is to run for twenty-one years, as it is bound to have a prospective value. We failed to get 8 per cent. for the Ponsonby Road sections, and we had ultimately to come down to 5 per cent. Our valuer is not also the Government valuer. I do not say that when a valuation is made there should be speculation as to future value. It should be the value on the date the valuation is made. I think a reassessment of the rent should be made at least three months prior to the termination of a twenty-one-years period of the lease. Twelve months seems to me to be too long a period, as in twelve months the buildings might be allowed to deteriorate.

4. *To Mr. Milne.*] If a tenant has had a bad time during his twenty-one years occupancy of the lease I do not think that fact should be taken into consideration in fixing the rental for the succeeding period. The tenant's business ability should not be a factor in fixing the rent. If, however, a lease has been taken up at an excessive rental I think the Corporation should have power, on application being made, to grant relief. Several such cases have been dealt with in Auckland.

JAMES HENRY GUNSON examined. (No. 21.)

1. *To the Chairman.*] I am Mayor of Auckland. My experience in connection with public bodies' leases relates more to Harbour Board interests than to city interests. The Harbour Board here is the public body in whom the fee-simple of the commercial area of the leasehold property is vested. The major portion of the most valuable city leases is vested in the Harbour Board and not in the Corporation. Prior to 1910 the Board leased under two systems. They were empowered at that time to give half-compensation for improvements at the end of the term. This the 1910 legislation nullified. The term before 1910 was fifty years, with half-compensation for improvements, but we leased also on another principle—a twenty-one-years renewable lease with revaluation, as prescribed in the Municipal Corporations Act. In 1911, when I was returned to the chair of the Board, the Board decided to abandon, except in the case of one or two residential properties on the northern shores of the harbour, the perpetual renewable lease in favour of a lease for a straight-out term of fifty years without compensation. During the whole of my term I strongly advocated that, and the Board adopted that policy and maintained it strongly. The rentals were, of course, a little lower than would have been fixed had the half-compensation clause been in. The Board followed my suggestion that as soon as possible we should fix the upsets on a basis of 4 per cent. of capital value, and that in the latter term of my chairmanship was always done. The general system now is a long term in preference to a perpetual renewal lease. This was brought about purely because in the judgment of the Board it was a better method both in the interests of the Board and of the tenant, particularly having regard to the fact that nearly, if not all, the Board's properties were within the confines of the commercial area of the city, upon which very valuable buildings would be erected. Fifty years was regarded as the probable life of a building, and a lease for that term would give time to any firm or company to establish sinking funds and wipe off their building. Such a system is essential for any soundly conducted business. Under the perpetual-lease system a tenant cannot do that, because he does not know what his rent for the next twenty-one years is going to be. I am aware that in Wellington and in Dunedin other systems are preferred, and I would not dogmatize. The progress of a city and the trend of values during recent years must be taken into account. I should have brought before the Auckland City Council the question of adopting the Harbour Board form of lease had their interests in leases been greater. With regard to the method of arriving at the new rentals at the end of a term of lease, I have had only slight experience in connection with the Corporation leases in the last two years, but I am inclined to think the valuation system is the better one—more equitable and satisfactory to the tenant and to the Corporation than the arbitration system, where a number of lawyers and witnesses are engaged. I think the 60 per cent. suggested by the Wellington Corporation as valuation for improvements in the event of a tenant being unwilling to continue for a further period is too high. I have always held the opinion that 50 per cent. under any conditions is ample. The rental at the outset could be adjusted accordingly, and the tenant would all along be aware of the terms. If too high a percentage were given for improvements it might lead to a number of obsolete buildings being thrown on the hands of the Corporation. It is practically impossible to force a tenant to keep his buildings in repair. You cannot dispossess a tenant in practice. Of course, with the half-compensation clause, the amount of compensation payable depends too on the condition of the buildings. The onus is on the tenant to look after his own interests. I think the Chairman of the Harbour Board will tell you that the Board has a provision in its leases that the tenant must put up buildings. In 1904 the Corporation leased some sections in Customs Street for a term of twenty-one years, at the expiration of which full valuation is to be given. Thirteen years of that period have gone, and in a few years the city will be in the position of having to give full valuation for the buildings on those sections. The buildings, as a matter of fact, are not worth anything, and we shall have to demolish them.

2. *To Mr. Thomas.*] It is true we only pay on present value, but you know what valuations are. With regard to the Harbour Board's fifty-years leases it is true that if there is a rise in values the tenant gets a substantial benefit, but I have always taken the view that while the leasing body must be protected the lessee is entitled to a fair increment: he is entitled to the benefit of the prosperity of the place to which he has been so large a contributor. We find fifty-years leases always saleable. The fourteen- or twenty-one-years leases no one will look at. They are afraid of the revaluation.