

the Corporation has to take over the building at a valuation, I think the valuation should not exceed the cost price, less proper depreciation for the term of years. That would prevent any very excessive price being obtained for the building. My method of valuing is to proceed on that basis. I take the cost price of the building and write off from that a certain amount for depreciation for the years it has been standing there. In that way I get the value of the building as it stands during its lifetime. My experience is that valuations by builders are invariably over the mark. Closer examination usually discloses something in the way of depreciation which they have overlooked.

11. *To Mr. Thomas.*] I do not think it is possible to establish any fixed ratio of rent to capital value when conditions are so varied.

12. *To Mr. Milne.*] I agree that short-dated leases are rather out of date now. They may have been less objectionable when it was customary to erect buildings of shorter life. For such leases as the Corporation are granting I think a fair term of years without compensation is something which approximates to the life of the building itself. I should put it at from seventy to seventy-five years.

13. *To the Chairman.*] No money is ever lent on these Corporation leases because the liabilities are too great. The lenders might become the owners. I consider the rents and the terms generally demanded by the Corporation are most unreasonable. I cannot account for the fact that there have been no complaints by tenants in Dunedin against the terms imposed by the Corporation there. Possibly they have agreed to work on a more reasonable basis there. I am aware that the auction system is objected to here because a tenant might be outbid by a new-comer and might so lose his goodwill in the place, but I am of the opinion that the difficulty is greatly exaggerated. I have always held the view that a man who has established a satisfactory and permanent goodwill in a shop could take that goodwill to almost any part of the town he liked, and if he vacated his premises a year or so before his term ran out no competitor would be able to take over his goodwill.

14. *To Mr. Thomas.*] I certainly think the revaluation should be made some twelve months before the end of his term, so as to give the tenant time to make his arrangements and so protect his goodwill.

15. *To Mr. Blair.*] My impression is that in some previous cases the whole contention of the Corporation was based upon freehold value. If, however, Mr. O'Shea says it is not so I will not contradict him. I consider that the prices given by tenderers in open market are a fair test of what should be paid for leasing land. There should, however, be certain safeguards. An upset price should be fixed, and the interests of the Corporation should be protected. Speaking generally I do not like the idea of Corporations making private agreements to lease. I think it is open to abuse, and without stringent safeguards it ought not to be permitted. When I was in the Public Service we never liked to deal privately with land. We always, for our own protection and for the protection of the State, made the transaction public.

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THOMAS SHALLER WESTON examined. (No. 8.)

1. *To the Chairman.*] I am solicitor to the Wellington Harbour Board. The Harbour Board has had five classes of properties. First of all there is the Loan and Mercantile site. That property is bounded by roads on three sides, so that it is practically one block. Just a small portion of it is owned by the Government. We leased that property to the Loan and Mercantile in 1888 under the provisions of the Wellington Harbour Leasing Act, 1886. Within six months prior to the determination of the first twenty-one-years term of lease a valuation was made of the buildings and also of the ground-rent calculated on the prairie value. Then the property was put up to auction at the upset rental fixed by the valuers as being the rental fixed on the prairie value, with the condition that if anybody other than the Loan and Mercantile or the lessee became the purchaser of the new lease then he had to pay to the original lessee the value of the improvements as fixed by the valuer. It is very like the Dunedin Corporation leases. No doubt it was borrowed from Dunedin. But in order to safeguard the Board in the event of a low ground-rent being fixed the Board has a right, if it so desires, to purchase the improvements at the valuation fixed instead of putting the place up to auction. They can say, "We will not grant you a renewal; we will buy the improvements from you at full valuation." There is only the one lease with those conditions. Of course, sometimes Harbour Boards have to lease a site which is suitable for one or two people or companies, and consequently when fixing the rent for the renewal of that lease there is practically no competition for that site owing to the nature of the buildings that have been erected upon it. For instance, Borthwick's freezing-works are erected on some land leased from the Waitara Harbour Board. You could not arrive at the value of that property by putting it up to auction, as nobody would compete against Borthwick. No one wants that class of property except a freezing company. Similarly in this case it is only a big corporation like the Loan and Mercantile that would want such a big building and such a site. The Hunter Street endowment was leased under that Act, but as it is now vested in the Wellington City Council we are not concerned in it. Then, when we were going into the question of constructing a dock at the Te Aro end of the town we acquired what is known as the Grainger Street block. Grainger Street was part of a slum area, and we thought the best thing to do was to acquire the whole area and lease it. It is now let on lease, and the area is now largely occupied