre lot.

63. So that in your opinion there is a substantial difference in the value of land in a suburb if it is in a small area?—Usually so, because the small areas are usually roaded and the larger areas are not. Then, again, there is a greater number of buyers for small sections. They are a more saleable proposition.

64. *Mr. Coates.*] I understood you to say that 237 acres was offered to the Government?—I am not sure whether it was 237 acres or 307. I think it was 307 acres.

65. That land was purchased in 1912 for £38?—A portion of it was purchased for £38, and the other portion for £25. £6,000 was paid for the 237 acres.

66. That was again offered to the Government at £65 an acre?—Yes.

67. And was turned down?—I believe so.

Hon. Mr. Massey: Yes, it was turned down.

68. *Mr. Coates.*] How does that land compare with the Hetana land?—Taking the whole of the Hetana Estate and taking the whole of that block, Hetana is rather more valuable. The average distance is less. There is one factor that gives this other block a bigger value, and that is that a certain part lies along the Manukau, and there are a lot of nice sites for homes there, close to the seaside. As far as the average distance from the station is concerned it is a little further than Hetana, but there are other factors which would perhaps partly make up for that.

69. Would this block be more valuable from the fact that it overlooks the Manukau? Would it be a better outlook than from the other one—Hetana?—I think it will bring higher prices in the near future.

70. What is the outlook from the Hetana Estate?—There are portions of it that have a good outlook. At the back end of it there are a few sections that have a very good outlook.

71. Further away from the station?—The furthest away from the station. Some of them overlook the Manukau, and also look round towards Auckland as well. But from the other parts of Hetana there is not very much outlook. It is rolling land. Certain sections have a good outlook and others have none at all.

72. Is it under scrub?—It has originally been tea-tree scrub. It was a farm that was originally improved. I believe that at the time the Crown got it the improvements had mostly gone back.

73. Who laid the block out—the Lands Department?—I think so.

74. Is it well laid out?—I think so. I do not think you can complain about it as far as laying-out is concerned.

75. *Mr. Statham.*] You say that in making your valuation you first of all made inquiries as to the prices being paid for land in the district?—Yes. We have records of sales. The Deeds Department send us records.

76. *Mr. Buddo* raised the question of prospective value. Would not the prospective value of the land have some influence upon the prices that are being paid at the present time?—Of course, the term “prospective value” is somewhat misunderstood. Some people regard as the prospective value what that land is going to bring by and by when it is cut up. A value of that sort I would not take into consideration, excepting that where there is no possibility of a rise in the district one would not value so highly as where there was a possibility of a rise. The present value of a piece of land is often based on what is capable of being made off of it, when it has a prospective value.

77. If there is a prospect that the land in the district will rise—if that is the general feeling, the prospective value is making itself felt at once. That is the point. As soon as that feeling obtains in the community, then does a demand for land set in?—That is so.

78. If you took into consideration the prices that were being paid, of which you have records, you must have taken into consideration the prospective value: is that not so?—We can assume that the people who bought this land bought it because land is becoming more valuable. But you must remember that in fixing a Government valuation we must have some basis to go upon. Supposing the valuation is contested: we must have some data to go upon, something to refer to, as a reason for putting certain values on. And one very substantial reason is this fact: there is only one value for land—that is to say, we cannot have one value for lending and another for taxing and another for selling, and so on. We must have one fair and equitable valuation which is sufficiently near to answer all purposes. Any valuations I have made in this case I should have made on the same basis supposing I had been making them for lending purposes. These values that I put on Hetana would be the values that I would be prepared to recommend as the values the lessees should be lent money on.

79. If there has been a tendency for the land-values to rise in this district on account of the feeling that the district is going to be a good one, and you took into consideration the prices that were being given for land at the time you made the valuation of this particular piece, you must have been taking into consideration the prospective value. If there had been a feeling that people had no faith in the district, there would have been no prospective value at all?—Quite so. If there are no buyers the land has no selling-value. Buyers come along because of possibilities. But it is one thing taking notice of sales of that kind and another thing in being led away by the wild prices that are given by particular individuals. Auckland is progressing, and progressing well, but, as with every place that is progressing, speculators come in and cut up land for sale. Those of you who have been to Auckland may know that Auckland can expand in each direction, consequently there is not the same room for very high prices as where the area is limited. Let me enumerate two places which are suburbs of Auckland at the present time. One is Takapuna and the other is Manurewa. Manurewa is further away than Takapuna, but both of these places have come into prominence fairly recently, and people have bought and cut up land, and in many cases it has been sold. But what is done with these sections? They are simply lying unimproved. When we come to revise the values for the district would it be a safe thing to estimate that because these sections have brought certain prices we should fix those prices as the basis of valuation all over the district? If we did that and recommended advances on that basis, the country would soon be landed in loss. We must exercise a great deal of caution, and watch very closely to see what has occurred in other places, and form an opinion as to whether all these sections are likely to be required. I have always considered that in any place where values have gone ahead quickly it is better to pause awhile to be sure they are permanent before using them as a basis to go upon.

80. You cannot say with any degree of certainty that Auckland will extend to the New Lynn district?—No.

81. Can you say with any certainty whether the land there will increase in value or decrease in value?—I could not say.

82. So that is purely speculative?—My own impression is that there will be a gradual increase, but I do not think New Lynn will become a popular suburb. A certain number live there because certain work is going on there. They have created a certain demand, and others by getting land a little cheaper there have gone there. But it is very difficult to say whether it will become a very popular suburb. I am not inclined to think it will; but that is only an opinion. We must base our estimates on present-day facts, rather than on what may happen in the future.

83. Do you think, then, that New Lynn may develop into a working-man's suburb?—Yes, more so than any other.

84. Does a working-man's suburb, in your opinion, increase in value with the same rapidity as a better-class suburb does?—I do not think the very high prices obtain in a working-man's suburb that might obtain if there were a better class of house built.

85. In your opinion have the interests of the State been absolutely protected?—Yes.

86. Do you think the State has received full payment for its interest in the land?—I do. I might state that there is just one thing which is perhaps responsible for these articles that have appeared in the paper. The ordinary public do not understand the tenant's interest, and when they hear of a case where a section which we have valued at, say, £120 has been purchased for less than £50, they do not know anything about what our value is. They simply know that this man has purchased his section for £50 or less. In the case where I put on an unimproved value of £285, the man was able to purchase at £150. That is all that the general public know—that this man was able to purchase the section worth £285 for £150. That gives a reporter something to go upon, and with the usual exaggerations the outcome is the articles which we see in the papers.

