

NEW ZEALAND INSTITUTE OF VALUERS

Incorporated by Act of Parliament

President: R. M. DONALDSON

Vice-Presidents: G. J. HORSLEY, R. E. HALLINAN

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Central Districts	R. V. Hargreaves		

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Waikato	J. T. Findlay, Box 9598, Hamilton North.
Rotorua-Bay of Plenty	P. Keyte, Box 1318, Rotorua.
Tauranga (Sub-Branch)	B. R. Watson, Box 670, Tauranga.
Gisborne	R. Kelly, C/o. Ball & Crawshaw, Box 60, Gisborne.
Hawke's Bay	M. I. Penrose, Box 458, Napier.
Taranaki	I. D. Baker, Box 746, New Plymouth.
Wanganui (Sub-Branch)	D. McDonald, M.O.W. & D., Private Bag, Wanganui.
Central Districts	C. M. Leahy, Valuation Dept., Box 242, Palmerston North.
Wairarapa (Sub-Branch)	B. G. Martin, Box 586, Masterton.
Wellington	P. A. B. Wilkin, Box 5124, Wellington.
Nelson-Marlborough	B. B. Jones, Box 167, Nelson.
Canterbury-Westland	C. Stanley, Box 1397, Christchurch.
South Canterbury	M. A. McSkimming, Box 843, Timaru.
	K. R. Taylor, Box 1082, Dunedin.
Southland	G. Parker, Box 399, Invercargill.

PAST PRESIDENTS:

1938 - 1940	N. H. Mackie, Palmerston North.	1960 - 1962	J. W. Gellatly, Wellington.
1940 - 1943	G. B. Osmond, Auckland.	1962 - 1964	- S. Morris Jones, Wellington.
1943 - 1947	- A. W. A. Sweetman, Auckland.	1964 - 1966	M. B. Cooke, Christchurch.
1947 - 1949	- O. F. Baker, Christchurch.	1966 - 1968	- D. G. Morrison, Whangarei.
1949 - 1950	J. A. Wilson, Dunedin.	1968 - 1970	A. R. Wilson, Napier.
1950 - 1951	- O. Monrad, Palmerston North.	1970 - 1971	- J. M. Harcourt, Wellington.
1951 - 1952	L. E. Brooker, Wellington.	1971 - 1974	R. S. Gardner, Auckland.
1952 - 1953	- L. A. McAlister, Wellington.	1974 - 1976	G. M. Niederer, Southland.
1953 - 1954	- W. G. Lyons, Palmerston North.	1976 - 1977	- L. M. Sole, Rotorua-Bay of Plenty.
1954 - 1955	S. E. Bennett, Auckland.	1977 - 1978	- E. J. Babe, Wellington.
1955 - 1957	R. J. Maclachlan, Wellington.	1978 - 1979	P. G. Cooke, Nelson-Marlborough.
1957 - 1958	V. W. Cox, Napier.	1979 - 1981	- P. E. Tierney, Tauranga.
1958 - 1960	- G. C. R. Green, Dunedin.	1981 - 1983	R. M. McGough, Auckland.

LIFE MEMBERS:

S. Morris Jones (1968)	R. J. Maclachlan (1970)	J. D. Mahoney (1977)
M. B. Cooke (1970)	J. Bruce Brown (1970)	E. J. Babe (1982)
	D. G. Morrison (1976)	

HONORARY MEMBERS:

N. H. Chapman	J. P. McVeagh	J. S. H. Robertson
A. D. Thompson	H. H. Bunckenburg	M. Aldred
Sir William Rodger	D. W. Spring	R. Aldred
	J. A. B. O'Keefe	

The New Zealand Valuer

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New Institute President 1983

President's Message

R. M. DONALDSON

At the 1983 Council meeting of the Institute held in Invercargill, Mr R. M. Donaldson was elected to the highest active office in the organisation - that of President of the Institute.

Morley Donaldson represents the South Canterbury Branch on Council and has served the interests of the district and the valuing profession for a considerable number of years. His career commenced with a Rural Field Cadetship in the Valuation Department and he graduated with a Dip. V.F.M. qualification in 1954. He spent a number of years in other centres, notably Masterton, Whangarei and Hamilton before settling at Timaru in 1960 where he was later elevated to the position of District Valuer with the Department in 1968.

Morley Donaldson is a highly respected valuer in the South Canterbury area, displaying particular expertise in compensation and Court work. He is extremely familiar with the South Island high country and pastoral land matters generally.

Mr Donaldson, aged 52, gained registration as a valuer in 1958 and was advanced to Associate status in 1959. The 1975 Council meeting saw his elevation to Fellow of the Institute and, like so many other highly regarded members, this was due recognition for his continuing and generous contribution to the profession. Morley has held every office at Branch level. His participation has included assistance with student education, field days, examiner and newsletter editors. He has assisted in the preparation and presentation of submissions for the Institute on rural matters generally, and was elected Councillor for the Branch in 1977. It was natural that Morley would be asked to accept the responsibilities of Vice-president. He has served four years in that capacity until his recent elevation.

In accepting the unanimous Council vote to be the Institute's head in 1983, Mr Donaldson said he deemed it a great honour to lead the Institute into its forty-fifth year. He noted that a number of smaller Branches had provided former Presidents and that he was particularly proud and grateful to be the first President from South Canterbury. He went on to pay tribute to the hard work done by the outgoing President, Mr R. M. McGough of Auckland, under whose stewardship the Institute has taken some very positive moves into the 1980s.

My term as President comes during a time of extensive change for our Institute, as it moves from sales lists to computerised sales data, from student education to continuing member education, and from a perhaps overly conservative approach to its public image to an approach determined to fully inform the public of services which its members provide.

