

1932.
NEW ZEALAND.

POST AND TELEGRAPH DEPARTMENT. RADIO - BROADCASTING SERVICE IN NEW ZEALAND

(STATEMENT BY MINISTER OF TELEGRAPHS REGARDING).

Laid on the Table of the House of Representatives by Leave.

THE agreements between the Postmaster-General and Minister of Telegraphs and the Radio Broadcasting Co. of New Zealand, Ltd., in reference to the provision of a broadcasting service in the Dominion, expired on the 31st December, 1931.

The main agreement provided that, in the event of the agreement not being renewed, the Crown would purchase from the company the whole of the plant, machinery, apparatus, &c., at a price to be agreed upon by the parties, and that, in the event of the company not agreeing to the valuation, the amount to be paid would be determined by arbitration. The valuation made by officers of the Post and Telegraph Department amounted to £27,353; but the company claimed £85,812.

Accordingly, His Honour Mr. Justice Blair was appointed arbitrator. The arbitration proceedings commenced just prior to Christmas, 1931, and lasted until the 6th February, 1932. The price fixed by the arbitrator to be paid by the Department for the company's assets was £58,646 6s. 2d.

The text of the award made by Mr. Justice Blair, the reasons for his award, and a statement summarizing the valuations by the Department and the company of the company's assets, together with the arbitrator's assessment, appear at the end of this statement.

Incidental to the purchase of the plant and apparatus from the Radio Broadcasting Co., it was necessary to pay the company the sum of £5,000 8s. 8d., representing interest on the amount of fees collected on behalf of the company and held by the Post and Telegraph Department in the Broadcasting Fund.

On the 1st January, 1932, the broadcasting service was taken over by the New Zealand Broadcasting Board, which was appointed by the Governor-General under the provisions of the Broadcasting Act, 1931.

The personnel of the Board is as follows:—

Mr. H. D. Vickery, of Wellington, Chairman.
Mr. G. R. Hutchinson, of Auckland.
Mr. L. R. C. Macfarlane, of Culverden.

The period of the appointment of the Chairman is four years, and of the other members three years.

In accordance with the Broadcasting Act, 1931, I required the Broadcasting Board to pay the sum of £58,646 6s. 2d. for the stations and plant taken over by the Board. That amount has been advanced by Government to the Board by way of a loan, repayable in quarterly instalments over a period of ten years, with interest at the rate of 6 per centum per annum, reducible to 5 per centum per annum if paid within twenty days of due date.

The new agreement with the Board provides for payment by the Department of five-sixths (*i.e.*, 25s. per annum) of the fees received from listeners. Of the balance of the annual fee (30s.), 3s. per annum is paid by the Department for patent rights to Amalgamated Wireless (Australasia), Ltd.

ADAM HAMILTON,
Minister of Telegraphs.

12th September, 1932.

1—F. 3.

AWARD.

Award of the Honourable Archibald William Blair, Judge of the Supreme Court, in the matter of Arbitration between the Postmaster-General and Minister of Telegraphs and the Radio Broadcasting Company of New Zealand, Limited, as to the Company's Assets.

WHEREAS by an Agreement bearing date the 18th day of July 1925 and made between the Postmaster-General and Minister of Telegraphs of the Dominion of New Zealand of the one part and William Goodfellow of Hamilton New Zealand Gentleman and Ambrose Reeves Harris of Christchurch New Zealand Merchant as Trustees for an intended Company of the other part provided *inter alia* in clause 23 thereof that if upon the termination of that Agreement the Postmaster-General and Minister of Telegraphs did not enter into a new agreement with the Company to carry on a broadcasting service for a further term then the Crown would purchase from the Company the whole of the plant machinery apparatus and chattels belonging to the Company and at the time in proper working-order and used by it in connection with any of its broadcasting stations in carrying on a broadcasting service at a price to be agreed upon between the parties and further provided that if the parties could not agree upon the price to be paid for such plant machinery apparatus and chattels then the amount to be paid should be determined by arbitration in accordance with the Arbitration Act 1908 or any Act passed in amendment thereof or substitution therefor And whereas the intended Company referred to in the said Agreement was duly formed and registered under the name of "The Radio Broadcasting Company of New Zealand Limited" and the said Company duly took over and adopted the said Agreement dated the 18th day of July 1925 And whereas the said Agreement of the 18th day of July was amended in certain respects by subsequent agreements made between the Postmaster-General and Minister of Telegraphs of the Dominion of New Zealand of the one part and The Radio Broadcasting Company of New Zealand Limited of the other part bearing dates respectively the 16th December 1926 and the 4th September 1929 but was confirmed *inter alia* as to clause 23 thereof And whereas the term or period of the said Agreement of the 18th day of July 1925 was originally the term of 5 years from the 30th day of August 1925 but was by the Agreement dated the 16th December 1926 amended to the term of 5 years from the 1st day of January 1927 And whereas the Postmaster-General and Minister of Telegraphs upon the termination of the said Agreement as amended did not enter into a new agreement with the said Radio Broadcasting Company of New Zealand Limited and the Postmaster-General and Minister of Telegraphs of the Dominion of New Zealand and the said Radio Broadcasting Company of New Zealand Limited failed to agree upon the price to be paid by the Crown for the purchase in pursuance of clause 23 of the said Agreement of the plant machinery apparatus and chattels belonging to the said Company and at the time in proper working-order and used by it in connection with any of its broadcasting stations in carrying on a broadcasting service And whereas by an appointment of arbitrator and agreement dated the 29th day of December 1931 made between the Postmaster-General and Minister of Telegraphs of the Dominion of New Zealand (hereinafter called "the Minister") of the one part and The Radio Broadcasting Company of New Zealand Limited (hereinafter called "the Company") of the other part the Minister and the Company duly appointed me Archibald William Blair a Judge of the Supreme Court Sole Arbitrator under the said Agreement of the 18th day of July 1925 to fix the price and amount to be paid by the Crown for the purchase of the property specified in clause 23 of the Agreement dated the 18th July 1926 and referred also to my award and final determination the price to be paid by the Crown to the Radio Broadcasting Company of New Zealand Limited for the purchase of other properties and assets referred to in the said appointment of Arbitrator and agreement And whereas by the said Agreement of 29th December 1931 it was further provided as follows—

"The Arbitrator shall also settle if, having regard to the terms of the lease from the Wellesley Club to the Company and the arrangements the Minister can make for a renewed lease, it is fair and reasonable for the Minister to make an allowance to the Company in respect of the improvements effected by the Company to the demised premises and the Arbitrator shall settle the amount of any such allowance and the same shall be paid by the Minister to the Company."

And whereas I the said Arbitrator having taken upon myself the burden of the said arbitration and having sat for the purpose of hearing the evidence of the parties at Auckland on the 23rd day of December 1931 at Christchurch on the 29th December 1931 at Dunedin on 30th December 1931 and at Wellington on the 6th 19th 20th 21st 23rd 25th 26th 27th 28th days of January 1932 the 1st 2nd 3rd 4th 5th and 6th days of February 1932 when the evidence of both parties was concluded before me and having on the 29th day of December 1931 enlarged to the 31st day of January 1932 the time for making my award and having on the 28th day of January 1932 further enlarged the time for making my award until the 15th day of February 1932 and having on the 11th day of February 1932 further enlarged the time for making my award until the 29th day of February 1932 and having considered all the evidence which has been adduced before me I the said Arbitrator do therefore make and publish this my award in writing of and concerning the matters so referred to me as aforesaid in manner following that is to say—

I do award and direct that the price and amount to be paid by the Crown to the Radio Broadcasting Company of New Zealand Limited for the purchase of the property and assets set out in Schedules "A" and "B" referred to in the said appointment and Agreement dated the 29th December 1931 shall in respect of each and every item of the said Schedules be the sum of Fifty-eight thousand six hundred and forty-six pounds six shillings and two pence in all (£58,646 6s. 2d.).