87. Is it not largely a case of the public not being able to realize that the present value of money which is coming in, say, thirty years hence is a very different thing from the amount that will then be received?—That is so. They do not understand the lessee's interest. As soon as ever these lessees take up their land they participate as a right in the increase which takes place. It has been a bit of good luck to them that the increase has taken place.

88. You were speaking of one particular section, the present-day valuation of which is £120. If that had had no lease on it and the State had sold it, what amount of money should they have asked for it?—£120.

89. So that what the State has got for the land is £120, less the tenant's interest?—That is a thing provided for by the Act. It is assumed that this is worked out on a proper 5-per-cent. basis.

90. *Mr. MacDonald.*] What class of settlement was on this land prior to its being purchased by the Crown? What calling were those in occupation following?—Fruitgrowing, I believe. There are the remains of an old orchard with the homestead now.

91. You stated just now that you are not sure whether the land will increase in value or not. Supposing you were making a valuation for the purposes of an advance and you were filling in your report where it says, "Is the land likely to increase or decrease in value," what would you put in your report if you were reporting on New Lynn?—I would put in that it was likely to increase.

92. Some of these tenants have purchased from the Crown?—I understand they have. I know they have received word what it will cost them.

93. You were instructed to value these sections because the owners were making application to purchase?—That is so.

94. *Mr. Witty.*] You say that you would not care to farm on this land?—I said I would not care to go in for general farming, but fruit-farming I would.

95. Is there any bus or tram or anything of the sort at all? What is the nearest point for it?—A bus was running to Avondale, coming to within about two miles. I am not sure whether it is running now.

96. Was the land that was offered at £65 an acre the same class of land as Hetana?—Yes, very much the same.

FRIDAY, 8TH AUGUST. 1913.

EDWARD MORGAN further examined. (No. 3.)

1. *Mr. Witty.*] What is the average distance from the railway-station of the block that was offered to the Crown at £65 an acre?—The average distance would be about 110 chains.

2. A little further than the Hetana land?—It would average about 30 chains more than the average of Hetana.

3. Was it not because the areas were too small that the land was not taken up originally in the Hetana Hamlet?—I think that must have been one of the factors, because there was an agitation to have the areas made larger. But the other factor was that there was really no particular demand for that class of land at that time.

4. The areas are really too small now, I take it, for farming?—They are too small for ordinary farming, of course. They are all right for suburban homes.

5. Is there not a large prospective value owing to there being clay on this land for brick-making in the future?—No. There is a little portion of the part which is now under lease in perpetuity fronting one of the brick-yards which possibly would have a value, but it would not extend to the part which is under discussion now.

6. Is not the land at Hetana better for workers, seeing that it is close to the brick-yards, than land would be at Ellerslie away from their work?—Of course, it would be better for a man who had permanent employment in one of these brick-yards; but it would not be nearly so good for workers generally.

7. There is no other work about?—The only industry in the neighbourhood of Hetana is in connection with these brick-works, and, of course, a number of the holders of the sections at the present time are not engaged there. Some of them are wharf labourers, carpenters, painters, and tradesmen of various other kinds.

8. I think it was mentioned that there was land advertised at £50 an acre. Of course, in any district the land varies very much?—That is so.

9. And this land offered at £50 might not be nearly so good as that at the hamlet?—It might not be; but knowing the district well I cannot think of any block of a number of acres within the distance stated in that advertisement in which the average quality of the land would be worse than the average of Hetana.

10. Have you a map of the hamlet?—Yes [produced].

11. What I want to get at is the depth of the sections. Every one of these sections [indicated]

3—I. 5A.

could be cut up again without being roaded—in cutting them up again there would be no loading for roads?—That would depend on the size to which they were cut.

12. Taking the smaller ones, according to the map, practically every one of those sections could be cut up without putting in any other roads, could they not?—Most of them could be cut into smaller areas than now exist, but they could not be cut up into building lots without roading—certainly not into quarter-acre or half-acre sections. There are one or two exceptions.

13. A great many of these [indicated] could, because they are very shallow and are almost square?—Most of the holders are occupying two sections. They are marked here singly.

14. But they could be cut up much smaller, without any loading being needed for roading?—They could be reduced in size; that is so.

15. Auckland is progressing, is it not?—Yes.

16. And is likely to spread?—It is generally anticipated that it will continue to grow.

17. Land in the vicinity is not likely to go down in value at all, is it?—There is nothing to indicate that it will just now. There is no certainty about it, of course.

18. Is there no prospective value attached to this land at all?—There are so many definitions of “prospective value”——

19. Is it likely to be more valuable at the end of the lease than it is to-day, seeing, according to your own showing, that Auckland is likely to spread?—There is a greater probability of the land being worth more per acre at the end of the lease than of its remaining at its present value, I think.

20. *Mr. Guthrie.*] You were the valuer of these sections?—I valued them, yes.

21. And, of course, you put on what you considered a fair market value at the present time, according to the land-market in the district?—Yes, according to the sales which had taken place just prior to my valuation. With the records I had I considered that the valuation I put on was a fair and just and sound valuation.

22. The average value is £42 10s. an acre: you consider that the interests of the State have been fully conserved in the placing of that value on the land?—That is so, taking the average of those particular sections. Of course, there is a considerable variation in the sections.

23. But we are taking the average?—Quite so. I have roughly totted up what would be the average of the remaining lots, and approximately they would run about £50 an acre. Those which have been valued average £42 10s. The remaining lots, which have not been valued, would average out somewhere about £50 an acre.

24. Adjoining land has been sold—you mentioned 237 or 307 acres that was bought at £25 or £28 an acre?—There were 237 acres bought at £25.

25. And another piece at £28?—£38. Those were larger lots than the Hetana Hamlet. I have here some other sales of similar lots.

26. I should like to get them?—The highest-priced which I have is a lot of $4\frac{1}{2}$ acres. That, I may say, is particularly good, because it is just on the river. It is 30 chains distant from the New Lynn Station. This land— $4\frac{1}{2}$ acres—brought £95 per acre. There is another piece further down the river of 6 acres and 14 perches: that brought £200 for the lot. There is another piece of 26 acres, distant about the same average distance as Hetana but facing the water—rather a better aspect: that sold at £17 an acre—£440 for the 26 acres. Alongside of that land, rather nearer and a little more elevated, is another area of 26 acres, which sold at £645—a little under £25 an acre. That is also distant about the average of Hetana. Then there was a block of 5 acres 2 roods 7 perches sold for £126 10s.—about £25 an acre. There was a piece of land a little further away—that is to say, the road was unfinished. I am not quite sure of the acreage, but it was bought less than two years ago at somewhere about £12 an acre. The purchaser resold a few acres of it in 1912 at, I believe, somewhere between £25 and £30 an acre.