In a paper entitled "Required Future Commitments" published in the June 1981 issue of "The Valuer" our Immediate Past President, Mr R. M. McGough summarised replies from Branches and posed a number of questions and suggestions to do with the future of our institute. It is a fitting tribute to his work as President that many of the proposals mentioned in that paper have come to fruition. Every President in his time gives of his best, and Mr McGough, in a quiet and dedicated manner, guided our Institute through a period of exciting change, and consolidation.

Our recently appointed Executive Officer, Mr K. M. Allan, heads an experienced administrative team which carries out necessary background research required to assist voluntary input by Executive, Council, and our membership in general, provides assistance to members in carrying out their services to the public, and investigates a host of multifarious activities and legislative proposals, while the input of dedicated voluntary contributors continues at a very high level.

Today our Institute is at an exciting state of consolidation, and if a single word could describe my message to members that word would be "involvement" - involvement in Branch Affairs, Regional Affairs, National Affairs, Seminars, Public Relations, and in every activity which promotes the public reputation and image of our profession.

Membership support for recently instituted administrative and technical changes has been most encouraging and I trust your support for your institute will continue at its present high level.

Elected Vice-President 1983

Mr R. E. HALLINAN

A new Vice-President was elected by the 1983' Council meeting. Mr R. E. Hallinan of Christchurch joins the senior Vice-President Mr G. J. Horsley of Wellington. Roger Hallinan, who has represented Canterbury-Westland as Branch Councillor for four years, has been in private practice in Christchurch since 1972. After completing his initial training with the Valuation Department in Auckland and qualifying with a Diploma in Urban Valuation in the early 1960's, he worked in the Auckland, Invercargill and Christchurch offices of the Department. He gained registration as a Valuer in 1970, was advanced to Associate status later in the same year and since then he has completed his Real Estate examinations. Roger Hallinan has particular interests in the insurance valuation field and has prepared and delivered papers on this and other subjects both here and overseas.

Computer Course For Valuers

MASSEY UNIVERSITY, PALMERSTON NORTH,

11th to 12th AUGUST, 1983

This course is aimed at practical computer applications for valuers and does not assume any prior computing knowledge.

Topics will include: computer selection, an on-line sales system, word processing, data storage and retrieval, data analysis, and specialised computer programs for valuers.

Several practising valuers will outline their experience in the computer area.

Participants will be able to use various computer facilities and tutors will be available to assist.

Accommodation will be available on the university campus.

Enrolment and registration details, and the programme available from: 1st July, 1983, by writing to

MR RAY ZANDER,
INFORMATION OFFICE,
MASSEY UNIVERSITY,
PALMERSTON NORTH.

Closing date for Registration and Fees: 22nd July, 1983.

(Promoted by the Central Districts Branch of the New Zealand Institute of Valuers and the Department of Agricultural Economics and Farm Management, Massey University)

John M. Harcourt Memorial Award

1983

Squire Lionel Speedy Auckland

The John M. Harcourt Memorial Award is a prestigious award made annually by the New Zealand Institute of Valuers to any person, not necessarily a member of the Institute, but one who is considered to have given outstanding service to the profession whether during the calendar year or over a longer period. Wide discretion in the determination of an "outstanding service" is given.

The Award Committee comprising the President and two Vice Presidents had little difficulty in making a unanimous decision this year even though in a number of years, no award has been made.

Mr Squire L. Speedy has given a long service to the profession in the field of education. For more than a quarter of a century he has been a regular author of articles in the Valuer and for almost two decades has been a part-time lecturer and examiner for the Diploma in Valuation at the University of Auckland.

Approached by the Education Committee of the Institute to produce a book that would assist valuers in appreciating financial statements, Mr Speedy this year completed "Financial Appraisal" a significant contribution to both students and practitioners alike.

Not only was this a mammoth task in itself, but Mr Speedy was largely responsible for the production of the book as well as the authorship. Having done all that, he donated the publishing rights to the Institute.

Mr Speedy quite clearly falls within both categories for which the award is made, namely, "outstanding service" both over a long period, and in the particular calendar year. In his written works, Mr Speedy has not only made a significant contribution in the past but a contribution which will long remain in the future.

The Award Committee were therefore pleased to honour Mr Speedy on behalf of the total membership of the organisation to which he has contributed so much.

Citation for Fellowship Graeme John Horsley

Graeme John Horsley is a partner in the firm of Darroch Simpson & Co., Registered Valuers of Wellington.

Born in 1943 he was educated at Scots College, Wellington, and completed the New Zealand Institute of Valuers qualifications in 1967 being admitted to Intermediate Membership in 1967, raised to Associate status in December, 1968 and also registered as a Valuer on 16 December, 1968. Graeme Horsley entered the Valuation profession in 1962 with the Northern Building Society as an Assistant Valuer in Wellington and after some time in the Northern Building Society office in Auckland, was appointed Senior Valuer, Wellington, in 1965.

Upon leaving the Northern Building Society Graeme Horsley joined the Public Valuation firm of Harcourt and Co., where he remained until 1973 when the partnership known as Simpson, Horsley, Nyberg & Associates was formed with the partnership now known as Darroch, Simpson & Co., Public Valuers.

Over a relatively short period Graeme has made a considerable mark within the Institute, firstly serving on the Branch Committee where he became Chairman and then on the National Publicity Committee of which he is currently Chairman, through which he is a member of the Executive Committee. In the role of Chairman of the National Publicity Committee Graeme has continued to promote the work of the Institute and his contribution to the National Executive has been and is considerable.