And I do further award and direct that the fair and reasonable allowance for the Minister to make to the company in respect of the matters referred to in clause 13 of the said Agreement of 29th December 1931 is the sum of £588.

And I declare that attached to this my award is a statement of my reasons for my said award.

I further award and direct that the costs of and incidental to this award including Arbitrator's fees, secretarial fees, travelling-expenses, the fees of an accountant employed by me (at the request of the parties) to make sundry calculations and check and verify certain figures, and the rent of rooms for the holding of the Enquiry, the whole of which I fix at the sum of Four hundred and nineteen pounds fifteen shillings (£419 15s.) shall be paid as to one moiety thereof by the Postmaster-General and Minister of Telegraphs, and as to the other moiety thereof by the Radio Broadcasting Company of New Zealand Limited.

I further award and direct that the legal costs of and incidental to this award which I fix at the sum of £10 10s. 0d. shall be borne by the said parties in like proportions.

In witness whereof I have hereunto set my hand this sixteenth day of February, 1932.

Signed and published by the said Archibald William Blair in the presence of— } A. W. BLAIR.
J. C. Hutton, Judge's Associate, Wellington.

REASONS FOR AWARD.

Reasons for the Award of the Honourable Archibald William Blair, the Arbitrator appointed by Agreement made the 29th day of December, 1931, between the Postmaster-General and Minister of Telegraphs of the Dominion of New Zealand, of the one Part, and the Radio Broadcasting Co. of New Zealand, Limited, of the other Part.

The Crown has taken over the whole of the assets of the Broadcasting Co. as a going concern, and the change involved no interruption in the broadcasting service theretofore carried on by the company.

The whole organization was delivered to the Crown complete and intact. The agreement between the parties appointed me sole arbitrator to settle the price payable by the Crown to the company "in accordance with and under the terms of the proviso to clause 23" of the agreement of the 18th July, 1925. This proviso says,—

"Provided that if the parties cannot agree upon the price to be paid for such plant, machinery, apparatus, and chattels, then the amount to be paid shall be determined by arbitration. . . ."

Clause 3 of the agreement of the 29th December, 1931, provides:—

"In applying the said proviso the land buildings plant machinery chattels property and assets set out in the said schedules, shall be valued as part of a going concern but eliminating goodwill and any consideration of the past profits of the Company."

The schedules referred to comprised a complete inventory of the whole of the plant, &c., on the company's four stations.

The agreement contained provisions as to the apportionment of outgoings, but this has been the subject of arrangement between the parties, and I am not concerned with it.

Clause 13 of the said agreement provides for the settlement by me of a claim by the company for a reasonable allowance in respect of the immovable improvements made by the company to the studio of 2YA, but this question has been settled by agreement between the parties, it being agreed that I am to award the company the sum of £588 on this head. This I accordingly do.

It was contended by the Crown that the instructions to me to value the assets "as part of a going concern" had the effect of requiring me to approach the consideration of the subject upon the basis of considering what percentage would be allowed in a broadcasting company's balance-sheet each year by way of depreciation. It was submitted that if reasonably minded directors would in such a business allow, say, 10, 15, or 20 per cent. for depreciation, then the percentage so allowed was what I should adopt as proper depreciation for the company's plant. It was pointed out that the Commissioner of Taxes, so far as the company was concerned, had for income-tax purposes agreed to accept a certain percentage as reasonable depreciation, and this practice was strongly relied upon as affording evidence of the practice of business men. In other words, the Crown contended that the basis of value was original cost depreciated by such percentage as reasonable men, in conducting the affairs of that business, would in the company's balance-sheet allow. It appeared to me that such was not the proper basis, because no business man buying a business would be content to take mere book values, because such might well be appreciated, nor would any seller of a business who, for abundance of caution, has made drastic provision for depreciation, be content to sell the assets at less than their real value. It

was pointed out to counsel for the Crown that the whole of the evidence already taken as to the value of the furniture and fittings was upon the basis not of original cost, but of cost if bought new on the 1st January last with due allowance for depreciation howsoever caused. In other words, the basis of value claimed in respect of the furniture and fittings was its then true value having regard to the current market prices for the same goods, due allowance being made for wear-and-tear or other depreciating factors. The basis claimed by Mr. Currie in respect of the plant was thus an entirely different basis from that already claimed by the Crown in respect of furniture. So far as furniture and fittings were concerned, it was not disputed by the company that current prices, as compared with prices ruling some three or four years ago had fallen, but the company further claimed that current prices for plant which had to be imported from America or Great Britain had appreciated by reason of alterations in duties and the rate of exchange.

For the Crown to adopt one basis disregarding original cost where the market had fallen, and another basis adopting original cost where the market had risen, involved inconsistency, and Mr. Currie rightly, to my mind, conceded that only one basis could be adopted—namely, by taking as the starting-point current prices as at the 1st January and deducting proper depreciation. Mr. Currie also properly admitted that if original cost was not to be taken, then his scheme of annual writings-off on a balance-sheet basis could not be adopted.

Upon the question of the factors proper to be considered in the question of depreciation there was difference between the point of view of the Crown and that of the company as to what were to be considered as constituting depreciation. The company did not dispute that wear-and-tear, age, or obsolescence were factors which properly came into consideration. The Crown, so far as the broadcasting plant was concerned, claimed that the factor designated as “obsolescence” must also be considered. The distinction made between the two factors “obsolescence” and “obsolescence” was that a plant or portion of a plant which was obsolete admittedly had little or no value as plant, because if usable at all, it had been superseded by something better, and had, in the eyes of a purchaser, possibly only “scrap” value.

All radio broadcasting-plant is subject to the disability that throughout the world intensive research work is being carried on, and it may be that the plant which to-day is absolutely perfect and the best and most efficient that money can buy will in, say, five or ten years possibly become obsolete owing to new discoveries in the art of broadcasting. It is this liability to displacement by possible new discoveries which is treated as covered by the term “obsolescence.” The company does not dispute that present-day broadcasting-plant may some day in the future, near or remote, be displaced by something better, just as “silent” moving pictures have been displaced by “talking” pictures. But it is claimed, and I think rightly, that this so-called factor in depreciation, called by the Crown “obsolescence,” is not a factor which can in any respect be availed of in depreciating the value of the company’s assets. Every new radio instrument whether it be a receiving or transmitting instrument is, so to speak, born with the taint of this “obsolescence” on it. Every one who purchases such an instrument knows when he purchases it that there is a liability that some day, near or remote, the instrument will be displaced by something newer and better. Yet he pays the market price for such instruments, and cannot, by reason of this taint of “obsolescence” inherent in all such instruments, buy them at less than the ordinary market price. If this “obsolescence” must be taken into account in fixing the price of a second-hand instrument, then it follows that the same rule should apply to a perfectly up-to-date and unused instrument. If at the moment the Crown took possession of the Wellington Station the company had just completed the installation of the newest and most-up-to-date instrument procurable in the world, at a cost of, say, £10,000, the market price of such equipment would be the figure at which it had just been bought. But if the Crown’s contention as to “obsolescence” is to prevail, it could not be disputed that that perfectly new plant was subject to the risk of being displaced by something newer or more efficient, according as the art of broadcasting or something in its place progressed.