27. These pieces that you have quoted are all in the vicinity of this Hetana Hamlet?—That is so. Most of these sales which I have quoted to you are records of the Department: they are the data which I had to work upon in establishing in my mind what was a fair and equitable valuation for Hetana.

28. *Hon. Mr. Massey.*] About these lands the freehold of which has been acquired: do you think it would be a good investment for any ordinary individual to purchase the Crown's interest in the land, the land, of course, all the time being subject to the thirty-three years renewable lease? Do you think it would be a good business investment for any one individual to buy it?—You mean, if I was offered the Crown's interest worked out on the basis of my valuation, would I think it a good “spec” to take it up?

29. Yes?—No, I certainly would not—not with the present price of money. I could invest the money better elsewhere.

30. You would not recommend it as an investment?—No, I would not.

31. I want to get a comparison as between the values at New Lynn and perhaps the values on the other side of Auckland, ten miles away. You know the Mangere district, do you not?—Yes.

32. It is just about the same distance from Auckland on the one side that New Lynn is on the other, is it not?—Yes.

33. You know the values at Mangere?—Yes.

34. £40 to £50 an acre—something like that?—It depends on——

35. I do not mean the land right up against the railway-station, because that is less than nine miles from Auckland. I am speaking of ten miles from Auckland—farming land at Mangere. What I want to get at is this: You know the land pretty well there and you know the value: would you sooner have a 5-acre section there at from £40 to £50 an acre than one at Hetana of the same area at the same price?—I would sooner pay double at Mangere.

36. And the values at Mangere are—what? I am not speaking of little sections up against the station: I am speaking of the ordinary land, ten miles from Auckland?—There was land

cut up in the neighbourhood of Otahuhu Station, and it sold as low as £80 an acre. It was within easy distance of the Otahuhu Station. Then, again, there is the Mossman land: that sold at as high as £100 an acre. That is particularly good land; it is on the waterside and is handy to the station and also to Onehunga. But land further back in Mangere is worth now, I suppose, from £40 to £60 an acre.

37. You say you would sooner have a 5-acre section in Mangere than a 5-acre section at New Lynn at the same price?—I do not think there is any comparison.

38. And the value at Mangere is up to £60 an acre?—Yes.

39. *Mr. Anderson.*] Do you know of any leasehold sections being sold by the lessees—that is, did they get any goodwill?—Some of the sections have been sold from one to another.

40. How much goodwill did they get?—I could not say, because the sections which have been sold have all had improvements on them, and, of course, the purchase-money has purchased the improvements.

41. You do not know?—I could not say. I have not got any record showing what the goodwill would average on the land itself.

42. *Mr. Witty.*] This land that you were telling us about as having been sold at various prices—I think you said from £25 to £38 an acre—how does it compare with Hetana in point of quality and locality, nearness to the railway-station, &c.?—Taking the sales which I quoted, at from £17 to £95, I should say the average would compare about evenly.

43. And how about the average distance?—I am including that. I am taking not only the average quality but the average distance.

44. What about the average quality?—There is not much to pick and choose. There is no rich land out there. There is a little variation in the workableness.

45. *Hon. Mr. Massey.*] Is the road metalled out to New Lynn—the whole of the road?—Yes.

46. *Mr. Witty.*] When did these sales take place?—They were in the records of 1912. They were the only records available at the time I made the valuation.

47. That would mean that the lands in question were sold prior to that?—They were sold prior to that, because I had the records of them.

48. It might have been twelve months prior?—Some of them were, and some were more recent. I adopted the same principle that I always adopt in endeavouring to find out what the selling-value is in reference to these sections: I took the sales.

THURSDAY, 28TH AUGUST, 1913.

FREDERICK GEORGE EWINGTON examined. (No. 4.)

1. *The Chairman.*] What are you?—A land and estate agent.

2. Would you make a statement to the Committee with regard to this matter?—I received a notice from the clerk to the Committee that I was required to be here at 10 o'clock this morning to speak as to the paper *re* New Lynn lands. The only paper I know of is the one taken out of an Auckland paper. It states in this paper that the freehold land in New Lynn is valued at £300 per acre. That is the first statement which I would like to explain. I think, sir, that that statement is very incorrect and is very misleading. For instance, any one on reading that paper would think that all freehold land in New Lynn is valued at £300 per acre. Now, it is just possible that a small section or two near the station may have been sold at that rate, but it is absolutely incorrect to make such a statement as that. That statement was made on the 5th July, 1913, and then a statement analogous to that was published on the 8th of the same month in the same paper alluding to Mr. Tyres, an accountant in the south, who was asked to assume that land at New Lynn was valued at £300 per acre. Now, since that date land has been sold—some of the best land in the Hetana Settlement—for £40 per acre. That was on the 11th July, 1913. That 39 acres and 22 perches, with the improvements, were sold to Mr. Thornton Jackson and Franklin Saunders for £1,976 5s. 2d. That is one thing which goes to show that that statement is very much exaggerated. I went and saw this property before I knew about that sale, and I value that same property at £2,000. I value the land at £1,565 5s., which is £40 an acre, and the house and buildings at £434 15s. per acre. Another statement in that paper says that at the present time there is no land within one mile and a half of New Lynn Railway-station which is not worth £50 an acre section. Well, I very much doubt that, and one proof of it is the fact that a piece of land with four frontages owned by a man who had been living in the district and who knew all that was going on sold his interest, as I have stated, on the 11th July. It was registered on the 15th July, and he sold that land for £40 an acre. Then appears this statement in the paper: "It is rather a peculiar anomaly to find the Government is paying £300 an acre at Ellerslie for land whereupon to build workers' homes, and at the same time is valuing that land which is more suitable at New Lynn at £30 an acre." In my opinion there is no comparison between the situation of Ellerslie and the situation of New Lynn. There is closer settlement at Ellerslie, and there is more work to be found for men who can settle there; it is easier of access, and a more popular place. The land is better, and I think if any working-men had their choice between Ellerslie and New Lynn they would all choose Ellerslie—that is, taking area for area. I do not say that if you offered a man the choice of an ordinary section of land of, say, 66 ft. by 132 ft. at Ellerslie as against 2 or 3 acres at New Lynn that he would not choose the 2 or 3 acres. I might say that when I knew I had to come here I went carefully through that district and made a valuation of twenty-nine properties out there, and I am prepared to give my opinion that the value of several of those properties is £30 per acre, although there are two or three instances where they go very much higher than that.

