

the recent valuations of Wellington City lands, and was present at the hearing, which was conducted by Mr. Skerrett. Mr. Skerrett contended that the cost of building in Wellington had materially increased since the previous valuation in 1906; that rentals had declined; and that modern buildings erected upon city lands during recent years were not returning adequate interest to their owners; and that the majority of sales upon which the Department based its values were either sales of land to adjoining owners or to companies or firms requiring land for special services. Conclusive evidence along these lines was submitted to the Court by him, but in all cases the valuations were sustained, although no evidence was submitted by the Valuation Department to controvert the figures submitted to the Assessment Court by Mr. Skerrett. I have been present at three different arbitration proceedings for determining the rentals payable by tenants to the City Corporation, and know that tabulated statements were prepared and submitted to the arbitrators, showing that both Corporation tenants and freeholders who had recently erected buildings for letting purposes were not receiving a fair return upon their expenditure. In no case did the Corporation attempt to prove to the arbitrators that the present valuations could be sustained by any evidence in its possession other than that of recent sales. The conclusion I have come to, therefore, is that the unimproved value in Wellington is too high, and that the Department relies solely upon the sums paid for land irrespective of its producing-value as the sole basis of its valuation. I contend that this is wrong in principle, as the price paid for city lands must necessarily comprise not only the present value, but also a proportion of the future value of such land. I think it is quite fair to contend that where suitable buildings are erected upon city land there can be no increase in the unimproved value until an adequate return is being obtained upon the value of the improvements. The necessity for considering the producing-value of land is disclosed by the fact that Government valuations for taxing purposes are no longer regarded as suitable valuations upon which advances can be made. It is perfectly obvious, also, that the ultimate test of value, and the only test by which a true unimproved value can be arrived at, is by determining the income available after deducting such a sum as would constitute a fair return upon the improvements effected upon the land. The present composition of the Assessment Court is not a fair one to the property-holder. As two of the assessors represent the taxing authorities the third one is powerless to protect the owner. I submit that it is impossible for an assessor acting for the Department or for the Corporation to forget that any reduction in value would be inimical to the interests of the authority which appointed him. I think that there should be one assessor only for the Department and one for the property-holder, with a Magistrate or Judge of the Supreme Court for umpire, and that the Municipality should be bound to accept the roll and not be allowed a voice in determining the question of value. Section 31 in the Act does not, to my mind, go far enough. The present method appears to be this: Valuations are made and sent out, notice of objection is given, and interviews take place between the valuers and owners, and ultimately recourse is had to the Assessment Court. Those who take advantage of section 31 are afforded another opportunity of debate after the Court has determined the majority of the valuations, and any adjustments are made privately. I think that section 31 should be amended so that the Government would determine at the hearing of the objection whether it should reduce to the owners estimate of value or take over, and that the values placed upon contiguous lands should be adjusted accordingly. It is desirable also, in my opinion, that the City Corporation lessees should have the right of use of section 31. At present we have no power to submit a leasehold property to the Crown, and in cases where freehold and leasehold properties are in the same occupation section 31 provides no security against overvaluation. The method of computing the leaseholder's interest in unimproved value in the Corporation leases requires revision. These leases are renewable every fourteen years, and all the interest the tenant has is the right of occupancy for fourteen years, with a perpetual right of renewal at an unknown rent at the end of each term. The rental that is obtainable by the Corporation is the amount of the rent the arbitrators consider a prudent man would give for the land under the terms and conditions of the lease. The method of assessing the lessee's interest under the Valuation of Land Act is to take the present worth of the difference between 5 per cent. per annum upon the capital value, less the rental prescribed in the lease. This computation gives a taxable interest by the lessee which will be seldom if ever realized, and I consider an amendment of the Act should be made so that the tenant is only taxed on the value of the goodwill of his lease. I am assuming the unimproved value of the two sections we have just had reassessed for rent to be—35 ft. to Lambton Quay, £250 = £8,750; 30 ft. to Johnston Street, £150 = £4,500: total, £13,250. The term of the lease is fourteen years; the rental, £192 10s. I have to divide the respective interests as between landlord and tenants so that these interests capitalized at 5 per cent. amount to £13,250. The lessor's interest is the present worth of a lease for fourteen years at £192 10s.— $192.5 \times 9.899 = £1,905.5575$, plus his interest in the reversion. The reversionary value is the present worth of £13,250 fourteen years hence, or £6,691.25. The lessees' interest is the present worth of the difference between 5 per cent. per annum upon the capital value, £13,250—i.e., £662 10s., less the rental prescribed in the lease, £192 10s., which is £470 $\times$ fourteen years. The present worth of £470 for fourteen years is $9.899 \times 470 = £4,652.53$ —a total of £6,558.08. It requires the reversionary value to balance, but the question still remains, to whom does it belong? The reversionary value is £6,691.25, making altogether £13,249.33.

2. In arriving at the lessee's £4,562, is anything valued for his rights at the end of the term?—He has got no rights. There is the reversionary interest, which must be valued to the lessor.

3. The lessee's interest is taken, first of all, as the difference between an arbitrary 5 per cent. on the fee-simple, less the actual rental he pays, and then the section says, "plus the present value of any right to compensation under the lease." Do you know if your figures include any such valuable consideration under the lease?—I do not see that there is any valuable consideration. He gets nothing except the right to renew his lease at an unknown