Elected by the Wellington branch as Councillor in 1979, Graeme currently holds the position of Vice-President of the New Zealand Institute of Valuers.

Graeme's professional standing and his work in the valuation field are highly regarded, particularly within the Wellington region where he has undertaken all facets required of a Public Valuer.

Citation for Fellowship Ian Wylie Lyall

Mr Lyall was born in Dumfermline, Scotland, in 1933 and emigrated to New Zealand in 1950.

He completed his secondary education at Christchurch Boys' High School.

In 1952 he was selected as a Rural Field Cadet and graduated from Lincoln College in 1956 with the Diploma in Valuation and Farm Management.

He joined the Valuation Department, Christchurch, in 1957 and served the Department in various centres - Hamilton, Rotorua, Gisborne, Dunedin and in 1968 was appointed District Valuer for Marlborough.

He held this position until October, 1973, when he resigned from the Department and joined W. G. Hadley in private partnership practice and so operates until the present time.

In 1973 he completed the Professional Urban examinations.

He was on the Gisborne Branch Committee, and has been a member of the Nelson-Marlborough committee since 1970 and has been chairman of that committee for varying periods since and is currently a Councillor of the New Zealand Executive of the Institute.

He is currently a member of the Board of Managers of the Marlborough Presbyterian Church, and has served on the local High School Parent Teachers' Association.

During his career he has been called on many times to give evidence before the Land Valuations Court and later Tribunal, and Town and Country Planning Tribunal, as well as acting on arbitration.

Until this year he has tutored student members of this Institute and the Real Estate Institute in preparation for their examinations.

Being doubly qualified by examination and being a "perfectionist" in all work that he undertakes, he has gained the respect not only of his fellow members of the Institute but also that of the business, professional, farming and local authority community.

His integrity and professional attitude is unquestioned.

Citation for Fellowship Richard Graham Riley

Richard has always displayed a keen interest in the education side of the Institute's affairs and it is perhaps fitting that he currently holds a position with the Housing Corporation where these attributes are recognised.

Richard Riley has always promoted the good image of the Institute and with a pleasant, easy manner has earned the respect of those associated with him, both in his managerial and practical aspects of the profession.

Citation for Fellowship Ng Tee Geok

Richard Riley is the Assistant District Valuer in the Auckland Branch of the Housing Corporation of New Zealand where one of his duties is the responsibility for his Branch's Valuation Bursar training scheme.

Born in 1935, Richard was educated at Palmerston North District High School and after, worked locally as a carpenter before moving to Auckland where he continued working at the building trade.

In June 1963, Richard Riley joined the State Advances Corporation at the Onehunga Sub-office of the Auckland Branch, as a Property Inspector. He enrolled at the Auckland University in February 1965, with the intention of completing a diploma in Urban Valuation, which was successfully attained in 1967.

About the time he completed his Diploma he obtained a position as a valuer with the Auckland City Council where he completed a little over two years before returning to the State Advances Corporation. This time as a Registered Valuer with Associate status and attached to the Auckland Branch Office.

It was not long before promotion saw Richard as a Senior Valuer with the Corporation. In March 1972, he gained further promotion to the position of Assistant District Valuer.

It was at about this time Richard became a committee member with the Auckland Branch of the Institute of Valuers, serving through to 1977 and becoming Branch Chairman in 1976. He has been a keen and loyal supporter of the Institute and has shown real interest in upholding a high level of professional competence and integrity.

Richard contributed conscientiously to his local branch over a number of years, taking part in Institute Seminars, articles for the 'Valuer' and 'News Letters' and also serving over a number of years as an Examiner for the Institute's Professional Course.

Mr Ng Tee Geok fulfils all of the requirements for advancement to Fellowship status that are enunciated in the 1971 Council Meeting resolution and in particular conditions (d) (i), (ii) and (iii).

Born in 1941 in Kuala Lumpur, now the capital of Malaysia, and uprooted to Singapore in an attempt to run away from the attacking Japanese forces. Started working life as a Housing and Maintenance Inspector with the Singapore Housing and Development Board in 1960.

He was the first Colombo Plan Student from Singapore to join the Wellington Office of the Valuation Department. He passed the Professional Urban Examinations of the New Zealand Institute of Valuers in 1964 and was awarded the Institute's Trophy. After obtaining registration as a New Zealand Registered Valuer returned to Singapore and assumed the post of Valuer in 1965. Promoted to Senior Valuer in 1969 and in 1970 was appointed Chief Assessor of Property Tax and Acting Chief Valuer. In 1972 was promoted to the post of Chief Valuer and awarded the Public Administration Silver Medal in the National Day Awards.

In 1975 proceeded to the Harvard Law School under a United Nations Development Program Fellowship for one academic year and did the International Tax Program. In 1978 assumed the additional duties of Deputy Commissioner of Inland Revenue (Property Tax) in the Inland Revenue Service. Promotions in 1980 and 1982 followed. Resigned from the Inland Revenue Service, March 1983, to take up the higher post of Chief Manager (Property Management), with the Post Office Savings Bank which is being converted into a commercial bank.

In the field of valuers' education he guided a long procession of young valuers trained by the New Zealand Valuation Department for the services of the Singapore Government since 1966. Also instrumental in starting the Bachelor

of Science (Estate Management) degree course at the National University of Singapore in 1970. At the present time a Member of the Curriculum Advisory Committee in Estate Management of National University of Singapore. Mr Ng is also a 'Fellow' of the Singapore Institute of Surveyors and Valuers.