This risk of “obsolescence” is inherent in all broadcasting equipment new or second-hand. But one cannot buy any broadcasting equipment without paying the market price. It may be said that nearly every article of commerce is subject to this disability of “obsolescence.”

If the Crown’s contention be sound, then the purchaser of the stock-in-trade of a vendor of perishable goods—say, meat or butter—could say that as the stock would perish in a matter of days or weeks the true market value of the goods at the moment of sale must be depreciated because of this quality of “obsolescence” inherent in the goods themselves. This quality of “obsolescence” cannot to my mind be divorced from and separately assessed from the market price, as the Crown has claimed to be able to do. It is a taint inherent in all evanescent goods, and, as such, affects the market price itself, but cannot be supersubtracted from the market price as a further depreciating factor separate and distinct from the market price. I therefore reject the contention of the Crown that special depreciation must be assessed in respect of the quality of “obsolescence” inherent in all broadcasting equipment. In this view I am supported by the *National Telephone case* (29 T.L.R. 190) and some other cases cited by Mr. Northcroft.

In dealing with the question of depreciation I have not overlooked the fact that owing to certain advances made in the manufacture of broadcasting equipment, the equipment of to-day is in certain respects more efficient than the equipment at the company’s stations. A person proposing to equip a broadcasting-station to-day, and having the means of buying the very latest equipment, would not pay the same price for something made three or four years ago, even if the latter had never been used, if the earlier model were less efficient than the later model. And if, in addition, the old model had been subjected to a certain amount of use, a buyer would offer a less price on this account.

The Crown in the present case is not an untrammelled buyer free to search the world for the latest in transmitting equipment. It has, on the contrary, agreed to buy the very plant that the company is using in its business. This plant to-day is worth the market price of such an equipment if purchased new to-day in competition with later, better designed, and more efficient plants, but subject to the additional deduction due to the fact that the company's plant is not new, but is second-hand.

Although the company's plant has been in use for four years or so, it is to-day just as efficient as when it was new. And given reasonable maintenance and renewals for certain wearing-parts such as valves, generator bearings, commutators, and the like, the plant has a more or less indefinite life because the majority of its parts are stationary, and are not subject to any wear. Certain of the recording-instruments are delicately calibrated, and after many years of use become less accurate and may need recalibration or possibly in a few instances replacement with new ones, but, in the main, it is true to say of this plant that with ordinary care, and with the periodical renewal of valves and occasional attention to the few moving parts of the equipment, it will last indefinitely, and give as good service as when new. It may be said that having been in constant use for three or four years, any hidden defects in manufacture have now had time to disclose themselves and be corrected. An instance of this was mentioned in respect of the original condensers supplied with the Wellington equipment. These after use disclosed manufacturers' defects, and have been displaced by better condensers of another make, and the original makers have themselves also provided a new set free of cost.

But although it is true that the company's equipment will with proper treatment last an indefinite number of years, and give as good service as it has given in the past, the position is that when compared with the very latest equipment, the company's equipment is in some respects, or at some of its stations, not so efficient as the very latest equipment. It is not necessary for me fully to detail the whole of these technical differences, but it will be sufficient if I generally indicate them. The newest plants have—

- (a) One hundred per cent. modulation ;
- (b) They introduce modulation at a lower stage of amplification than is the case at the company's stations ;
- (c) They have a wider band of frequency ; and
- (d) They have an improved wave-length control.

These differences are highly technical, and from the point of view of the ordinary listener, it is highly improbable if, assuming the very latest plant of a like power were substituted for any of the company's present plants he could detect any difference. I think the weight of evidence satisfies me that in the case of 95 per cent. of the listeners no difference would be discernible. It is possible that if the latest 500-watt equipment were substituted for the Dunedin plant, perhaps a few more listeners in such places as Gore and Invercargill might get results a little more clearly than they now receive them. I am not by any means certain on this point, but it is possible. And I think it extremely likely that if the very latest equipment of 500-watt power could effect this suggested improvement at Invercargill or Gore, it would be possible by appropriate alterations to the present plant to attain virtually the same result. I am confident on the evidence before me that no one would advise the "scrapping" of the present 500-watt equipment at Dunedin, and substituting another latest-design 500-watt plant in the hope that any improvement justifying such expense would be noticeable by any of the listeners in the Gore or Invercargill districts. And from a practical point of view the matter of going to the expense of adding refinements to the present lower-power equipment, designed to effect improvements has to be considered from a purely business aspect.

The Government regulations as to broadcasting place a maximum of 500 watts on the power of any stations, unless specially authorized by the authorities. It was deemed wise at the time to set this maximum so as to eliminate interference with other stations. The company at Auckland, Christchurch, and Dunedin took full advantage of this maximum, and in Wellington, with the consent and assistance of the authorities, erected a station of 5 kilowatts—that is, ten times the power of the other stations. I am satisfied on the evidence that if the authorities then knew as much as they now know, they would have provided a greater maximum. The real trouble with Auckland, Christchurch, and Dunedin is that the stations are too low-powered. But this is not the fault of the company, but is the fault of the regulations, which are still in force, and it cannot lie in the mouth of the authorities to complain of low power when the law of the land in existence at the time these stations were erected and taken over demanded it.

The Crown properly has not complained of the low power, but before me it did complain that if these small stations had been of the latest type, their extra efficiency in output would have been such as to make up for the want of power. This is another way of complaining of want of power in the stations as equipped. I am, however, not satisfied that this extra output would result from the substitution of a modern 500-watt-power station. The remedy if more power is required to supply the southern portion of the South Island, would be to erect a higher-powered plant. This is true also as to the other small stations. I am confirmed in my doubts as to whether such increased output can be obtained from modern-designed plants, by the fact that in evidence before me the Crown witnesses proved that manufacturers are not now designing stations of less than 1 kilowatt capacity. If, as is suggested, the 500-watt stations of modern design would have doubled the output of those at Auckland, Christchurch, and Dunedin, then one may wonder why manufacturers design nothing less than 1 kilowatt plants, which, on the same basis, would have four times the output of the present small stations in New Zealand.

The Wellington station, when equipped, had the latest quartz control of wave-length, and the only complaint on this head was that the container in which the crystal is placed was not automatically kept at one temperature. The extent to which variations of temperature in its effect on the operation of the control of wave-length, especially in an even-temperated place like Wellington, was so infinitesimal as to indicate to my mind that the Department was hard put to it to find any fault in the plant in this respect. If this temperature-control is deemed desirable it can easily be added, assuming the Department consider the expense will be justified by improved results. The Christchurch plant was not equipped with quartz control when first installed, this method of control being a later development. Notwithstanding the great expense involved (a matter of about £1,000), the company procured this additional equipment and installed it in Christchurch, but were unable to detect any improvement, and therefore did not install such equipment in the later-installed station at Dunedin.