3. *Mr. Forbes.*] You know the values that have been placed on the New Lynn leases by the Government valuer?—Yes.

4. Have you gone into the matter of those valuations?—Yes, I have gone into the whole question, and I have made an independent valuation which I am prepared to take my oath on as to its correctness to the best of my judgment. I have valued these properties the same as I should value them for any one who employed me privately.

5. Have you a list of your values as compared with the valuations made by the Government valuer?—I can tell you what they are: Section 1, Block VIII, F. H. Bird, 39 acres and 21 perches, I valued at £2,000. I value the land at £1,565 5s., and the improvements at £434 15s. That section was sold on the 11th July for £1,976 5s. 2d.

6. What improvements did you allow for?—I made the improvements £434 15s. If you allowed only £411 for improvements that would leave the land at £40 an acre. Then R. J. Carbine, Sections 7 and 8, Block III, 5 acres and 20 perches, I value at £425, and improvements at £115.

7. *Mr. Guthrie.*] What is the selling-price of that?—I take that to be the selling-price.

8. There has been no sale recently?—Not that I know of. Then, H. V. Chesterman, Section 1, Block XIII, 3 acres, value £105, or £35 an acre. The improvements I value at £380. Section 8, Block XV, R. J. Catteaux, value £140, and improvements £65. Sections 3 and 4 of Block III, J. Davis, 4 acres 3 roods 36 perches, I value at £335 12s. 6d., and improvements at £165. Then, John Davis, 5 acres, Sections 6 and 7, Block IX, £35 per acre, £175. R. L. Moore, Section 11, Block XIV, 5 acres, £130 for the land, £26 per acre, and improvements £100. That is a very awkward piece of land and difficult to work, and poor land. A. G. Foulds, 5 acres, Section 2, Block XIII, £150, £30 an acre, and improvements £35. Grasson, Section 7, Block XV, 4 acres, £30 per acre, £120, and improvements £335. Hutchinson, Sections 5 and 6 of Block V, 5 acres 1 rood, £35 per acre, £288 15s., and improvements £200. I might say that my lending-value on this land would be just half the amount I assess it at, so that in every case where I have given the valuation there is not a single case where I would recommend a bigger loan on the land than half the amount.

9. *Hon. Mr. Buddo.*] For what reason?—Because I think it would not be safe to lend more on these areas and in that locality. I as a trustee would not dream of lending more, and would not recommend any of my clients to lend any more than half on that land. Then, F. M. Hill, 5 acres, Block V, I value at £65 per acre. That land is on a road which is a chain and a half wide, and it is very well situated. W. F. Hanley, Section 9, Block XV, £30 an acre, £150, and the improvements £300.

10. *Mr. Forbes.*] Those values are fair market values?—In my opinion they are fair market values to-day. Sometimes we lend according to the class of building on the land, and sometimes we might lend up to two-thirds or three-fifths of the value of the buildings.

11. You said you would not advise lending more than half the value of this land. Do you anticipate, then, that this land will go back in value?—No. I do not like the way the men are shaping with regard to the land. There are not the improvements, and the properties do not seem to me to be worked by the men as if they had much heart in it. I expected when I went out there to find trimmer properties and more signs of permanent settlement. I do not believe the land will go back in value, but I do not believe there is going to be any very great advance.

12. Do you advise anybody lending money on land to lend more than half?—At the present time we are very cautious, and in the case of very much better land than this we are not lending more than half, because we think everything is boomed at the present time. In most cases now we are recommending only half the value as compared with two-thirds and three-fifths previously.

13. You do not think the values are on a solid foundation?—We do not like the idea at the present time so far as land-values are concerned.

14. You do not think there is a prospective value?—Yes, but I think there will be steady progress and development. There is as reasonable a prospect of things becoming successful out there as anywhere, but I think it will be a working-man's district. At places like Ellerslie and Remuera people will have to settle there and make greater improvements, and there are greater attractions. I do not want to give the impression that I think things will go back in the Hetana Settlement.

15. What do you value the land for workmen's homes at Ellerslie?—I should think for land out there you would get £300 an acre.

16. If you take your own statement just now that people would go to New Lynn for 2 or 3 acres at £40 an acre, the 3 acres would be only worth £120?—I said in some cases I thought they would. If some workmen had a chance of 2 or 3 acres at Grey Lynn and only a quarter-acre at Ellerslie they would go there. If a man wanted to keep poultry or bees or grow fruit he would go there.

17. You think that by the time the leases are out the land will have appreciated in value considerably?—I do; but I also say this: if you take the money which you get now for your interest in the land and allow that money to accumulate—

18. I am simply asking you whether there is a prospective value there?—Yes, there is, I believe.

19. What increase do you think there would be likely to be by the time the leases run out?—I suppose that that land might be worth a little more than double what it is worth now, possibly.

20. *Mr. T. W. Rhodes.*] You think that if a man had the option of taking a quarter-acre at Ellerslie as compared with 2 or 3 acres at Hetana he would prefer the larger area?—Some men would.

21. On that basis how do the values compare? Land at Ellerslie would, in your opinion, be worth very much more, and if so how would it compare?—I think that many a man would prefer to have a quarter-acre section, say, at Ellerslie, because of the conveniences and better facilities for work, than 2 or 3 acres at New Lynn. But there are some men who would prefer to go out to New Lynn on the larger area.

22. Does that, in your opinion, indicate that the land is very much more valuable at Ellerslie?—We know it is more valuable at Ellerslie because it is selling at bigger prices, and there is a greater demand for it than there is at New Lynn. A different class of people go out to Ellerslie.

23. How many times as valuable is Ellerslie land, on an average?—I should think that the land at Ellerslie in some cases is worth ten times as much as the land at Hetana.

24. On the average would it be that?—I should think that would be about the average.

25. How do the means of access compare?—The means of access to Ellerslie I consider a very great deal better than to New Lynn.

