

HAROLD DENNETT HEATHER examined. (No. 22.)

1. *To the Chairman.*] I am Chairman of the Auckland Harbour Board. The system of leasing the Board follows is to grant a fifty-years lease, with one rental throughout. At one time we used to have what is known as a Glasgow lease, but in 1912 it was decided to change to this fifty-years lease. In previous years the Board used to issue leases up to fifty years, and now the decision of the Board is that a fifty-years lease is the most equitable to the lessor and to the lessee. Several prominent business men have spoken to me about it, and they all seem to think a fifty-years lease gives them a better chance of forming their sinking fund and winding it up at the end of their term. When we let in the first instance, in order to arrive at our rentals we get valuers to make independent valuations. Those valuations are submitted to the Board, and the Board determines the rate at which the leases are to be offered. We believe that a valuation reckoned on the basis of 4 per cent. on the capital value gives a fair return. I have here a copy of our Glasgow lease and a copy of the present fifty-years lease. [Copies put in.] None of our leases have fallen in yet. Our Glasgow lease is different from the Dunedin lease. The tenant has the option of either agreeing with the Board as to rent or having the lease put up to auction. In the case of our fifty-years lease we do not feel there should be a revaluation in, say, twenty-five years in order to give us the benefit of any rise in values. We start off with a fairly good rental—at any rate, 4 per cent.—and, of course, the property reverts to the Board at the end of the term: then whatever buildings are on the property revert to the Board. The only leases of ours which have fallen in are twenty-one-years leases without renewal and without revaluation. The buildings on those leases were very inferior.

HENRY BEAUMONT BURNETT examined. (No. 23.)

1. *To the Chairman.*] I am Secretary and Treasurer of the Auckland Harbour Board, and have been so for the past six years. It is during that time that the long lease was adopted in preference to the renewable lease. But up to 1908 the policy of the Board was to issue long leases of from fifty years up to eighty-four years. From 1908 to 1912 the Board favoured the Glasgow lease. Then when Mr. Gunson, the present Mayor, was Chairman the Board went back to the fifty-years lease. Most of the leases prior to 1908 had the half-compensation clause in them. There are now only sixteen Glasgow leases in the city area, and not one of them is for a shorter term than twenty-one years, renewable. The Board's experience of the Glasgow lease has not, I think, been favourable. The Paterson Street leases fronting Victoria Park are all Glasgow leases, and we had very great difficulty in selling them. I do not think we get the same rental for these Glasgow leases as we should have obtained had we put them up for fifty years. The tenants themselves do not favour the Glasgow lease, as there is not the necessary security of tenure. It is much easier to operate on a fifty-years lease than on a Glasgow lease. As we have had no experience at all yet of leases falling in I should not care to express an opinion on the question of valuation as against arbitration. One disadvantage of the Glasgow lease is that if the tenant cannot agree with the Board as to the new rental, if he does not want to bid for it at the auction, and if nobody else bids, then the whole thing falls back to the Board. The tenant is only protected against the incoming tenant. If there is no incoming tenant the whole thing goes back to the Board. A great many of our older leases had half-compensation clauses in them. The Board had special powers in that respect under the 1885 Act, but those sections were repealed. In 1912, however, we got power to deal with the block opposite the Post-office. We have power there to agree with the lessees to surrender their leases for new leases up to fifty years, and the Board in that case can give half-compensation. That Act runs out this year. The idea was to bring the city up to date. Only two lessees have taken advantage of the opportunity offered.

2. *To Mr. Thomas.*] In the leasing of some land at Manukau we gave the option of a Glasgow lease or a fifty-years lease, with a building clause in it. In most cases they have taken up the Glasgow lease.

EDWARD RUSSELL examined. (No. 24.)

1. *To the Chairman.*] I am a solicitor practising in Auckland, and I have had a good deal of experience with regard to leases of land. I have been solicitor to the Auckland Harbour Board. In my experience, if you had properties of equal value and offered them for lease, giving the option of a Glasgow lease or a straight-out lease for fifty years, the fifty-years straight-out lease would command the higher rental. My reason for believing that is that the tenant would be able to arrange his finances better on the long-term lease than on one with an uncertain rental. Speaking from my own personal experience I should most emphatically say that mortgagees will lend more freely on the long-term lease than on the renewable Glasgow lease. The only experience I have had in connection with revaluation of rents is limited to the Charitable Aid Board leases, and in those cases I think the Board itself fixed the renewal rental. With regard to the case where the Board offered the alternative to the tenants of a fifty-years lease and the Glasgow lease, if I recollect aright, the tenants had to elect within fourteen days after the auction which lease they would take. Most of those tenants came to me in connection with the matter, and the factor that seemed to influence them in taking the Glasgow leases was simply that there was no obligation to build in that lease. If there had been no obligation to build under the fifty-years-lease system they would have taken the fifty-years leases.