

23. It is only in recent times that it has become arbitration; it used to be in many places simply a question of valuation, and there was no arbitration at all?—I am not able to give an opinion about a matter of that kind, but I think the Council's view about the matter is that the values and the amounts at stake are too large to leave the matter only in the hands of valuers over whom they have no control, especially in view of the fact that business men in the city must necessarily be more or less unconsciously biased in favour of business men who hold these leaseholds.

24. *Mr. Milne.*] I suppose you will admit that the real reason for this inquiry is that the lessees consider that unprofitable leases are being forced upon them?—We are not advocating existing leases of fourteen-year periods and renewals.

25. I mean with regard to high rentals?—That is not the only reason, because we consider, on the other hand, that we are losing very materially owing to the rentals being fixed too low.

26. I suppose you will admit that if the burdens of the lease are increased any excess of the burden must necessarily fall upon the lessor?—If you make the leases unsatisfactory you will get less rent.

27. Do you think that any excess of burdens on leases must fall on the landlord?—Yes, sooner or later, because the lessees will not pay the rent.

28. It has been stated that the rates have increased: the rate is a burden on the lease, and therefore any excess in burden must ultimately fall upon the landlord?—The rate struck by the Corporation has not increased at all in effect during the last eight or ten years, but values have increased. The values have increased because it is assumed that the earning-powers of properties have increased, and the rentals that the lessees get from subtenants have increased also. One of the chief difficulties we have to contend with here is that of rating on the unimproved value; it is utterly unsound; the whole of the city is rated on the unimproved value.

29. You say that the Council are not receiving a fair rental. I suppose the tenants, on the other hand, state that they are not receiving a fair return because they are not paying fair rentals?—It is difficult to say. It would be a very difficult matter to say how much it had materially affected their business.

30. As to the sixty-three-years lease and the provision that after the first twenty-one years the rental is to be increased at the rate of 25 per cent., and after the next twenty-one years—at the end of forty-two years—the rental is to increase 50 per cent., the assumption is that the land is to continue increasing at that ratio?—I presume that is the only assumption upon which such a proposal can be based. As far as I am personally concerned, and as far, I believe, as the members of the Leasehold Committee are concerned, they have never suggested any definite percentage of increase.

*Mr. Milne:* It was stated by the Mayor yesterday that he thought he was speaking for the Council.

*Mr. O'Shea:* He was speaking for himself on the sixty-three-years lease.

31. *Mr. Milne.*] He said he thought he was speaking also for the committee. (To witness) What is your view?—No; he could not think that, because we as a committee have never agreed to a percentage. I think the figures quoted are much too high. I am quite sure the Leaseholds Committee never seriously considered those figures.

32. Do you think any sane man would be prepared to advance money upon it?—I am not prepared to say I would. I think that was a statement made entirely on Mr. Luke's own responsibility.

*The Chairman:* It seems to be a sort of rule of thumb. It is utterly out of the question, in my opinion. I recollect that in 1895, when there came to be a revaluation of a large number of leases in Dunedin, the total rentals by valuations were reduced from £12,000 to £9,000, so that there was a reduction of 25 per cent.

*Mr. Milne:* And in other cases I know there have been reductions instead of increases—general reductions.

*Witness:* The committee of the Council fully appreciates that. There was a discussion at the committee as to adopting some method that would get rid of the expensive arbitrations, and then it was suggested that there might be a percentage increase, but the amount was not agreed upon.

*Mr. O'Shea:* I was present when this question of the increase was brought up, and the committee decided that it would be better not to make any recommendation on that question at all.

*The Chairman:* I think that is only a matter of opinion really.

*Mr. O'Shea:* I think the Commission may take my opening statement as the official statement.

33. *Mr. Milne (to witness).*] I suppose you consider that the tenant has a right to some return on his money that he has invested?—Undoubtedly; and it is to arrive more or less at a balance between the two that we desire that a judicial tribunal should be appointed, because we consider that a judicial tribunal, being accustomed to weigh evidence, is the best qualified to arrive at a fair decision.

34. Have you considered the position as between the leasing body and the tenant who is expending his money on these improvements, &c.? I mean to say that the Council has made no sacrifice, while the lessee is making that sacrifice?—Of course these matters have to be taken into consideration, but I have not learned of lessees who have made specific sacrifices.

35. Do you think if they were not making sacrifices they would be calling out in the manner in which they have been calling out?—I do not know; it is a quite natural feeling amongst people generally to try and get something for greatly less than its value.