The company's expert, for testing purposes, used the new and old equipment on alternate nights. He says, and I have no doubt it is the case, that the matter of the expense of installing this equipment was not a factor in the decision to omit the equipment from Dunedin. The real deciding factor was that the new equipment did not produce any appreciable results. No one could detect any difference.

The experts for the Department were handicapped by the fact that they had had little experience in the practical work of broadcasting, and their evidence was in the main theoretical and derived from study rather than practice. The expert for the company, Mr. Bingham, in addition to theoretical knowledge, had behind him the valuable practical experience of supervising the company's operations for about five years. This officer is being taken over by the Department, and there is this much to be said for his evidence that I am satisfied it was given with the utmost frankness and sincerity, and, his engagement with the company being terminated, he has no possible interest in being other than fair to the Department, which is now his employer. Indeed, it might be said that as he will be in charge of the plant and responsible for its satisfactory functioning, his interest would be to point rather to its weaknesses than to its strength, seeing that any failures in the future due to weaknesses in the plant would, if he unfairly denies their present existence, be attributed to his personal neglect or inefficiency, if later disclosed. He would indeed be handicapped in serving the Department if, having now designated as efficient a plant which he knows to be inefficient, this same plant in use disclosed weaknesses the existence of which he now denies.

Mr. Bingham did not dispute that all the company's plants were not equipped with all the improvements mentioned by the Department's officers as standard in the newest designed plants, but he said that these improvements were in the nature of refinements, the advantages of which would be perceptible only to experts; but, from the point of view of practical and efficient broadcasting, the listeners, who are the customers of the business, would be quite unable to distinguish the difference.

I translate his opinion as being that, for all practical purposes, the present plants would accordingly to their capacity render to the listeners just as good service as the very latest plants. I think that the Department's officers, in the opinions they have expressed as to the life and usefulness of the plants, have been unduly pessimistic. No experts unconnected with the Department were called on behalf of the Crown. I have no doubt on the evidence that, given reasonable care, these plants will for the next twenty years render as good service as that which they are to-day rendering. Some of the latest improvements can be added if later it should be deemed desirable, but I think that Mr. Bingham's opinion is sound that to do so would be going to unnecessary expense without any perceptible result so far as listeners are concerned. And this want of perception on the part of the listeners will be due not to the fact that the added equipment will not properly function, but to the fact that such addition is a mere refinement producing no result observable by the customers of the Department.

I took it from the opening of counsel for the Crown that the basis of valuation by the Department was the original cost of the plant equipment depreciated by reason of use and "obsolescence." It is obvious that the wear-and-tear on this plant is negligible, because it has so few moving parts. The electric generators run at high speed and their bearings will show some wear, but the bearings of modern-designed generators, as these are, have a very long life, and it is not a difficult or expensive matter to renew them. Such is an ordinary maintenance item, and spare bearings are kept in stock. The position is much similar in the case of commutators on generators. Generators are the only portion of the plant that run at high speed. A small electrically driven pump is also part of the plant, and its life will be indefinite. The real wearing portions of the plant are the valves, which have a life limited to a matter of hours, and are periodically replaced with new ones from stocks carried. The wear due to the oscillation of the needles in recording instruments is also negligible. The real and substantial disability that a transmitting-plant suffers from is its liability to become obsolete, and this is a gradual process. It never wears out if it gets reasonable maintenance, but it will some day become obsolete. The fact that certain portions of the plant have become partially obsolete is the main factor of depreciation. When compared with the latest present-day designed plants, there are certain respects in which this plant is deteriorated in value in the eyes of a buyer, by reason that some portion of it is out of date because displaced in new systems by something better. If the most modern plant were identical in all respects with the company's plant, then the only factor of depreciation would be an allowance for wear or whatever physical deterioration had taken place by reason of use and the destructive effect of time or the elements. The advances in the art of broadcasting have, however, resulted in certain improvements in modern equipments, and because the company's plant is wanting in these refinements, its plant, in the eyes of a buyer is of less value, even if it had never been used. The Crown, as a buyer of such a plant, is entitled to have an allowance off the price to compensate for this element of "out-of-dateness" or partial obsolescence from which the plant suffers.

The Crown claims that the whole plant should be depreciated to the extent of 60 per cent. of its original cost, making its present value only two-fifths of its original cost. It is admitted that most of this claim is for "obsolescence," a term already explained. I reject this claim for "obsolescence" as a basis of depreciation, but I certainly consider that to the extent that the plant is obsolete due allowance must be made. The Crown in its case before me confined itself to a general claim of 60 per cent. depreciation, and made no attempt to separate "obsolescence" from "obsolescence," so that I have no assistance from the witnesses called for the Crown upon the real point in the case. It was admitted that most of its claim was for "obsolescence." Moreover, although the Crown in its opening led me to understand that it claimed that the proper value was to be arrived at by taking the original cost and deducting 60 per cent. from such original cost, it appeared during the hearing that the Department, for some reason not explained, refused to avail itself of the opportunity given to it by the company of ascertaining what the original cost was. What the Department did was to ignore figures showing what had actually been paid by the company, and the Department's officers then attempted to ascertain what was the original cost either by insufficient inquiries from outside sources or by mere valuation. By adopting this process the alleged original cost was a figure never above the actual cost, and in many instances, a figure well below the actual cost. The Department was thus departing from its own basis, because it lowered the actual cost, and then asked me to award 60 per cent. depreciation on such lowered cost. This meant that I was asked to award depreciation in greater proportion than the Department itself claimed. As an instance of the unfairness of this method, I would refer to one particular item—an extra speech-input equipment installed in the studio at Wellington. This actually cost the company some £700, but the Department's officers treated this item as costing new the sum only of £70, and they claimed a deduction of 60 per cent. from that figure as fair value as part of a going concern.

The difficulty I am faced with in considering the Department's figures for valuation of the plant is, firstly, that they entirely ignore actual cost; secondly, I have no means of knowing precisely how they arrived at their estimates as to the original cost; thirdly, they claim 60 per cent. depreciation, and it is admitted that this 60 per cent. is mainly for "obsolescence," but they could not give me any indication what proportion of this 60 per cent. was attributable to "obsolescence" and what portion was attributable to obsolescence. In the result the whole of the Department's figures relating to plant and equipment were of little use to me for the purpose of ascertaining what was the value of the plant. The Department's officers certainly all expressed the view that 60 per cent. depreciation should be allowed, but once the theory of "obsolescence" is rejected, the whole basis of the Crown's case is gone, and they do not help me by offering any alternative. A great deal of the evidence tendered by the Crown dealt with the question of "obsolescence" and with speculation as to the possibilities of future developments in the art of broadcasting. For instance, some time was spent in suggestions of the possibility that the future development in broadcasting might be upon very long wavelengths, and such a system if ever adopted would call for new plant, and a new arrangement for masts and antennæ. The Crown were faced with this position, that they were on the 1st of January buyers for a broadcasting-plant. If the Department had gone into the best markets in the world for the purpose of getting equipment equivalent in power to that used at the company's stations, it would have been compelled to buy a plant similar in design to that used by the company, but with certain modern refinements. If in a year or two such advances were made in the art of broadcasting as made that plant obsolete, this would not have affected the price the Department would have had to pay on the 1st January last for the latest system in vogue on that date. The company does not dispute that its plant should to some extent be depreciated in price by reason of the partial obsolescence of portions of the plant, and by reason of some slight ageing or wear-and-tear in the plant. The company for income-tax purposes and possibly for the purpose of making generous provision for depreciation, made an allowance for depreciation of 10 per cent. per annum. This is pointed at by the Crown as indicating what should be allowed for depreciation. The company contends that physical deterioration of the plant is negligible, and that any deterioration in value due to advances in the art is very small.

