

18. *Mr. Milne.*] There is another feature: the larger institutions will not look at a leasehold?—There was a case of one firm that had sent over instructions to their local branch here not to think of taking up a leasehold, but to buy a freehold at all costs. That is a strong feeling. Therefore the freehold is not a fair comparison for a leasehold property alongside of it. The fact is that the leasehold property is depreciated at once to a very material extent—I cannot say by how much, but it does depreciate it.

19. You say you have known of cases within your experience of instructions of that nature being sent to pay even double the value of the freehold?—I would not fix the amount, but the instructions were to buy a freehold.

20. Therefore you think that taking a freehold as the basis is unfair to a tenant to fix a rental on with regard to these purchases?—Yes, absolutely.

*The Chairman:* The Court of Appeal says it shall not.

*Mr. O'Shea:* The Court of Appeal says that is not the way to fix it. It did not say that ought to be excluded.

*Witness:* And it was not excluded in my consideration. I have the fact that the assessors for the Corporation fixed upon certain rates which appeared to be based, from the evidence given by the Corporation valuers, according to a percentage upon the unimproved value.

21. *The Chairman.*] It would seem as if the only way to remedy these complaints on the part of the leaseholders is to do as is done in Ireland, and allow the tenant to convert and obtain the freehold?—Or the reverse, if the Corporation could own all the buildings.

22. *Mr. O'Shea.*] It would be the best thing if the whole of these endowments were sold and the Corporation would get so-much money. It would more than compensate for the unearned increment that is coming to us in the future?—Of course, if it were not for the mismanagement of the public body, the risk of which is very great, it would be better for the corporate body to own the whole of the buildings, because they can borrow money at a lower rate of interest than an individual can; but then there is the risk of mismanagement on the part of the local body, which is sometimes run by politicians.

23. *The Chairman.*] If the Corporation owned the buildings the ratepayers would be so numerous and influential that they would elect Councillors who had agreed to reduce their rents, and you would never be able to manage it. I do not know whether in the course of your investigations you were able to come to any conclusion as to the benefit of this renewable lease over a lease for a long term—say, sixty-six years?—I would not like to express an opinion on that. I have not discussed this matter with anybody here at all, and I have not studied the matter from that point of view. I would not like to express an opinion, and I do not like to express an opinion unless I am fairly satisfied.

24. One of the questions that we are asked to consider is whether the system of valuation is satisfactory in its application. By that system I understand it to be a system of three arbitrators. From your experience on that occasion what conclusion would you form?—I think it entirely depends on who the arbitrators are. I would not choose lawyers under any consideration. I would cut them out at once. I should choose three business men who would look at the thing from a practical point of view.

25. Your view is that fourteen years is too short?—Yes, I think fourteen years is too short.

26. The only other question now that is troubling us is this: a tenant may on the revaluation find that the rent is, so far as he is concerned, extravagant—is more than he can pay. He is not bound under the provisions of his lease to take up a renewal—it is optional with him. So he considers whether he will drop the lease, but then he forfeits his building. The suggestion is that in cases like that, if he does forfeit his building, the Corporation should pay him a certain amount of valuation for the building. That, it is said, will give him a more marketable article in his lease, something he can raise money on to a certain extent, and that would be fair; and that the interests of the Corporation would be safeguarded by not giving him the full valuation, but only a percentage. Have you any views on that subject that would benefit us?—I think if that is done you should have the approval of the Council in the first instance to the lease and to the class of building which should be erected, because it is clear that a tenant might erect a building for his own specific purposes which would be valueless, or comparatively valueless, for any ordinary purpose. A man might have a special business; he might put up a printer's machine-room, or something of that kind, which would be of no value to the class of tenant who would be likely to take up a building in that district.

27. Assuming it to be within the power of the Corporation to grant an exchange for the existing lease, do you think it should be in the option of the Corporation to refuse the exchange if they thought the building was unsuitable?—I have not thought that matter out very carefully, but I should think not. I should think that if under the provisions of the lease the tenant has erected a building he certainly is entitled to be considered—to be compensated—in the event of a new lease: they have got to accept the buildings which are now upon the ground.

28. But some buildings may be of a character that would cast a liability upon the Corporation. Take a wooden building, for instance: it might suit the tenant to throw up his lease to get the value of the wooden building?—The wooden building would have been erected under the existing by-laws and with the consent of the Council at the time, and if it would suit the tenant to throw it up it would be because there was no more value in it.

29. He would throw it up in order to get the valuation from the Corporation?—The valuation of a wooden building of that class would be practically nothing. A couple of buildings were removed in Mannors Street recently—the police-station and the old fire-brigade station—and their value was £10, or something like that. I take it that at the commencement of the lease you would determine the then value of it.