Mr Ng is held in the highest esteem by the valuation profession not only in Singapore and Malaysia, but also throughout Australasia and the Commonwealth. He has done much throughout his very successful career to improve the status of the valuation profession in his own country and also has greatly enhanced the standing and reputation of the New Zealand profession and Institute in all of his activities overseas.

Report on the 44th Council Meeting and Annual General Meeting of the New Zealand Institute of Valuers

by the Editor

The 44th Council Meeting, Annual General Meeting and Valuation Seminar was held in the Ascot Park Hotel/Motel, at Invercargill, April 16th-19th, 1983.

The Council Meeting was attended by all Councillors and Executive Members, with the exception of Mr R. J. Maclachlan, who tendered his apologies. The President, Mr R. M. McGough, welcomed those present and in particular Mr R. V. Hargreaves, the new Councillor for Central Districts. Mr McGough also extended his thanks to Mr D. G. C. Milburn, retiring as Councillor, and taking up an overseas position. Messrs I. W. Lyall, D. B. Lugton and R. M. Donaldson were welcomed back as re-elected Councillors.

Councillors and invited guests stood and observed a minute's silence in honour of Mr H. J. (Hec) King former member of Executive and Mr H. (Henry) Bunkenberg, an Honorary member who passed away during the year.

ELECTION OF PRESIDENT AND VICE-PRESIDENTS:

Mr R. M. McGough retired as President. Mr R. M. Donaldson (South Canterbury) was elected President.

Mr G. J. Horsley (Wellington) was elected Senior Vice-President.

Mr R. E. Hallinan (Canterbury/Westland) was elected Junior Vice-President.

LIFE AND HONORARY MEMBERSHIPS:

No Life Memberships or Honorary Memberships were conferred.

ADVANCEMENTS TO FELLOWSHIP:

The following members were elevated to the status, Fellow of The New Zealand Institute of Valuers:

Graeme John Horsley - Wellington.
Ian Wylie Lyall - Nelson/Marlborough.
Richard Graham Riley - Auckland.
Ng Tee Geok Overseas/Singapore.

JOHN HARCOURT MEMORIAL AWARD:

An Award has been made for the current year to Squire L. Speedy for his book, "Financial Appraisal", published by the New Zealand Institute of Valuers.

LAND PROFESSIONALS MUTUAL SOCIETY (INC.):

This will now be the officially recognised professional indemnity insurer for the Valuers Institute. There will be four valuer representatives on the Executive. A motion was carried that Executive be given the power to make the appropriate appointments to the LPMSI Executive.

SIX LAND INSTITUTES:

It is clear that the six institutes wish to retain their respective identities and a motion was

passed that the current committee would establish a formal structure which allows each institute to retain its independence but allows a common voice when required in areas of "mutual concern".

REPORTS:

Reports were received from the various committees of the Institute and circulated to Councillors prior to the meeting.

A. Executive: The Chairman of the Executive Committee, Mr A. L. McAlister, advised that a large proportion of Executive's time was taken up in dealing with the volume of complaints. Legal advice was sought. Councillors appreciated the change of format in the agenda and minutes. Executive gained considerably by having the President available for meetings. Councillors expressed their appreciation of the continuing excellent work undertaken by the Executive Committee.

B. Education Committee: The Chairman of the Education Committee and Board of Examiners, Mr S. W. A. Ralston, spoke to his report, bringing Councillors up-to-date with the winding-down of the Institute's involvement in conducting examinations. Twenty-two students were invited to enter "special" examinations of whom nineteen students responded. Sixty candidates entered the practical and oral examinations in March/April 1983. It was decided to arrange a final practical and oral examination in November 1983, to be conducted at local centres.

The publication "Financial Appraisal" by Squire L. Speedy, has been well received. The publication "Urban Valuation in New Zealand Volume II" is progressing steadily, with some draft chapters and most chapter outlines now to hand. As yet, there is no specified date for publication.

The President congratulated the Education Committee on the conscientious approach used to phase out the examinations with all students having been given every opportunity to complete their professional examinations.

The President requested that it be placed on record the sincere thanks of members to George Hunter for his contribution to the Institute during his term as Education Officer.

Mr Ralston then introduced his second report, dealing with the future role of education in the Institute. The Education Committee recommended that the position of Education Officer be dis-established during the current year. The Committee also put forward a strong recommendation that the N.Z. Institute of Valuers publish "Standards" for various types of valuation assignments, investigating this issue over the next 12 months. Motions were proposed and carried approving the principle of continuing education in the valuing profession; that the Education Officer position be dis-established in late 1983; and that a Diary Report be prepared

by the Education Committee to be tabled at meetings with events detailed as far in advance as possible.

C. Publications: It was resolved that the incoming President take a number of medals with him for distribution at the Pan-Pacific Congress.

It was also resolved that the price of publications be reviewed and that this matter be tabled for discussion at future meetings. Certain publications such as "Urban Valuation in N.Z." and "N.Z. Valuer" should be increased in price after the lifting of the current price freeze regulations.

D. Statistical Bureau: The Chairman of the Statistical Bureau Committee, Mr J. N. B. Wall, outlined the activities of the Bureau over the past 12 months. The prime activity has been the efficient distribution of the Micro-Fiche and the testing of the system, with some alterations to meet the requirements of subscribers. There was lengthy discussion on the cost of the micro-fiche system.

Subscription rates were set at the following level for the period 1st July 1983 to 30th June 1984:

- (i) \$200 per annum per subscriber or the level of cost paid during 1982/1983, whichever is the greater.
- (ii) \$70 per additional set per annum, forwarded to the same address with the initial set.
- (iii) Additional set to a separate address; single sets up to the first 4 @ \$200 each per set per annum; additional sets up to 8 @ \$150 each per set per annum; additional sets over 8 @ \$70 each per set per annum.
- (iv) Government Departments - an increase by 10% over the year ended 30th June 1983.
- (v) Full year's sales - current subscribers to same address @ \$70 per additional set per annum.