Although, as already stated, I am entirely without any evidence tendered by the Department as to what is a fair percentage to allow for obsolescence, one must apply common-sense to the position and ask oneself what an ordinary buyer desirous of purchasing this plant would be prepared to give for it, with the knowledge that portions of it are slightly out of date due to improvements in the art, and that it has actually been in use for some years. Such a buyer would ask himself, by how much has that plant depreciated by these factors. In essentials broadcasting methods are the same to-day as when these plants were first made. But even if this plant were identical in every respect with the most modern plants, a buyer would call for a reduction by reason of the fact that the plant is second-hand. I think it may well be said that these plants each have a reasonable expectation of life of approximately twenty years from the time they were installed, and that a buyer would demand and receive depreciation in price calculated at five per cent. per annum on their original cost. As the company has devoted most assiduous attention to the maintenance of the plants, the position is that these are in every respect in perfect mechanical condition, so that this depreciation which I allow is really referable to partial obsolescence and the limited life of such plants in the eyes of a buyer.

The plants were respectively installed as follows: Auckland, 7th September, 1926; Christchurch, 7th February, 1927; Wellington, 16th July, 1927; Dunedin, 16th October, 1929.

The three smaller stations have identical equipment, except that in Christchurch crystal control has been installed. I do not think that in the eyes of a buyer he would make any distinction as to the depreciation to be allowed on each of the three stations; and although Dunedin has been in use only two years and three months the other two on the 1st January last had been in use for five years. I consider that a buyer would treat each of these three stations in the same category so far as concerns depreciation, and I accordingly find that the plant and equipment (excluding the steel towers which are in a different category) of each of these three stations, is subject to depreciation for five years at five per cent. per annum—in all, a depreciation of 25 per cent.

The Wellington station is in a different category, because when it was erected it had more modern features embodied in it than any of the other stations. It has been in use since July, 1927, a period of approximately four and a half years, and the depreciation I allow in this plant is four and a half years at 5 per cent.—a total of $22\frac{1}{2}$ per cent. The three smaller stations were equipped with plant manufactured by the Western Electric Co., of the United States of America, this company at that time being looked upon as the best manufacturer of transmitting equipment. The equipment at 2YA was manufactured in England by a firm associated with the Western Electric Co., and having the right to use its data and patents. Owing to alterations in tariffs, imports from the United States of America now have to meet preferential duty levied in favour of British products, and although British products are duty-free, the primage rate on all imports has risen from 1 per cent. to 3 per cent., thus making as far as British products are concerned, an import market less favourable to the extent of 2 per cent. In addition to this, the rate of exchange between New Zealand and England has risen, and the result of these increases in importing costs means an extra cost on present-day imports of not less than 10 per cent., as compared with the importing costs three or four years ago. These factors would result in increased importing costs if new equipment was imported from Britain to-day. A table supplied by the company's accountant showed that increased tariff and exchange-rates on importations from the United States of America mean an increase in importing costs of 68 per cent. The company contends that because these smaller plants were manufactured in and imported from the United States of America then the replacement value must be taken as the United States of America market, and not the British market—the former, with exchange, being some 68 per cent. higher, and the latter, with exchange, being something over 10 per cent. higher. I do not accept the contention that we must assume an importing from America instead of from Britain. Whatever was the position some four years ago, it was not proved to me that a buyer of transmitting-plants would to-day reject British manufacture as inferior to American and take the latter, whatever the cost. I think it must be taken that a buyer would buy in the best market, and I must assume that the market is regulated by the British cost. If the Americans wanted to do business, they would have to meet the market, and it may be taken, I think, that the British prices would be the ruling prices. If, therefore, there be any appreciation in to-day's costs, it would, I think, be on the British and not the United States of America basis. Moreover, duty is levied on the cost in the exporting country, and it by no means follows that a buyer of a second-hand plant would precisely increase his price by the amount of increased importing-costs of new materials. We have not exact quotations to enable us to compare present-day factory costs in England for to-day's equipment as compared with factory costs four years ago. At best, therefore, one must endeavour to judge as near as possible to what extent a buyer, in fixing the price he was prepared to give for a second-hand plant, would appreciate his price by reason of the altered exchange and tariff as between New Zealand and England. An increase in duty is not calculated on the final cost. I think that if I treat these increases as affecting a second-hand-buyer's mind to the extent of $2\frac{1}{2}$ per cent. on cost, I shall be doing no injustice to either of the parties to this arbitration. The result of so doing would in the case of the plant and equipment of the Auckland, Christchurch, and Dunedin stations, be to make a net deduction from cost of $22\frac{1}{2}$ per cent., and in the case of the Wellington station a net deduction from cost of 20 per cent.

The Department does not dispute the correctness of the figures supplied by the company so far as actual payments are concerned. Over and above the actual disbursements by way of payments to makers, duty, and charges, there is shown in the case of the three smaller stations a payment by the company to Harris and Co. of 11 per cent. on actual costs. Harris and Co. imported the plant and made use of their technical knowledge in the specifications for the plants, and also did a certain amount of the financing in the first instance. This 11 per cent. was claimed by Harris and Co. against the company as a disbursement by Harris and Co., the nature of the claim being that Harris and Co. had provided the expert knowledge, clerical assistance, and overhead generally inseparable from the equipping of the company's stations. Harris and Co. also undertook the erections. The makers sent an expert to New Zealand to assist in the erection, and the expenses of this expert were paid by the company. In the case of the three smaller stations the company actually paid to Harris and Co. their claim of 11 per cent. as general disbursements for Harris and Co.'s overhead costs. The Crown does not admit this was a proper payment by the company to Harris and Co., especially as that firm, in addition to being paid this 11 per cent. by way of a disbursement, was also paid a further 10 per cent. for its services. If a business firm imports an article it must add as part of the cost of such article its overhead costs. If such a firm added, say, 10 per cent. to the actual disbursements necessary to import the article, and that firm's general overhead expenses were, say, 15 per cent., the sale of such an article at 10 per cent. on actual disbursements would result in the loss to that firm of 5 per cent. on the transaction. To make a profit it must add its overhead cost, plus its profit, to the selling-price, so that in the case I have assumed the firm would have to sell at 25 per cent. on actual disbursements to make an actual profit of 10 per cent. The firm of Harris and Co., in charging the company 11 per cent. on disbursements for overhead costs, and a further 10 per cent. for profit, actually only made 10 per cent. on the transaction if its overhead costs are 11 per cent. The figure of 11 per cent., as standing overhead costs, was deposed to by Mr. Harris as the proper figure for such costs, and it was not disputed that overhead must be provided for by any business firm. I do not think the percentage unreasonable, and there is the outstanding fact that the company paid it. It is true that Mr. Harris, who has a considerable interest in Harris and Co., is also a director of the Broadcasting Co., but he was not the only shareholder, and the other directors and shareholders are business men, and they would not have paid it had they not been satisfied. The Broadcasting Co., in addition to treating Harris and Co.'s 11 per cent. as a disbursement, paid them in the case of the three stations a further 10 per cent. for their profit.