26. Is the service much more frequent?—The trains are more frequent, and at a pinch people could take the Remuera train and come through to the station.

27. How would the distance compare?—It is a little bit nearer to Ellerslie. I suppose it would be about ten miles to Hetana.

28. And Ellerslie?—I suppose Ellerslie would be about five miles.

29. Hetana is nearly twice as far?—About that, and is more difficult to get at.

30. It is probably three times as difficult to reach?—I would look upon it as three times as difficult to get to.

31. You know Auckland very well, do you not?—Yes.

32. And therefore are in a position to give an opinion. You have seen the Government values generally of these Hetana lands?—Yes.

33. Do you think they are fair or unfair?—My opinion is that the gentleman who made that valuation for the Government has been pretty near the mark. I have given instances where my valuation is above his in some cases, and where I am below him in others, and where I agree with him in others. Looking at his valuation as an attempt to do what is fair as between man and man, I believe that the Government valuer has pretty nearly hit the bull's-eye.

34. You think that the price at which the different people have acquired their sections is a fair one as between the individual and the State?—Yes, I do. I worked the figures out in one case and I found this: that if the money which has been paid is allowed to remain for thirty years that money will accumulate to such a sum as would require that the land which you have sold should go up to about £105 an acre to be equal with it. I believe that one reason why the statements have been made in the papers is that the people have not realized the difference between leasehold values and freehold values.

35. In other words, they have not known what they were talking about, whereas you, understanding the business, do?—With us it is a matter of business. They do not realize it.

36. Are there any indications of a prospective rise in New Lynn values in the near future?—I think there is a reasonable promise of things going steadily ahead there. I think that development will go on steadily there.

37. Equal to most other districts around Auckland?—It may not be equal to the development in some of the popular districts like Ellerslie, but there will be a steady improvement, I believe.

38. Do you think it will be equal to the average in and around Auckland?—Yes.

39. You have had very large experience in connection with these matters?—I have been in the business now for forty-six years. I was employed by the Ward Government to value the City of Auckland in conjunction with the City Valuer, and I was also employed by the Ward Government to value the lands along the Kaipara line and settle the claims. It was on my valuations and recommendations that those claims were finally settled.

40. You have also acted in a similar capacity for almost every local body in the Auckland District?—I have also been associated with the Government valuers to value the Epsom, One Tree Hill, and Mount Roskill Road Districts. I do scarcely anything else than value for loans and for purchases.

41. And also, I think, in connection with compensation claims?—Yes; I am generally a witness on one side or the other in connection with compensation claims.

42. *Mr. Guthrie.*] You have seen the Government valuation of the Hetana sections?—Yes.

43. And you have made a separate valuation of your own?—I made an independent valuation.

44. When did you make that valuation?—About twelve days ago. When I heard that I was likely to be required here I at once went up and put in a whole day, and the next day I carefully worked out everything.

45. You consider that the valuation upon which certain sections have been sold as the present-day value is a fair one?—I think it is, looking at it as a whole.

46. You referred also to the investment of that money, and you said that if it was invested it would produce more than you would expect to be the value of the land at the end of the term?—I think so.

47. Therefore your evidence goes to show that the Government have got full value for the sections at the present day?—That is my firm belief.

48. *Hon. Mr. Buddo.*] Is there any case in which your value differs materially from the valuation of the Government?—Yes, Elmore's case. The Government valuer has valued Elmore's land at £30 an acre. I think that is £4 an acre too much. I value it at £26.

49. Did you find that discrepancy occur in other sections—that you were higher or lower, as the case might be?—I took twenty-nine properties, and I did not know what they would come out at. Some came out at more and some at less. It struck me as I went on with the work that this man had tried to do what was reasonable and fair and that the Government were protected.

50. If an investor came to you who had been applied to for a loan on one of these properties would you give the same value as you have given to the Committee here?—Exactly the same. The book containing the valuations will probably avail me for the next twelve months. If in six months' time a person came to me for a valuation for a loan I should rely upon this valuation; if in twelve months' time I should require to go up again.

51. You have already stated to the Committee that in your opinion there will be a rise in value?—I think there will.

52. But, in reply to a previous question, you stated that it was possible there might be a boom. How would that affect the values?—If there was a boom this district would participate in it. People get excited and they think, "If So-and-so will give £100 an acre for this land it is good enough for me."

53. On the whole you consider the values as supplied by the Government valuer are reasonable under the circumstances?—I firmly believe that it is a fair and reasonable valuation.

54. Do you remember when this land was settled?—Only about seven years ago, I think.

55. Do you remember the price that was paid for it at that time?—I think that some of that land at that time was sold at about £10 an acre.

56. Then in seven years it has appreciated in value to the extent of from four to six times its former value?—I think in some cases it has.

57. Would you consider that appreciation might be expected to go on at the same rate?—No, I do not think that at all. I have said that I think there will be steady progress, but I do not think there will be anything to warrant one going and speculating there. If a man offered me any of this land at these prices, and I wanted to go and settle there, I would not hesitate to give them. But I would not give those prices for the purpose of doubling my money, say, in the next seven or eight years.

58. In other words, you would expect an appreciation in values to go on?—Yes. I think that as men settle there and as industries increase these properties will be improved. There will be greater inducement to settle there. I think that buses may go out that way, and it will improve, and I think the workmen's trains will be much more appreciated than they are now.

59. Would there be any opportunity for the present holders to subdivide their sections into small areas?—I do not think so.

60. Not within a reasonable period?—I do not think that within a reasonable period there will be any inducement for men to go there on smaller areas than the present holders have now.

61. It is not at all likely that sections will be cut up for closer settlement?—I do not think so. In that case, where they sold a 39-acre block, that, of course, will be cut up. That is the homestead.

62. Is there any reasonable expectation of being able to cut that up within, say, the next twenty-three years?—Oh, yes, certainly. The people who hold it will cut it up in October, they state, and they will offer such terms—perhaps £10 deposit—as will induce people to give really more than the land is worth. That is how people get these big prices.

63. But, after all, that is the market value?—In a sense it is; in another sense it is not.

64. *Hon. Mr. Massey.*] Do you know the homestead block?—Yes.

65. You know that it has been sold within the last week or two?—Yes, it has been sold to speculators.

66. My information is to the effect that it was sold, and was resold at a lower price than that which the man paid to the Government only a few weeks ago?—I do not know what he paid the Government. He sold it for £1,976. That includes the improvements.

