

which the properties are maintained, I would point out that there is no inducement to the tenant to keep the property, towards the end of the term of the lease, from going to the bad. Generally speaking it was not the practice to allow the properties to go to the bad.

37. In the twenty-one-years renewable lease there is no covenant to repair, in the fifty-years lease there is: does not that point to the fact that the twenty-one-years lease is regarded by the Corporation as one in which the tenant's self-interest will induce the tenant to keep the property in repair?—That may be the view of the Corporation.

38. Do you know of any property leased by the Corporation that is paying 5 per cent.?—I could not offhand name one.

39. Do you think any system of valuation satisfactory whereby the valuers arrived at a rental in 1914 the same as fixed in 1890 in Customhouse Quay?—As I have said, we were prepared to pay a substantial increase, but we did not expect to be mulct to the extent we were.

Dr. F. FITCHETT examined. (No. 51.)

*Witness:* I understand your Honour wishes to know what the Public Trustee does in renewable leases. We have three systems, each of which is statutory. The one dealing with the largest and most valuable areas is the one applicable to the West Coast settlement reserves. I suppose there is from a million and a half to two millions of acres of land, and the number of renewable leases is about eight hundred.

1. *The Chairman.*] Both town and country?—No; the West Coast reserves are all country lands. Well, the Act provides that not more than three years before the end of the term, and not less than six months, two valuations are to be made by arbitration, and the rent of the new leases is to be fixed by adding 5 per cent. to the value of the fee-simple. Five per cent. is fixed by Act, and it is offered to the outgoing lessee at that rent. The lease is put up for auction by the Public Trustee at any rental he likes, not exceeding that fixed by arbitration, and burdened with the valuation of improvements; but he makes a separate valuation of the improvements, because there might be a change since the original valuation—a period of three years. If it is sold at the upset or above it the purchaser pays the outgoing lessee the value of the improvements. If the outgoing lessee becomes the purchaser, of course, matters stand as they were. If he does not get an offer at all then the outgoing lessee has the right to continue in occupation at the original rent until the Public Trustee can dispose of it.

2. Do you find many continuing in occupation?—No. What we do is, we have these valuations for renewal made in batches. We take land contiguous or nearly contiguous, and during the three years. During the last year we valued five groups, and there have not been more than two cases in which the outgoing lessee did not take it. The result I may quote: The rental under the old leases totalled £12,000, and under the new £29,500, showing an increase of £17,500. That system, so far as I can judge, has worked satisfactorily. I find there are very few cases where the outgoing lessee refuses to take the lease.

3. Pausing there for a moment, do you find valuation in batches economizing the expenditure?—Economizing the expenditure and introducing uniformity.

4. Do you think that in Corporation leases it would be an improvement to have a provision that these leases should expire at a definite time, so that they might be valued together?—Undoubtedly it ensures uniformity and diminishes the expense. The expense in our own case is exceedingly small. We have a graded scale: for 1 acre and under, one guinea; for 2 acres and over 1, two guineas; for 4 acres and over 2, four guineas; for 5 acres, five guineas. You see we have a batch, and the Public Trustee appoints one man and the lessees invariably appoint one man, and the result is a substantial thing for each valuer.

5. You have a third man?—Yes, an umpire; but he is seldom resorted to—he is an umpire, not a third arbitrator. Then we have the West Coast and Nelson Native reserves; they are town reserves largely; the whole of the Town of Greymouth and a great portion of Westport is comprised in these reserves. There the renewed lease is offered to the lessee at an annual rental of 5 per cent. on the unimproved value as fixed by the Government valuer, but both sides have to accept that. The Public Trustee may object, but if he objects it goes to arbitration in the ordinary way. The lessee is not bound to take it, and if he does not then it goes to competition at the upset rental fixed by the valuers, subject to payment for improvements as fixed. If it is not disposed of the outgoing lessee must protect himself.

6. Is it not your experience that there is no competition at the auction?—Yes, there is a very firm ring.

7. We have it in Dunedin. There is never any competition at auction; so much is this the case that they seem to think the auction might be dispensed with?—In Dunedin my experience was that the outgoing tenant always bid the upset, and that nobody bid against him. The other form is in connection with some land at Palmerston North—suburban lands—and they are disposed of under the Public Bodies' Leases Act. The term is for twenty-one years, and the tenant has the option to arrange for a renewal under either the First or the Second Schedule of the Act. He makes his election within six months of the expiry of the lease. If he happens to proceed under the First Schedule then valuers are appointed and one valuation is made—that is the fair rental of the land, omitting the improvements; but there is no separate valuation for improvements. If he does not take it he forfeits all improvements. Under the Second Schedule valuers are appointed and two valuations are made, one of the value of the ground-rent and one of the substantial improvements. The lease is then put up to auction burdened with the valuation of the improvements, and the purchaser pays the outgoing tenant the value of the improvements. If the lease is not disposed of the improvements are forfeited. These schemes we have are each fixed by statute. I cannot say how the Palmerston North scheme has worked because the question has not cropped up.