The above new charges to be implemented from 1st July 1983 or at such time that the current price freeze regulations are removed. Publications of the Statistical Bureau were discussed. Three publications including one new one will be published during 1983. The Modal House Specification and Schedule of Quantities together with the new Handbook will soon be available. There is also a new publication by Byron O'Keefe entitled "The Principles and Practice of Rating and Rating Valuations in N.Z." This is now available for sale.

Councillors considered the recommendation placed before them under the heading "The future role of the Statistical Bureau". The following recommendation was approved, that:

"The Statistical Bureau remains as a recognised service both within and outside the Institute with a full-time Statistical Officer

employed being responsible to the Executive Officer and that a member of Executive be appointed the Statistical member and be responsible for the Bureau's overall operation and reporting to Council."

- E. Current Cost Accounting:-Assets Valuation Standards Committee: Mr K. J. Cooper advised that we have joined the "International Standards Committee" in Melbourne and the 12 members have now increased to approximately 20. The present guidance notes issued to accountants on C.C.A. are likely to remain in force for the next two years. He suggested that the Committee should continue to:
- "Monitor developments here and overseas;
 - Liase with the Accountants Society in Wellington;
 - Ensure that members are kept up to date by way of continuing education;
 - Consider a review of the guidance notes."
- F. Publicity and Public Relations: The Chairman, Mr G. J. Horsley referred to the two principal activities as being:
- (i) The analysis and writing of the annual "state of the market" report and
 - (ii) Comments on press releases and articles in other journals and the preparation of separate articles, journals, and press releases as requested.
- The President recommended that the "annual state of the market" report be retained and that we publicise our activities again in the publication "Info".
- There was considerable discussion on the subject of the most appropriate way of "advertising" the valuing profession. A motion was carried that:
- "In principle Council approves the expenditure up to the sum of \$5000 for the production of "public awareness brochures".
- G. Tariff Committee: Council unanimously agreed that the words of Section 16, Sub-section (1) (K) be altered, as recommended by the Minister, by deleting the words "and prescribing Scales of Charges".
- H. New Technology: The Valuers Registration Board and the Valuer General have both indicated that they have no objection to an on-line system being developed subject to all the contractual and security provisions remaining intact.
- The Committee Chairman, Mr K. M. Allan, then introduced a report describing the on-line sales system, illustrating costs, revenues and financing.
- There were two main issues for Council to discuss:-
- (i) Whether the on-line computer sales system should be commissioned as outlined in the report;
 - (ii) On what basis should subscribers be charged and costs be recovered;

Council agreed to commission the on-line computer sales system as outlined in the report, subject to feasibility checks being monitored by the Executive Committee.

Council also carried a motion to the effect that charges would be based on the number of valuers using each outlet.

N.Z. VALUER: Council approved the advertising of the activities of the other six Institutes at no charge, subject to space availability and the suitability of advertising material.

There was some discussion on the current method of printing of the "N.Z. Valuer". Your Editor was given approval to obtain alternative quotations for publication including variations on the present method of printing. Quotations to be submitted to Executive for consideration. Council approved a change from the present professional card method of advertising in the Valuer to a "Directory" method, in accordance with the general intent of the draft submitted by your Editor

Council also resolved that a formal request be made to Universities offering publication of meritorious studies or articles.

REMITTS: There were four remits before Council, one each from the Nelson/Marlborough, Wairarapa, Canterbury/Westland and Otago branches. Each remit was formally presented, and in each instance the remit was lost. However, with respect to the Canterbury/Westland remit, a motion was passed that:

"Executive give consideration to undertaking a confidential fee survey of practising members for the purpose of substantiating any future Scale of Charges Amendments."

PAN-PACIFIC CONGRESS: Council formally appointed the following Delegates to the forthcoming 12th Pan-Pacific Congress:

R. M. Donaldson: Delegate.

P. E. Tierney: Alternate Delegate.

A second motion was passed that the Executive Committee approve entertainment as required for All Nations Night.

FINANCIAL: The Statement of Annual Accounts for 1982 and the Budget for 1983 were received and approved.

LEGISLATION: The Institute was involved during the year in monitoring legislation relating to the Land Act and the Building Societies Act.

ELECTION OF PRESIDENT AND VICE-PRESIDENTS:

President: Mr R. M. Donaldson.

Senior Vice-President: Mr G. J. Horsley.

Junior Vice-President: Mr R. E. Hallinan.

It was agreed by Councillors that Mr R. M. McGough as immediate Past-President be appointed to Council in terms of Section 13 (3) of the Valuers Act.

APPOINTMENT OF OFFICERS AND COMMITTEES:

(a) Executive

McAlister, A. L. (Chairman)
Cooper, K. J.
Fear, A. B.
Maclachlan, R. J.
Ralston, S. W. A.

(b) Education and Board of Examiners

Ralston, S. W. A. (Chairman).
Chappell, R. J.
Gibson, J. G.
Halstead, G. A.
Orchiston, B. E.
Robinson, B. S.
Templeton, P. J.

Council expects that a reduction in the size of this Committee will apply in 1984.

(c) Statistical Bureau

Wall, J. N. B. (Chairman)
Black, D. G.
Poole, B. G. A.
Robertson, B. J.
Robinson, J.
Tomlinson, P. C.
Waters, K. L.

Council expects that a reduction in the size of this Committee will apply in 1984.

