

4. *To Mr. Blair.*] The matter had not been threshed out at that time. Nobody seemed to understand it. I was never consulted as third arbitrator in subsequent cases. Third arbitrators are never reappointed here. By some means or another the trend of the third arbitrator's mind seems to become known, and as the result of that one party or the other would object. Though I have not acted as an arbitrator for either side in any subsequent cases I have been called as a witness in some. In these cases the Council always demanded a rent which the tenant thought was exorbitant, while the tenant always expressed a willingness to pay an amount which the Council could not accept. There was so much difference between them to begin with that arbitration was unavoidable. In all recent cases the Corporation has asked that the rent should be assessed as a percentage of freehold value, and the tenant has always replied that they were not dealing with freehold value—that there was no relation between the two things.

5. *To the Chairman.*] That was before the decision of the Court of Appeal, I think. As to the correct basis upon which to work in arriving at a fair rental, undoubtedly there must be some relation between the rental and what the land will produce. We are obliged to look at the question upon the hypothesis that the land is vacant, and that we are to have the opportunity of putting it to some use. The only use we can make of city land is to put upon it some building which would produce a revenue, and the only way we have of estimating the revenue is by letting the property. We know then pretty closely what we can get for vacant premises. That being so, we must find out the cost of the building, all the incidental expenses, including fire insurance, earthquake insurance, upkeep, depreciation, and so forth, and we know, subject to vacancies, what the building will return us. It will show what reasonable rent we ought to pay. It is quite immaterial whether we occupy a part or the whole of the building ourselves, or whether we let it to somebody else; the method of estimating is precisely the same.

6. *To the Chairman.*] There is no actual standard building on which to estimate the cost the tenant must incur and upon which his revenue is to be calculated, but the question often turns upon the use of lifts. It is understood, I think, that it does not pay to put up more than a three-storied building without using electric lifts. If a man goes to the expense of electric lifts he feels he should put on a story or two more to warrant the expense of the lift. The choice, I understand, usually lies between three stories or five to seven. I think the Council is entitled to assume that you must put up the most productive building on the land, and one suitable to that particular locality. In my freehold calculations I have always taken 5 per cent. as the basis of interest on capital expenditure.

7. *To Mr. Thomas.*] I have never been able to work out what allowance off the freehold value should be made to harmonize with the leaseholder's interest.

8. *To the Chairman.*] If a tenant is subject to a new valuation every fourteen years he will not care to risk putting up a good building, as he might be pushed into the position of losing the whole or part of it. His building is in jeopardy from the day it is finished. It is practically not his building at all; it belongs to the Corporation.

9. *To Mr. Blair.*] I made careful calculations of what these properties produced, and compiled the statement which I now put in. [Statement put in.] This was compiled in connection with the last arbitration case, I think. As the figures show, the Union Company only reaps a profit on outlay of 0·7 per cent., but they are to some extent to blame for that, as they have rather wasted their money in marble staircases and things of that sort. The average profit on outlay would be about 4 per cent. These figures were put in in answer to a suggestion that there should be another material increase in rent. It is true Messrs. Hall and Knight were getting a percentage of 7·9, but theirs is the most cheaply constructed building of the lot. It has a great deal of accommodation at very little cost, but the building will not last. There was no suggestion made before the arbitration as to the incorrectness of my figures. When the award was made there were some slight increases in the rentals. George and Kersley's was reduced; one was kept the same, and all the others slightly increased. As will be seen by reference to the foot of the table, no deductions are made for obsolescence, agents' charges for collecting rents, cost of arbitration proceedings, and several items which ought to be charged. Obsolescence, for instance, is a serious item. The street opposite the Post-office is gradually becoming a shop street, and all the buildings there which have not already been altered will have to be altered soon. From seventy to seventy-five years is generally regarded as the life of a brick or stone building. At the end of that time it is best pulled down to make way for something else. If the conditions of the lease were improved it would certainly have an effect on the rent which the city would obtain. Improvement in the conditions of the lease must in my opinion take one of two forms: either a renewable lease for some more reasonable term, with compensation for improvements, or else a sufficiently long term to enable the tenant to write down the value of his building until the residual value is negligible.

10. *To the Chairman.*] I think myself the building that goes on the land should be subject to the approval of the Corporation, seeing that they may become the proprietors of it. I quite agree that the tenant should not have the right to throw up his lease at the end of fourteen or twenty-one years, and leave on the hands of the Corporation a building which has become unsuitable to the neighbourhood. The test of public auction should, I think, be applied. If I as tenant am dissatisfied with my rent it seems to me that in order to have the chance of recouping my outlay I should have the test of public auction, subject to the condition that the purchaser should pay to the tenant the value of the improvements. At any rate, I should not like the term to be as short as twenty-one years unless the tenant is going to be offered some compensation. I should not feel justified in putting up a building of any great value on the land if I were to be subject to eviction without any compensation at all. With a short term my effort would be to get off with the cheapest building possible. Of course, if the rent is reasonable the tenant will want to continue for another twenty-one years. If the tenant considers the rent too high, and