The company would have had to employ some one to specify the plant and undertake its erection and to allow a remuneration of 10 per cent. on cost is not unreasonable, and such an arrangement is quite a usual one. It is well known that contractors when tendering for works first ascertain their costs (including overhead) and then add their profit. A profit of 10 per cent. on such a transaction quite usual. It is equally common for firms of builders or electrical firms to be employed on a basis

of 10 per cent. on cost. The Broadcasting Co. paid this profit to Harris and Co., and I can see no reason why, in ascertaining the actual cost to the company of its various plants, this payment should be disregarded. In calculating these percentages of 10 per cent. and 11 per cent. duty was excluded.

Upon the above basis the cost to the company of 1YA transmitting equipment (excluding towers, &c.), was—

	£	s.	d.
Cost by makers, including primage duty and landing-charges ..	3,185	18	2
Harris and Co.'s overhead at 11 per cent.	350	9	0
	3,536	7	2
Add Harris and Co.'s profit at 10 per cent.	353	12	9
	3,889	19	11
Add net duty	294	4	0
	£4,184	3	11
	£	s.	d.
The erection costs, including expenses of maker's expert, were ..	651	13	2
To which was added Harris and Co.'s overhead at 11 per cent. ..	71	13	8
	723	6	10
To which was added Harris and Co.'s profit at 10 per cent. ..	72	6	8
	£795	13	6

The total cost of installing the transmitting equipment at the Auckland station actually paid by the company was therefore £4,979 17s. 5d. The Christchurch transmitting equipment erected cost £4,678 14s. 3d. The precise figures for Dunedin were not given, and Mr. Bingham, who previously to this had been on the staff of Harris and Co., had joined the broadcasting staff, and it was he who supervised the erection of the Dunedin plant. Precise details of the cost were not kept as was the case when Harris and Co. carried out the work. The cost of the equipment itself was the same as the two other equipments, but details of erection costs were not kept. I can, therefore, do no more than estimate the cost of erection at Dunedin, and it may be taken that Harris and Co.'s supervision charge totalling £89 10s. 1d. would be saved. I shall, therefore, assume that erection cost in Dunedin was the same as Christchurch after deducting Harris and Co.'s fees. This makes the cost of erecting the transmitting-plant at Dunedin, £4,589 4s. 3d. The total cost for the three stations is therefore :—

	£	s.	d.
Auckland	4,979	17	5
Christchurch	4,678	14	3
Dunedin	4,589	4	3
	£14,247	15	11

Deducting from the above amount depreciation at 25 per cent., and allowing appreciation at $2\frac{1}{2}$ per cent.—a net deduction of $22\frac{1}{2}$ per cent.—makes the total depreciation to be deducted from the cost of the three smaller stations the sum of £3,205 11s. 6d.

I therefore award that the price of the transmitting-plant at the Auckland, Christchurch, and Dunedin stations (towers, &c., excluded) is the sum of £11,042 4s. 11d.

There is at each of the company's stations a further equipment over and above the equipment above mentioned with which I shall deal later.

Applying the same process to the transmitting equipment (towers excluded) at the Wellington station the result is as follows: For this station Harris and Co., by reason of the magnitude of the transaction, charged the company in respect of the purchase of the plant only 5 per cent.

The cost of equipping 2YA was :—

	£	s.	d.
Cost of equipment	13,552	0	0
Plus Harris and Co.'s charges at 5 per cent.	677	12	0
	£14,229	12	0
	£	s.	d.
The cost of assembling and erection, including Harris and Co.'s overhead at 11 per cent was	1,372	13	9
To which was added Harris and Co.'s profit paid by the company at 10 per cent.	137	5	4
	1,509	19	1
Making a total cost of equipping	15,739	11	1
Deduct from the above, depreciation at $22\frac{1}{2}$ per cent. and allow appreciation at $2\frac{1}{2}$ per cent., a net deduction of 20 per cent. ..	3,147	18	3
	£12,591	12	10

I therefore award the sum of £12,591 12s. 10d., the total price of the transmitting equipment (exclusive of towers, &c.) at the Wellington station.

Towers.—As to the towers at each of these four stations, the position is that there has been an increase by the makers in the price of these towers as compared with the price when the Company purchased them. If there had been a reduction in the cost price of towers the Department would have been entitled to the benefit of this reduction, and, in like manner, it is proper when considering their present value to treat the original cost as appreciated if the price was higher at the date the Department took possession. So far as concerns certain items in the schedule of furniture, the position is that the market price of such had fallen at the time the company delivered possession to the Department, and the Department (quite properly in my opinion) claimed that such reduced price was the basis on which depreciation should be calculated. In the case of steel towers the price has been increased, and it is equally proper, in my opinion, to take this increased price as the basis for calculating depreciation, and thus arriving at the price to be paid by the Department for these towers. A table detailing the cost of each of these towers on the basis of such increased cost was prepared by the company and put in evidence. The correctness of the figuring in these tables is not questioned. This table also includes the amount paid for erection, and although the costs of erection were questioned by the Department and countered by the production of expert evidence as to what they estimated the towers would have cost to erect, I see no reason to question the truth of the actual evidence of cost produced by the company. These figures show what was actually paid. The Department's figures indicate what in the opinion of their witnesses ought to have been paid, but on cross-examination I was satisfied that in making these estimates the Department's witnesses entirely overlooked many factors of cost which ought to have been considered. Moreover, the company also produced evidence of expert witnesses which confirmed the reasonableness of the company's figures. The work in the erection of these towers was not undertaken by contract, but was arranged and supervised by Harris and Co. Added to the cost of each tower is a charge of 11 per cent. on cost, which was Harris and Co.'s standard charge for supervising and generally carrying out the work. I have already dealt with the propriety of allowing this item when discussing the cost of transmitting-plant, and my remarks thereon apply equally to the cost of towers.

The matter of depreciation on towers is in a somewhat different category to depreciation on broadcasting equipment. The art of tower-building is more or less stable, its ambits are limited, and it is not the subject-matter of intensive research. Consequently, therefore, there have been no changes in design and the towers if erected new to-day would be identical with those already erected. The only factor of depreciation is their age. For this purpose, although some have been erected longer than others, all four sets of towers may fairly enough be treated as in the same category, and I shall assume five years as a fair average age for each tower. The company asks me to assume a life of forty years, and there was evidence that such a life might well be expected, the steel of which they are composed being very heavily galvanized. The engineers called for the Department asked me to assume a life of only sixteen years. There was evidence before me that towers erected some twenty-five years ago are still in as good condition as when erected. A reasonably minded buyer would certainly assume a longer life than that suggested by the Department. I shall assume a life of thirty-three years, which calls for an annual depreciation of 3 per cent., and on this basis the proper depreciation allowable against the company would be 15 per cent. on the total cost of each set of towers at January prices.

Tables were produced setting out the purchase and erection costs of these towers (the purchase cost being calculated on January's price instead of upon the price actually paid at the time of purchase by the company). It is not necessary for me to give details. In each case the payments to Harris and Co. were upon the same basis as for the other plant.