(d) Publicity and Public Relations

Kirkcaldie, G. (Chairman)
Allan, K. M.
Horsley, G. J.

(e) Tariff

McGough, R. M. (Chairman)
Briscoe, J. W.
Lugton, D. B.
Maclachlan, R. J.

(f) Assets Valuation Standards

Cooper, K. J. (Chairman)
Hallinan, R. E.
McGough, R. M.

(g) New Technology

Allan, K. M. (Chairman)
Hargreaves, R. V.
Marks, T. I.
Stewart, A. G.

VALUERS REGISTRATION BOARD REPRESENTATIVES:

Sole, L. M. (Term expires 30th April 1984).
Young, R. P. (Term expires 30th April, 1985).

1984 COUNCIL AND A.G.M.: Councillors agreed that the Sheraton Hotel, Rotorua, be accepted as the Venue for the Council Meeting and A.G.M. for the period 13-17 April 1984.

ANNUAL GENERAL MEETING: The 44th Annual General Meeting was held on the 18th April 1983, chaired by the President, Mr R. M. McGough.

Approximately 75 members were present at the meeting. Mr McGough introduced the newly elected President, Mr R. M. Donaldson of the South Canterbury Branch, who in turn addressed the meeting.

Mr McGough then went on to introduce Mr G. J. Horsley of Wellington as Senior Vice-President and Mr R. E. Hallinan of Canterbury/Westland as the Junior Vice-President.

Apologies were received and proxies noted.

There were no matters arising from the Minutes, which were confirmed to be a correct record.

The Annual Report and Statement of Accounts was formally adopted. The outgoing President announced the names of the four members awarded Fellowship Status. Mr McGough also advised that Mr Squire L. Speedy had been awarded the John Harcourt Memorial Award for his publication "Financial Appraisal".

Mr N. H. Chapman was re-appointed Auditor for the Institute and in closing, Mr McGough expressed the appreciation of the Institute as a whole for the wonderful hospitality of the Southland Branch and the stimulating nature of the Seminar.

The Seminar Papers will be printed in the September 1983 issue of the Valuer.)

Membership

ADMITTED TO INTERMEDIATE:

Carruthers, E. A. (Miss)	Auckland.
Govan, I. J.	Otago.
Graham, J. P.	Gisborne.
Johnson, M.	Central Districts.
Johnstone, A. M. (Miss)	Auckland.
Wood, L. (Miss)	Auckland.
Bird, R. J.	Waikato.
Butcher, W. H.	Waikato.
Cowper, B. D.	Gisborne.
Hudson, P. D.	Rotorua/Bay of Plenty.
Jansen, G. P. L. (Miss)	Wellington.
Johnson, C. M.	Southland.
Kean, P. J.	Auckland.
Laing, G.	Gisborne.
Mayson, N. A.	Auckland.
Murray, P. H.	Nelson/Marlborough.
Poison, R. W.	Southland.
Porter, G. I.	Waikato.
Simpson, G. L.	Hawke's Bay.
Sutherland, L. A.	Waikato.
Tasker, C. R.	Rotorua/Bay of Plenty.
Williams, K. D.	Waikato.
Brunsdon, G. W.	Auckland.
Delbridge, I. D.	Wellington.
Handford, P. R. T.	Otago.
Harrop, D. N.	Taranaki.
Jackson, P. N. C.	Otago.
Munro, G. R.	Rotorua/Bay of Plenty.
Paterson, G. J.	Otago.
Rae, G. C.	Otago.
Spicer, R. B.	Otago.
Shirtcliff, N. K.	Otago.
Trueman, J. E.	Otago.
Watson, A. G.	South Canterbury.

ADVANCED TO ASSOCIATE:

Arlidge, R. S.	Wellington.
Fowler, D. R.	Auckland.
Muskee, A. H.	Southland.
Parker, G. D.	Southland.
Garner, C. A.	Gisborne.
Gerbich, W. N.	Waikato.
Glossop, P. W.	Auckland.
Johnson, B. L.	Auckland.
Johnson, N. J.	Canterbury/Westland.
MacLean, B. R.	Wellington.
Semau, F.	Wellington.
Templeton, P. S.	Waikato.
Li Hiaw Ho	Overseas.
Smits, Gail	Canterbury/Westland.

RESIGNATIONS:

Beech, E. R.	Nelson/Marlborough.
Brown, C. D. A.	Otago.
Douglas, H. R. G.	Canterbury/Westland.
Glassford, P. A.	Canterbury/Westland.
O'Sullivan, D. M.	Overseas.
Wright, G. D.	Canterbury/Westland.
Crosby, L. H. R.	Gisborne.
Kyle, H. C. G.	Overseas.
Maloy, D. G.	Auckland.

RETIRED:

Blaikie, C. W. N.	Nelson/Marlborough - Rule 14(1).
Crawshaw, G. K	Hawke's Bay - Rule 14(2).
Brown, J. A.	Auckland - Rule 14(2).
Buchanan, A. G. H.	Wellington - Rule 14(2).
Brittenden, G. H	Rotorua/Bay of Plenty - Rule 14(2).
McKenzie, M. A	Otago - Rule 14(2).
Roud, R. L.	Auckland - Rule 14(2).
Warmington, D. A.	Auckland - Rule 14(1).
Devlin, L. P.	Canterbury/Westland - Rule 14(2).
Osborne, G.	Wellington Rule 14(2).
Anderson, D. W	Otago - Rule 14(2).
Smith, O. B.	Otago - Rule 14(2).

DECEASED:

Brown, N. R.	Southland.
Meuli, A. C.	Taranaki.
Pritchard, S.	Auckland.
Speedy, L. L.	Auckland.
King, H. J.	Wellington.
Maginness, R. R.	Otago.