67. You are not aware, I suppose, that it was sold for nearly £200 less than the Government valuation?—Yes; the Government valuation, I understand, was about £2,150.

68. You mentioned the possibility of buses running to Hetana. Are there no buses running just now?—I am not aware of any.

69. You are a pretty old resident of Auckland, I believe?—Yes, over fifty years—nearly fifty-one years.

70. You can, I suppose, remember different townships in the Auckland District many years ago being put up to auction and realizing big prices?—Yes.

71. Such as Drury and Pokeno?—Yes, and South Avondale.

72. Is the land in such places as Drury and Pokeno, on the main line of railway, of more value now—I am speaking of town sections—than it was forty years ago?—I question if it is.

73. *Mr. Forbes.*] Has the right of purchasing the freehold, given by the legislation of last session, made these sections more marketable?—Yes.

74. They would bring better prices on that account?—Yes.

75. *The Chairman.*] Did I understand you to say that you expect this land will double in value before the end of the lease?—Yes.

76. Is not that purely guesswork on your part?—It is only an opinion.

77. Have you in your experience seen similar townships go down in value in a period of ten or fifteen years?—I cannot recall a stagnated township.

78. Take those mentioned by Mr. Massey?—Drury is a stagnated township, yes, and Pokeno.

79. All anticipation of land going up or down is purely a matter of speculation?—Purely speculation.

80. *Mr. Witty.*] You stated that one or two townships, such as Drury and Pokeno, had not risen in value: are there not many cases where townships have appreciated very materially?—Certainly.

81. Far more than those that have gone down?—Yes.

HARRY MAY SKEET, Commissioner of Crown Lands, Auckland, made a statement and was examined. (No. 5.)

1. *The Chairman.*] You are acquainted with this township and the circumstances connected with it?—Yes.

2. Will you make a statement concerning the matter?—It depends on what you want. I am simply administrator of this hamlet, but I may be allowed to give you the history of the settlement. The land comprised in the hamlet was first put on the market in 1902 on lease in perpetuity. It was a “frost,” I may say, for years. It was reconsidered, and most of it was regrouped in 1909 and put on the market on renewable lease. It was found that the land had been cut up into such small subdivisions in 1902 that it would not go off. It was mostly in 2-acre sections. It was only after the sections were regrouped in 1909 that they commenced to go off. They were mostly grouped in two and in some cases three sections. The settlement has been “hanging fire,” off and on, for years. The land was first offered in order to give people small homes so that they could make a garden and perhaps keep a cow, as is done on small rural sections near Auckland. Taking it as a whole it is just about now that they are improving the sections—well, moderately well. In all cases the settlers have not done more than barely the amount of improvement required. During this last twelve months, from what I could see of the place, there has been a speculative boom on the borders of this hamlet. The Act of last session allowing the holders the right to acquire the freehold has enabled the people to finance the holdings much better, which has enabled two or three of them to take advantage of a speculative value. Of course, we deal purely with the administrative part, and when the applications came in to acquire the freehold, according to the Act we asked the Valuer-General for a valuation, and as far as I can gather the valuation is a fair and equitable one. The land, if it were used for the original purpose for which it was put on the market, is not worth to-day any more than it was then, because it is not what you might call easily tilled land—it requires a great deal of working; and for the purpose for which the settlement was put on the market as a whole it has not been altogether a success. Regarding the prices, I may mention that several efforts have been made to induce the Department to acquire other lands in the vicinity for workmen’s homes, and even with this very object of selling it in small sections for settlers. In both cases the land was offered to us—one block of 170 acres and another of 270 acres—at £65 an acre for the block as a whole. We could not recommend acceptance of the offers. I might also mention that in this Hetana Hamlet there are twenty-eight transactions almost complete. The original value of the twenty-eight sections was £2,945; the present valuation of the sections is £7,015, and the amount that we have received or will receive is £3,898 11s. 6d. Therefore, from the time it was first put on the market to the present time it has a little more than doubled in value. Unless there is a continuation of the boom, which is dependent on certain brickworks round about there and cheaper transit into Auckland, I cannot see that the prices will in the next ten years improve very much, because this will always be a workman’s locality. The better class of dwelling does not seem to be spreading out that way. There were two sections that fell back into our hands—two of the best sections, as far as position is concerned—of 5 acres each, and we have held these back purposely to subdivide for workmen’s homes if required. They are right in the middle of the hamlet.

3. *Mr. Forbes.*] Was the original purpose of this settlement to give men homes? There were some sections up to 39 acres—what was this being used for?—That had extensive improvements on it, so they had to give a bigger area to try and get it off. That is the homestead, and it has had rather a chequered career. It came back into our hands forfeited once, and it was reoffered, but it has been changing hands time and again, and it is only now that it has been parted with at a really good profit.

4. The improvements are set down at what?—About £500 now. Since the man has taken it up he has cut the furze and greatly improved it.

5. And it has been sold now?—Yes.

6. What was the intention of the buyers—to cut it up?—Yes, a speculative syndicate has bought the land for subdivisational purposes, which will necessitate roads being made and other things to conform to the conditions of the local body.

7. How many men in this settlement have applied for the right of the freehold?—Twenty-eight.

8. And how many are there altogether?—About eighty altogether. You can see by the plan. [Plan produced and explained.]

9. Some are on the lease-in-perpetuity tenure now?—Yes.

10. When these men apply for the freehold and are finished the Board has nothing more to do with them?—No, except some of them that applied to complete under the deferred payment.

11. As to the question of residence, the Board was interested in that when under the renewable lease?—Yes.

12. Now that it has been purchased outright has the Board anything to do with it?—No, nothing more to do with them.

13. The sections can now be parted with without any reference to the Board?—Yes, they can do what they like.

14. What were the men doing with these 39-acre sections—farming?—Trying to; but it has not been a success.

15. In buying the freehold is it for subdivision?—A speculative syndicate has bought the 39 acres to subdivide and sell in small sections. There is a notice on the ground to that effect.

16. *Mr. Witty.*] Have any of these sections been resold since they were acquired?—The only one I am aware of is the homestead-site.

17. Do you expect the freehold to increase at the end of the period if they had kept their leases?—Possibly there would be an increase, but when the question of the value of money is worked out I doubt very much whether there will be any more value.

18. I think you stated that it had doubled itself in seven years?—No. Since 1899 most of it had been regrouped and put on the market, and the increase is mostly on that part.