The figures are as follows :—

						£	s.	d.
Auckland towers	..	..	..	..	..	1,181	5	1
Wellington towers	..	..	..	..	..	2,529	16	0
Christchurch towers	..	..	..	..	..	1,293	1	1
Dunedin towers	..	..	..	..	..	1,011	18	8
						6,016	0	10
Deduct from this depreciation at 15 per cent.	..	..	..	..	..	902	8	0
Making total price of towers and erections	..	..	..	..	..	£5,113	12	10

I therefore award that the price to be paid for the towers at the four stations is the sum of £5,113 12s. 10d.

Additional Broadcasting Equipment.—At each of the company's stations there is additional equipment included in the schedule of "Machinery, plant, and tools" taken over by the Department, but not covered by the award made by me in respect of transmitting equipment and towers, including erection costs.

The amount claimed by the company (including the extra 10 per cent.) in respect of this additional equipment is as follows :—

	£	s.	d.
At Station 1YA, Auckland	1,286	16	7
At Station 2YA, Wellington	3,664	3	6
At Station 3YA, Christchurch	3,717	10	7
At Station 4YA, Dunedin	1,200	2	0
	£9,868	12	8

In respect of the above additional equipment I make a reduction proportionate to the reduction I have made in respect of transmitting equipment and towers.

This reduction for the extra equipment above mentioned totals £3,947 9s. 2d., leaving £5,921 3s. 6d. as the amount to be awarded as the price for such additional equipment. This amount I accordingly award.

The company claims £1,314 14s. 2d. plus 10 per cent. in respect of Section 5 “Machinery, plant, and tools” at the Head Office, Christchurch. I allow for the equipment in this section the sum of £1,117 9s. 11d.

The company claims £95 15s. plus 10 per cent. for a galvanized transportable iron shed. No evidence was tendered to question the value placed by the valuer employed by the company included in the schedule of claims, but the extra 10 per cent. paid to Harris and Co. would have no reference to this valuation. I award the sum of £95 15s. as the price for this item.

The company also claims the sum of £452 2s. 6d. plus 10 per cent. in respect of the “machinery, plant, and tools” at Head Office, Christchurch, Section 6. This I allow at £384 6s. 2d.

I allow for Section 7, “Miscellaneous equipment and spares,” in respect of which the sum of £2,562 6s. 4d. plus 10 per cent. is claimed, the sum of £2,177 19s. 4d., and award this price accordingly.

This disposes of the whole of the technical equipment taken over by the Department.

I shall now deal with the claims for “office and studio equipment” at the various stations, and also the sections dealing with musical instruments. So far as these classes of equipment were concerned, I had the assistance of evidence given at Auckland, Wellington, Christchurch, and Dunedin by experts in the various relevant trades. I do not think that the experts who valued on behalf of the Department gave due weight to the fact that the equipment was to be valued as part of a going concern. With reference to some items to which attention was particularly directed, some of the Department’s witnesses gave what was to me a more or less indication that in making their valuations they were unduly weighed by considerations as to what in their opinion the articles would realize if separately offered as second-hand and partly used articles. This was particularly the case with some of the Department’s witnesses who valued musical instruments.

It is difficult at the present time to find buyers for luxury items such as grand pianos, and some of the witnesses entirely forgot that the basis of selling and buying as a going concern postulated the existence of both a willing seller and a willing buyer. These witnesses could not dissociate from their minds the fact that the market for full-sized grand concert pianos is even at the best of times extremely limited, and they seemed to me mentally to approach the question of value as if the position were that a second-hand full-sized concert grand piano about 9 ft. or 10 ft. long had been taken into stock to await a possible buyer. One witness who had been many years actively interested in a very large piano business, admitted that his firm had never to his recollection sold a full concert grand piano. The company’s grand pianos were with, I think, one exception, specially imported. The goods in these sections were separately valued, and where wear or damage was apparent allowance was made for the same. The sections therefore have already been subjected to what the valuers for the company considered due allowance for depreciation, and the position is entirely different from that of other portions of the company’s assets where the basis was original cost. The company produced a considerable body of evidence of independent valuers to substantiate their claims in these two sections. The company’s claims in each of these sections are for the amount of their experts’ valuations plus 10 per cent. on such valuations. I do not consider that this 10 per cent. is claimable in these sections, because, as I understood the evidence of the company’s valuers, none of them claimed that an additional 10 per cent. should be added to the valuations they deposed to. I consider that if I make a deduction of 10 per cent. upon the company’s claims (exclusive of the extra 10 per cent. claimed) in these two sections I will be making to the Department full allowance for any possible unconscious enthusiasm for the people who employed them, on the part of the company’s valuers. In the case of two of the company’s concert grand pianos, the valuations exceeded original cost, and for this reason I am, in addition to a general 10-per-cent. reduction, making a special additional reduction of £200 on this account.

The company's claim (excluding the extra 10 per cent.) for office and studio equipment at each of the four stations are as follow :—

	£	s.	d.
1YA, Auckland (Section 1)	946	9	0
2YA, Wellington (Section 2)	2,411	6	9
3YA, Christchurch (Section 3)	1,464	0	2
4YA, Dunedin (Section 4)	1,427	4	7
Christchurch Head Office (Section 5)	1,741	8	0
	<u>£7,990</u>	<u>8</u>	<u>6</u>

From the above I consider 10 per cent. should be deducted, £799 0s. 10d., leaving the sum of £7,191 7s. 8d., which I award as the price of the office and studio equipment as above mentioned.

The company's claim in respect of pianos and other musical instruments (Section 8, supplementary) is as follows :—

	£	s.	d.
1YA, Auckland	808	0	0
2YA, Wellington	899	10	0
3YA, Christchurch	958	15	0
4YA, Dunedin	965	0	0
Head Office, Christchurch	75	0	0
	<u>£3,706</u>	<u>5</u>	<u>0</u>

From this total I deduct 10 per cent. and, in addition, a further sum of £200, thus leaving the sum of £3,135 12s. 6d. which is the price I award in respect of the company's claim for pianos and other musical instruments (Section 8, supplementary).

The company's claim for its library of music is £924 15s. plus 10 per cent. I do not think this 10 per cent claim can apply to this item. The function of this library is to have ready to the hands of any artist music of any and every conceivable description—vocal, instrumental, popular or classic, new or old fashioned, so that any emergency can be met, and so that the artist has the widest variety to select from. There is no doubt that a good portion of the music in the library is old-fashioned, but it happens that such may for some particular occasion be required. If this collection were valued on the basis of what it would fetch if offered for sale, piecemeal, it would be of little value. It could easily be more valuable than its actual cost, or it may be worth considerably less. Its cost is really no criterion of its value, one way or the other. Its value is its capacity to provide music suitable for any and every occasion at a moment's notice, as may be called for by the vagaries of public taste. The actual cost of the library exceeds the company's claim for it. It is a matter of the greatest difficulty to place a money value on it. The Department places on it a value of £302, which indicates a view that it is of substantial value. I am not unmindful that in many other respects the Department's valuers, in my view, adopted too conservative values, and it may be taken, I think, that its figures was not an underestimate.

By reducing the company's claim by 33½ per cent. we arrive at the figure £616 10s., which is the mean between the two contending viewpoints. I shall award this figure as the price for the music library.