RE-INSTATED:

Maloy, D. G.	Auckland.
Horrocks, P. M.	Rotorua/Bay of Plenty.

NEW ZEALAND INSTITUTE OF VALUERS
PASSES IN THE PRACTICAL AND ORAL EXAMINATION 1983

Congratulations are extended to the following students who were successful in the 1982 Practical and Oral Examination:-

URBAN:

Auckland: Armitage, I. R.; Beeson, G. J.; Lambert, M. G.; Stafford-Bush, B. R.; Turner, B. H.
Waikato: Budden, J. K.
Rotorua: Owen, D. J.
Taranaki: Baker, I. D.; Malthus, R. M.
Hawke's Bay: Beggs, B. J.; Peterson, W. H.
Central Districts (P.N.): Quinn, W. E.
Wellington: Beattie, C. H. M.; Louisson, L. T.; Mauchline, J.; Pollock, R. J.; Whitaker, B. J.
Canterbury: McDonald, G. J. (Greymouth); Rankin, D. H.; Roberts, B. P.; Ross, R. J.
Otago: Ansell, G. C.; Howie, R. L.; Paul, B. E.

RURAL:

Northland: Cooper, D. J.; Thomas, G. R.
Auckland: Stewart, M. D.
Waikato: Neill, C. D.
Rotorua: McKinley, M. G.

N.Z.I.V. Professional Examinations

by S. W. A. Ralston, Chairman Education Committee

Following receipt of a report prepared in 1976 by a joint committee representing the Institute and the Valuers Registration Board on the subject of "Education and the Valuing Profession", the Council of the Institute decided to phase out the N.Z.I.V. Professional Examination in favour of university qualifications.

The Actual resolution of the Council made on 18th April, 1977 reads as follows:

"That the tutorial resources available to the valuing profession in New Zealand be concentrated within selected teaching organisations and that the Institute endorses the principle of a full University degree as the ultimate qualification for entry to the profession, and that as suitable and approved University courses become available the Institute phases out its involvement in the present NZIV Professional Examinations not later than 1982 and the Education Committee should bring to the 1978 Council meeting a report and timetable to achieve this."

Subsequently a phasing out timetable was approved which provided for all subjects of the examination to be available up to and including 1981. In 1982 only Town & Country Planning, Valuation Law and the Second Professional

subjects were to be set followed by the practical and oral tests in 1983.

Notice of the withdrawal programme was published continuously in the N.Z. Valuer from December 1979 to March 1982.

In accordance with this programme the theory subjects were set for the last time in November, 1982. Subsequent to this examination, 21 students remained with on average 1-2 final subjects to complete the written section of the examinations. Following consideration of their position the Board of Examiners of the Institute has decided to offer these students special examinations in their failed subjects. These examinations are to be held in Wellington in July 1983 and those who are then successful will be given the final opportunity to enter practical and oral tests in November next. (N.B. Only seventeen candidates have taken up this offer of a special examination).

In considering this matter, the Board decided that in keeping with the general move to university qualifications it would in future arrange for those candidates requiring to sit a law paper to take the courses available through the universities. This position would in particular apply to overseas valuers seeking registration in New Zealand under one of the reciprocal agreements in force who may require to complete an examination in New Zealand valuation law.

Review

AN INVESTIGATION OF FOUR ALTERNATIVE BASES FOR AGRICULTURAL TAX SYSTEMS WITHIN NEW ZEALAND

By I. E. Mitchell

This 1982 dissertation was completed by the author as one of the requirements for the post-graduate Diploma of Agricultural Science at Massey University.

The objective of the study was to examine alternative forms of agricultural taxation with a view to providing a suitable alternative to the present Income Tax system. The alternatives considered were all variations of the idea of a 'factor tax' commonly advocated by agricultural economists. Such a tax would be based on average levels of production rather than actual farm production. This would mean that the level of tax paid by the farmer would be independent of his actual income, and any extra production would not increase tax liability. The objective of a factor tax is to provide an alternative that encourages expanded production.

The four alternative systems analysed in detail were:

- (1) Land value (utilising the existing valuation system).
- (2) Potential stock units (based on the valuers' estimates).
- (3) Modified Storie Index (a system of rating soil productivity).
- (4) Unit product assessment (a system of indexing a property's production developed by the Wairarapa Catchment Board).

The study was based on a survey of selected Wairarapa farms. The survey information was used to develop a series of cash forecast budgets for several typical Wairarapa farms. The author then used this financial information to show the taxation effects of the four alternative systems.

Each system was also evaluated in terms of administrative requirements, availability of required information, and equity to the tax payer.

The author concluded that a tax on land value offered the best alternative. His analysis showed that some adjustments to the tax rate for aspects such as distance to town, farm size, and farm type may be required to maintain a 'fair' system.

The dissertation comprises 95 pages of text, and supporting appendices.

R. V. HARGREAVES.

The New Zealand Institute of Valuers Post-graduate Scholarship in Valuation

Conditions

1. This award is provided by the New Zealand Institute of Valuers to encourage study and/or research at post-graduate level in the science of valuation and to improve professional knowledge and research in valuation topics.
2. The award may be held at any New Zealand university offering valuation qualifications and appropriate post-graduate courses and research facilities.
3. The value of the scholarship or grant, to be awarded annually, shall be up to \$3,000 p.a.
4. The scholarship or grant shall be awarded by the Council of the New Zealand Institute of Valuers who may wish to consult with the applicant's university.
5. One half of the emolument shall be paid in April, and the balance in September.
6. Recommendations for an award shall be based on the candidate's academic attainment. The Council may refrain from making an award in any year if it finds no candidate of sufficient merit.
7. The scholarship or grant may be held in conjunction with other awards.
8. Applications close with the General Secretary, New Zealand Institute of Valuers, Box 27-146, Wellington on 1st October in the year prior to which the award is to be made.

