

rental. What I have given is merely the difference between the actual value of the lease and the value as compared under the provisions of the Valuation of Land Act. That seems to me, as far as the leaseholder is concerned, to be a position that should be cleared up. It seems altogether wrong that we should be taxed on the taxable interest of a property valued under the Act at £4,652 when you have got no market for it. There is no possible chance of converting that into figures. It is a value that is created by the statute and not by any possible experience.

4. The statute says that if you have a lease on which you are paying less than 5 per cent. on the fee-simple you have that much benefit. If the rent is equal to 5 per cent. the lessee is not taxed at all, but if the rental is less than 5 per cent. the statute considers the lease has got a value?—Yes, but the test of that question would be whether he has got a marketable value, in the same way as the test of the freehold value is the market value.

5. That affects not only leasehold land but freehold land. The statute gives the definition of unimproved value of a piece of land as "the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, and if no improvements existed on that particular piece of land, might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to require." Suppose there is no market?—Then you cannot sustain the unimproved value. If you value the freehold interest too high and have no market you have to reduce your valuation.

6. Supposing the value of the property leased is approved as being fair, do you object to a 5-per-cent. rental on that valuation?—No; I do not object to assessing the lessee's interest upon a 5-per-cent. basis, provided the lessee has an interest that is convertible into cash. It all boils down to this: that the unimproved value of land in Wellington cannot be sustained.

7. Do you object to the lessee being taxed on the difference between his actual rental and 5 per cent., assuming that the unimproved value is not overvalued in your estimation?—Assuming that the unimproved value was a fair value, there would not be any objection, consideration of course being given to the terms of the lease.

8. You assume that a property should bring in 5 per cent.?—Yes.

9. Then the objection to section 36 really goes back to the other objection—that you, like some other witnesses, consider that the unimproved value is put higher than it really should be?—That is so.

10. You have also this point: that you consider your rates high as they are?—I am not going to debate that question here.

11. Why do you say that a lease is not convertible? Leases are sold, are they not?—Other leases are sold, but you cannot sell Corporation leases to-day.

12. *Mr. Myers.*] Are there any in the market?—Yes.

13. *The Chairman.*] We can only deal with Corporation leases as one branch of ordinary leases. Is it not a fact that most people who hold them are in business, and do not want to sell them?—There are vacant sections for which the Corporation have been repeatedly calling for applicants. I think it will be within the knowledge of the Department that the Wellington Harbour Board some time ago accepted the cancellation of some of the leases they had granted—leases which contained covenants to build, and which the lessees were glad enough to get rid of, although they had to enter into an agreement to pay the rates until the leases were disposed of by the Board to some other person.

14. We take it that your evidence amounts to this: you do not say that leases in general are not marketable, but you say that Corporation leases are not marketable?—I would rather say both Harbour Board and Corporation leases.

15. *Mr. Myers.*] Do you mean vacant land, or lands that have been leased and in the use of the lessees?—Both. I can offer the Department a section of land with a modern building upon it at the Government valuation plus the value of the improvements. I am speaking of the Civil Service Club property.

16. That is a freehold property?—That is so. I should like to postulate this theory. The contributing factors that go towards establishing any increase in the unimproved value of land in New Zealand are, in my opinion—(1) the value of money; (2) the increase in population; (3) the increase in production. The mere spending of money in improvements, unless this is followed by an adequate increase in production, is only adding a burden to the land. I have taken for comparative purposes the years 1906 and 1912, and the figures quoted are those appearing in the New Zealand Year-book. The value of money is from $\frac{1}{2}$ to 1 per cent. higher to-day than in 1906. The population of New Zealand in 1912 (the latest available figures, see page 872), exclusive of Maoris and Pacific Islanders, was 1,052,627; and in 1906 it was 908,726; a difference of 143,902, or an increase in the six years of 16 per cent. The total export trade for 1912 (see page 878) was £21,272,405. In 1906 it was £17,840,346, an increase for the period of £3,432,059, or 19 per cent. It should be noted that the exports for 1906 constituted a record up to that time, and that those of 1912 were only £670,000 behind the record year of 1910. The capital value of land (see page 859) in 1913 is given as £340,559,728; and in 1906, £218,422,552: an increase in the period of £122,137,176, or 55 per cent. The unimproved value in 1913 was £212,963,468; and in 1906, £137,168,548: an increase for the period of £75,794,920, or 55 per cent. The total value for improvements in 1913 was £127,596,260; and in 1906, £81,254,004: an increase of £46,342,256, or 57 per cent. I do not think that the increase in the unimproved value is justified by the amount of increase in our exports and population.

17. *The Chairman.*] What have you to say about the statutory definition that the Department has to value at what the property is expected to realize if offered for sale on reasonable conditions?—In order to arrive at a reliable valuation the fair market price must be not only fair to the seller but fair to the buyer, and the buyer must be able to show, and the Department should be able to show, that the buyer is able to receive from his investment a fair return in