The next items for disposal are the claims for "gramophone recordings" (£2,414 17s. 6d. plus 10 per cent.) and "special recorded programmes" (£2,131 11s. 3d. plus 10 per cent.) which I will take together as they are in somewhat similar categories. I do not consider the 10 per cent. addition applies to these items. If it could apply to this and to some of the other items in which it is claimed, it would be by way of a general claim for the existence of the organization. The fact that assets are to be valued as part of a going concern connotes the existence of an organization. Each individual unit in that organization being valued as a going concern has thus attached to it the additional value it bears by being part of an organization. The sum of the values of all the units, if valued on a going-concern basis, constitutes the total value of the whole organization. To give full value to an article on the basis of a going concern, and subsequently to add something for the value of the organization itself would be a *pro tanto* duplication. In some of the items dealt with by me I have included the 10 per cent. paid to Harris and Co., because this was part of the cost, and it was a factor in arriving at the proper figure upon which to calculate depreciation when equipment was being considered from a cost standpoint. But where I am satisfied that the valuers have themselves allowed depreciation, and have in addition given due consideration to the "going concern" element, this payment to Harris and Co. does not, to my mind, enter into consideration.

The value of the gramophone records is enhanced by being portion of a library of some 14,000 disks, which would take years to collect. The diversity of subjects and the arrangement generally is of great value to a broadcasting concern. I consider that the valuations placed on the records by the

valuers for the company, all of whom were independent, are reasonable, they having discounted topical records by 50 per cent., and all other records by 25 per cent. I think it also proved that the records are in first-class condition. For the reasons already stated, I reject the company's claim for the extra 10 per cent., but otherwise allow their full claim of £2,414 17s. 6d.

As to the claim for special recorded programmes which the Department submits are of no value, I think it proved that these have a very great value indeed to a broadcasting organization. These records, which were bought at a remarkably low figure, as compared with costs in the United States of America where they were produced, actually cost the company £3,155 12s. The company paid, in addition, the cost of sending its general manager to the United States of America for the purpose of procuring them, in view of the risk of the gramophone record companies prohibiting the broadcasting of their records.

I adopt as the fair price for the "special recorded programmes" the valuation of Mr. Francis—viz., £1,808 4s. 10d.

There remains for consideration only the company's claim for the unencumbered freehold interest in Station 2YA, Wellington, the amount of which claim is £7,000 plus 10 per cent.

In the first instance, an expert from the makers of the plant was asked to ascertain the most suitable site, and advised that Mount Victoria be selected. Subsequently the General Manager and the Company's engineer came to Wellington to investigate, and ultimately discovered that the land upon which the station now stands was privately owned and could be bought. After certain negotiations it was bought at a price, including costs, of £580. It was submitted that for certain reasons touching the site itself its accessibility to town and its accessibility to a city water reservoir, that nowhere in Wellington was such a suitable site available. I shall assume this to be the case. Mr. Harris says the company would have been prepared to pay £2,000 for this site if the owners had demanded it, and I have no doubt that the company would have been prepared to pay much more than it did. Evidence was given by land-agents supporting the claim that the land, owing to its unique position and suitability for broadcasting purposes, was worth the amount asked by the company for it.

It is not uncommon for a person who first conceives a new or more advantageous use to which a particular piece of land can be put to find that land and other land capable of similar use, much appreciated in value. Such would be the position if there were any demand for sites for broadcasting. But this business is a monopoly, and there can be no other competitors for such sites. It was nowhere suggested that hilltops in Wellington suitable for broadcasting purposes had acquired a special value as such. I do not think that I can allow in respect of the land more than its cost. Accordingly, therefore, I fix its value at £580.

The building is of ferro-concrete, and is specially built for the purposes of a broadcasting station. With the small building accommodating the men, it actually cost £5,700. The company claims £4,700 for the large, and £250 for the small one. Mr. Campbell, the structural engineer who designed the structural portion of the building, after a carefully made estimate, makes its present day cost £4,643 including the small building. Mr. Liddle, the supervisor for the Fletcher Construction Co., after an equally careful estimate, makes the present day cost £4,141 10s. 2d. plus 10 per cent. to cover architects' and clerk of works fees—a total of £4,555 13s. 2d. The small building is used only to house the operators, but its floor was specially heavily built to carry heavy machinery. The waterproofing on the roof, which is of light construction, is showing distinct signs of depreciation, but the building is otherwise undepreciated. The heavy flooring in the small building, and the roofing, call for some reduction.

I shall adopt Mr. Liddle's estimate with a deduction of £100 for these matters, and therefore fix the value of the two buildings at £4,455 13s. 2d.

My award in respect of the 2YA freehold property is therefore £5,035 13s. 2d.

A. W. BLAIR.

16th February, 1932.

ASSETS OF THE RADIO BROADCASTING CO. OF NEW ZEALAND, LTD., AS AT 31ST DECEMBER, 1931.
Summary of Valuations made on Behalf of Minister of Telegraphs and the Company, together with Arbitrator's Assessment.

—	Valuation on behalf of Minister of Telegraphs.	Award.	Valuation by Company.
Section 1. Station 1YA, Auckland—	£ s. d.	£ s. d.	£ s. d.
Machinery, plant, and tools	2,465 7 6	5,635 11 3	8,769 0 9
Office and studio equipment	390 14 6	851 16 1	946 9 0
Section 2. Station 2YA, Wellington—			
Machinery, plant, and tools	8,658 8 0	16,940 9 6	21,398 3 6
Office and studio equipment	1,562 9 6	2,170 4 1	2,411 6 9
Freehold property	2,450 0 0	5,035 13 2	7,000 0 0
Section 3. Station 3YA, Christchurch—			
Machinery, plant, and tools	3,077 2 7	6,955 12 5	10,804 4 5
Office and studio equipment	732 17 0	1,317 12 2	1,464 0 2
Section 4. Station 4YA, Dunedin—			
Machinery, plant, and tools	2,263 16 0	5,136 16 11	8,385 14 7
Office and studio equipment	779 3 6	1,284 10 2	1,427 4 7
Section 5. Head Office, Christchurch—			
Machinery, plant, and tools	565 14 0	1,117 9 11	1,314 14 2
Office and studio equipment	855 11 0	1,567 5 2	1,741 8 0
Freehold property	..	95 15 0	95 15 0
Section 6. Head Office, Christchurch (supple- mentary)—			
Machinery, plant, and tools	252 0 0	384 6 2	452 2 6
Office and studio equipment	..	..	..
Section 7. Miscellaneous equipment and spares	658 8 0	2,177 19 4	2,562 6 4
Section 8. Supplementary—			
1YA, Auckland—			
Pianos and other musical instruments ..	298 0 0	3,135 12 6	808 0 0
2YA, Wellington—			
Pianos and other musical instruments ..	568 5 0		899 10 0
3YA, Christchurch—			
Pianos and other musical instruments ..	438 0 0		958 15 0
4YA, Dunedin—			
Pianos and other musical instruments ..	233 10 0		965 0 0
Head Office, Christchurch—			
Pianos and other musical instruments ..	60 0 0	2,414 17 6	75 0 0
Gramophone recordings	742 0 0		2,476 2 4
Special recorded programmes	No value		2,131 11 3
Music	302 0 0		..
Children's books and music	..		924 15 0
Plus 10 per cent.	..	..	78,011 3 4 7,801 2 4
	27,353 6 7	58,646 16 2	85,812 5 8

Approximate Cost of Paper.—Preparation, not given ; printing (650 copies), £16.

By Authority : W. A. G. SKINNER, Government Printer, Wellington.—1932.

Price 6d.]