19. But it had doubled its value?—A little more than double its value since it was first put up in 1902.

20. Auckland is likely to spread, is it not?—Well, it is spreading in all directions.

21. And spread out towards New Lynn?—Yes, it will get its share.

22. That must give that land an enhanced prospective value?—For building-sites only.

23. Has the freehold given any increased speculative value to the land?—Yes, I should think it has. It enables them to finance better.

24. But most of them already had their improvements, had they not?—Yes.

25. You say that the 39 acres is being cut up?—Yes.

26. *Mr. T. W. Rhodes.*] I think you said that latterly there had been a greater disposition to improve the sections?—Certainly.

27. Do you think the freehold being conceded to the occupiers had any effect in that way?—Well, it is hardly time to tell that. If I may express the opinion, I think that having the right of the freehold in sight for the last twelve months has enabled them to finance a great deal better. They were nearly all poor men, and had to raise the money in some way or another.

28. And as a result they have been able to improve?—Yes. There have been many houses and good additions put on, and there seems to have been an improvement all round.

29. And is it not a fact that the freehold being conceded to them has meant progress in that district?—I should think so, judging from the additions and other things I saw.

30. *Mr. Coates.*] Are the lease-in-perpetuity sections occupied?—Yes, they are all occupied.

31. It is part of the same block, is it not?—Yes.

32. *Hon. Mr. Buddo.*] You mentioned £2,945 as the value of the sections when first offered?—Of the sections dealt with here.

33. Under the renewable lease?—Yes, renewable lease.

34. It is the renewable lease we are now dealing with and no other?—Yes.

35. The value of the sections under renewable lease when first offered was £2,945: they were offered at that price?—Yes.

36. Can you tell me what amount of money the State will receive when those are converted?—Over and above the upset?

37. No, the actual amount of money received. I understand they are converted into the freehold or in the process of being converted?—Twenty are completed and twenty-eight just ready to be completed. The papers are under way.

38. Is that the whole of the sections?—All that have been dealt with up to date.

39. There are no other sections included in the £2,945?—There are other renewable leases they can apply to make freehold.

40. You gave the value of the land when first offered at £2,945, on renewable lease?—Yes.

41. Have the whole of those sections been converted or are they in the process of being converted?—No, only twenty have been converted, of a value of £2,160. There are eight others in process of being converted. The value of the twenty converted is £2,160, and the Valuer-General's value of that lot is £5,200, and the amount received for the twenty sections is £2,878 19s. 8d.

42. And how much more value is there still to convert?—There are eight sections to complete, which is another £800-odd on one side and £1,000 improved value on our side.

43. I only want to know the amount the State will receive?—The State will receive on completion of all transactions £3,898 11s. 6d.

44. Are there any sections still remaining?—Yes.

45. They have not applied to convert?—No. All the hatched red sections on the plan are open for application for conversion now. The deep red sections are those that have been converted, and the blue are the original lease-in-perpetuity.

46. Generally speaking, how much has this land appreciated during the last ten years? It was purchased at £10 an acre, was it not?—Yes. I have not got the figures beyond those we have dealt with.

47. They will probably have increased in value by four times at least?—No, a little over twice—probably two and a quarter. It is £7,000 against £2,945.

48. The total value of the whole of the renewable leases is £7,000?—Yes, those that have been dealt with. We received £3,999, and we have made a profit of almost £1,000 on the transaction.

49. What would be the cost of settling those sections?—The block was all loaded with the cost of settling.

50. Could you approximate the cost of settlement?—I did not go into it.

51. Would the cost of settlement and roading be included in the £2,945?—Yes, everything. They may have been given some grants since.

52. Would those grants amount to £1,000?—No.

53. You are still of the opinion that the State will receive a small amount of profit on those sections?—A good amount of profit.

54. The figures you supplied were £2,945 as the cost, and the Government receives £3,898?—Yes, a profit of almost £1,000.

55. *Hon. Mr. Massey.*] I think you mentioned that there was a speculative value in the neighbourhood of Auckland which had reached New Lynn?—I think so.

56. And speculative prices being obtained for the land?—I think so.

57. You mean by that prices which are not justified by ordinary conditions?—I think not.

58. You are acquainted with the whole history of the Hetana Settlement?—Yes.

59. It was opened in 1902?—Yes.

60. Did it go off well at the time?—No, it was a failure; and it was not until 1909, when the sections were grouped and put under renewable lease, that it started to go off, and it has been going off gradually till completion. There are two we held back that were forfeited. The sections went off originally under lease in perpetuity from 1902 to 1909.

61. How long since is it since the last sections were forfeited?—Within the last twelve months—forfeited in my time.

62. For what reason?—The conditions were not fulfilled.

63. Is it within your knowledge that the Government Pomologist reported on these sections as being unfit for fruitgrowing?—It is not within my knowledge, but I can understand it. The orchard on the homestead has not been a success.

64. It is within your knowledge that the Government Department of Agriculture refused to take it over for experiments?—No.

65. I think you referred to a property adjoining Hetana that was offered to the Government within the last month or two for workers' homes?—Yes.

66. You know that?—Yes.

67. Do you remember the price asked for it?—£65 per acre.

68. Do you think it was worth that?—No.

69. What do you think it was worth?—We did not put a price on it. We found we could not get anywhere near that, so we did not make a recommendation.

70. Do you know what was paid for it by the people who offered it to the Government?—Yes, they gave £38 for some and £25 an acre for the balance.

71. Do you think that was the value at the time?—Yes. That is what I am informed they gave.

72. Can you state the number of forfeitures or surrenders that have taken place on the Hetana Settlement since it was first opened in 1902?—Fifteen forfeitures.

73. You know what values have been placed upon these properties by the Valuer-General and his staff?—Yes.

74. Do you think they were fair?—Yes.

75. *The Chairman.*] What is the character of the land?—Stiff clay.

76. Is there any manuka scrub on it?—Yes, there was some, and there is still some on a good many of the sections. It is not first-class soil.

77. Is it second class?—It would be called "second class" by some people, and called "no class" by others.

78. For grazing purposes would it have any value?—Not until it was well worked up, and that would cost up to £8 an acre.

79. Are the improvements substantial on the sections?—In nearly all cases.

80. *Mr. Coates.*] Was a portion of this block sold by the lessees who had purchased it?—Yes, the homestead-site has been sold to a firm of speculators. It has not been sold again yet—it is being subdivided for sale.

81. Did the owner—the lessee—who purchased the land under last year's Act make a loss or a profit when he sold to the speculators?—I cannot say that. He gave the State £976 5s. 2d., and he sold for £1,970-odd. There are a lot of improvements which he put on himself. What he gave us was only for the unimproved value. If you add on the £434 15s. for improvements he would be making £500 out of it, but there are a lot of other improvements that you could hardly count in a man improving a place.

82. How long has he held this land?—He has not held it very long. He got it from some one else. That section has had a chequered career.

83. How many sections will it cut up into?—I do not know. It is being cut up now.

84. *Hon. Mr. Massey.*] Do you know the capital value placed on this section by the Valuation Department?—Yes. The unimproved value placed upon the section is £1,570.

85. Are you aware that the value of the improvements was £560?—Yes.

86. If that is so that would make the capital value of the place £2,130?—Yes.

87. Do you know what Mr. Bird got for it?—£1,772.

88. So that he got less than the capital value?—Yes.

89. *Mr. Forbes.*] What was the price he gave the Land Board for this homestead section?—£976 5s. 2d., unimproved value. That was the State's interest, and £560 was the Valuation Department's value of improvements.

90. He sold it for £1,972-odd?—Yes.

91. Then he made a profit of about £400 on the sale?—Yes; but he held it two or three years and put a lot of improvements on it which we do not know of, such as clearing furze.

92. Would not the valuer give any value for that?—He may not. In all those cases when a man stays on a place for two or three years there is always a lot of improvements which the valuer can hardly assess. That is our experience.

93. *Hon. Mr. Buddo.*] What was the original value of this section of 39 acres?—£790, unimproved value.

94. Was that what it was taken up at seven years ago?—It had a chequered career. It was forfeited once and put up again on renewable lease. The renewable-lease price was £790, and the improvements on top of that would be several hundred pounds.

95. That is not the price it was offered at in 1902?—I am not quite sure about that.

96. And the Government got how much?—£976 5s. 2d.

97. So that it has apparently doubled in value within the last three or four years?—Yes, just about doubled. That is since it was first put up under the renewable lease in 1909.

98. The £976 is what the State receives, and the actual valuation was £1,570?—Yes. Of course, we are not entitled to the whole of that—only the actual value of it. That is the difference in the value to-day and when we could get possession of it at the end of the lease.

99. What is the increase in value since 1909—has it doubled?—In the Valuer-General's value one is £1,570 as against £790.

100. Would it be likely to appreciate in value at the same rate in the next four years?—It depends on what it was used for. If it was used for farming I should say No, but if used for subdividing I should say it would; but roads would have to be made and other conditions fulfilled.

101. Do you think if you had been owner of this property that you would have made a good thing out of it if you had parted with it on the terms the owner got before he sold to the speculators?—That depends on how I managed to get it off.

102. If you wanted the money, say?—I would not like to live in that locality.

103. *Mr. Guthrie.*] As Commissioner of Crown Lands do you consider the Government has obtained fair value for these sections?—I do.

104. On what grounds do you consider it is a fair value?—On the present market price of the sections for the purposes that they are used for.

105. Have the Government got all that they are entitled to in connection with them?—According to the Act, decidedly.

JOHN DOUGLAS RITCHIE examined. (No. 6.)

1. *Hon. Mr. Massey.*] You know the Hetana Settlement?—Slightly.

2. You have been over the land?—Just on the edge of it.

3. You had a look recently at some land in the vicinity which was offered to the Government?—Yes.

4. Does the land in the neighbourhood of New Lynn appear to be of one kind?—Yes.

5. Will you tell us what it is suitable for?—It is totally unfit for agricultural purposes, and in the Hetana Settlement they appear to be doing very little with it. In my report I mentioned that they had done very little with the sections and that some were in a derelict position, and that land within half a mile of it was practically a waste and quite unsuitable for any purposes that we could recommend it for.

6. It was offered for workmen's homes?—Yes.

7. And you considered it unsuitable for workmen's homes?—Quite.

8. Do you consider Hetana and the country in the locality a desirable suburb to Auckland City?—I should not think so.

9. Do you know anything about the values?—No, I do not know much about suburban values.

10. You know the land you visited and inspected was under offer?—Yes.

11. At what price was it offered?—£65 an acre.

12. What do you think it was really worth?—I was looking at it more from an agricultural point of view, and I put it down as worth nothing. I would hesitate to recommend it at any price.

13. *Hon. Mr. Buddo.*] You know the Hetana Settlement?—I went on to it a little bit the day we were inspecting the other property. I did not go over it all.

14. Do you think it is likely to appreciate in value during the next ten years?—It may from a building point of view, but I should doubt it very much. There seems to be an immense area of country all round about there much alike, and quite as accessible for building and for brickworks. I doubt very much whether there will be any great population there.

15. Still, you think it will increase somewhat?—From a building point of view I suppose it will, but not very much.

16. *Mr. Witty.*] Did I understand you to say that these people have not improved their land?—Very little, from what I could see.

17. Would you consider it a reasonable improvement if a man spent £380 on improving a 3-acre section?—That may be an odd one that I did not see, but from the general look there was very little in the way of improvements. That £380 may be mostly building. Of course, there were some buildings on the settlement.

18. What are the buildings?—Small dwellinghouses.

19. I notice that some of them are up to £400 in value?—There are a few decent workmen's buildings. But I meant the surroundings. There has been very little done.

20. Is there any prospective value, do you know?—I should not like to say there is a great deal—at least, for many years to come.

21. But eventually, as Auckland spreads, the value will increase?—That will occur in every place, I suppose.

22. *The Chairman.*] How far is the land that you looked at—the land valued at £65 an acre—from the settlement? Is it a mile?—It is less than a mile, I think. This map shows it. [Land pointed out on map.]

23. Is it the same class of country?—Very much the same.

24. *Hon. Mr. Massey.*] How much of the land in the locality would you estimate to be worth £30,000, say—how many acres?—Some of that country is coming in for fruitgrowing, but that is the only thing it is really fit for. From an agricultural point of view I should hesitate to recommend it at any price.

25. Would you give £30,000 for the whole countryside?—That depends on the area of the country. For the purpose of putting settlers on it for agricultural purposes I should not like to put a value per acre on it at all.

26. What would you think of this: "By means of the Land Act of last session the State is parting with land estimated to be worth £30,000, and it is not going to receive in return more than about £3,000"? What would you think of a statement like that?—I should think it was considerably wide of the mark.

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