The annual scholarship in valuation offered by the Institute is available to any member of the Institute and is not restricted just to current university students.

Forms on which application should be made are obtainable from the General Secretary, New Zealand Institute of Valuers.

Arbitration Advocacy

EDITOR'S NOTE:

It was an Executive decision that the following letter be published in the Valuer in full together with a reply by R. M. McGough.

THE LIFE OFFICES' ASSOCIATION OF NEW ZEALAND

18th March, 1983
Mr. F. B. Hunt,
General Secretary,
N.Z. Institute of Valuers,
P.O. Box 27146,
WELLINGTON, 1.

Dear Mr Hunt,

Members of this Association have asked me to raise with your Institute, a problem concerning arbitration of rental disputes which has become increasingly more evident and obvious over recent times.

We are advised that there are a number of commercial valuers who make it known that when acting as an arbitrator for a lessor, their submissions will be weighted considerably on the high side and when acting for the lessee, the converse will apply. Our members do not believe that this situation should be occurring, because in their view, once the valuer is appointed as an arbitrator, he is no longer an advocate for his client and should be submitting an arms-length

and unbiassed interpretation of a true and fair market rental.

In other words, our members believe that when a valuer is appointed an arbitrator acting under the provisions of the Arbitration Act, he can no longer be an advocate for his client.

It appears to our members that a number of valuers are not arbitrating at "arms-length" because of the number of arbitrations which are occurring where the submissions of the two arbitrators are very widely apart. In those circumstances when an umpire has to decide which arbitrator has the most convincing argument, quite often the award is based on a "split down the middle". This seems to indicate that there would have been no need for arbitration in the first place if each valuer, in his role as an arbitrator, had stated his true and unbiassed assessment of the market rental.

In light of this situation, we would be grateful if you are able to see any means by which this problem can be remedied and some rationalisation brought back into the arbitration situation. I don't know whether you have an ethical code which might encompass this situation in some way but I know our members will appreciate any action you can take which will help to resolve the present situation.

Yours sincerely,
B. N. BRYANT,
Executive Director.

PRESIDENT'S REPLY

The above letter comes from an organisation who would encounter the services rendered by valuers in some volume. The decision by your Executive in seeking the writer's permission to publish in the "Valuer" is a means of communicating to us all, the views of clients who utilise our services. It is therefore educational in its tenor and content and as your President at the time of receipt, it was my duty to comment. We are indebted to The Life Offices' Association in agreeing to the use of their letter for that purpose.

The correspondent highlights the question of overall standards, a theme which came through repeatedly at the last Council meeting and Seminar in Invercargill.

Interestingly, the letter does not single out any particular sector and would in itself have been regarded as advocacy had it stressed that a problem only occurred with those whose interests were opposite to those of the Association.

The fact that an Award is based on a "split down the middle" does not necessarily mean that there was no need for an arbitration in the first place. It could equally mean that in the Umpire's view, both valuers presented fair and reasoned opinions of equal merit. It is also a fact that disputes are invariably noted and publicised while agreements which represent the majority, seldom are. Take the matter a step further and most valuers can cite the difficult customer who prefers litigation to agreement. Introduce the legal profession who are trained and quite properly act as advocates and the plot thickens.

The foregoing are mitigating circumstances which reduce extensively the extent of the problem outlined. To deny that it does not happen at all, would be hypocritical.

The real thrust of the letter turns on the suggestion that some valuers make it known that they will weigh their submissions to the interests of the party for whom they act and The Life Offices' Association believe that a valuer-arbitrator should not act as an advocate. I agree wholeheartedly.

The matter is clearly covered in the Code of Ethics which, in abbreviated form, reads as follows:

Clause 1: "The first duty of every member is to render service with absolute fidelity and to practise .. with devotion to high ideals of integrity, honour and in a spirit of fairness and goodwill."

Clause 2: "Members shall so order their conduct as to uphold the reputation of the Institute"

Clause 16: "Reliance placed by clients..... on the accuracy and good faith of statements constitute one of the most valuable assets of the profession"

These are high ideals for any profession but adherence to them constitutes the best advertising medium there is. I have already given a number of reasons why arbitrations that do proceed, do not necessarily fall within the ambit of the correspondent's concern but, if some members, and I would place them in the minority, do act as advocates, they do themselves, their clients and the profession an injustice and provide the worst advertising possible.

Hopefully, we will be saved from legislation that precludes us from prohibiting advertising by individual members as that is not in the public interest in my view. The best advertising is undoubtedly high standards. In this respect it is interesting to note a recent article in the Chartered Surveyor Weekly wherein the R.I.C.S. like the N.Z.I.V. is considering the publication of practice statements relating to different facets of the profession.

There appears to be little doubt that recognition of acceptable standards in brochure form or otherwise, could assist in clarifying a valuer's responsibilities and a client's reasonable expectations. It is something which we, like the R.I.C.S. have carried out on the subject of asset revaluations but not other types of work. Take for example, a complaint last year from a major Mortgage Guarantee Company expressing concern at the number of times they are required to refer valuations back to practitioners because while the total valuation was clearly stated, no indication was given of the split between the land and buildings. Adequate building insurance forms part of the security for a loan and I was surprised to find that in some cases, the appropriate figures were not provided as a matter of course.

With these points in mind, it would be my hope that your Institute will continue to publicise the requirement of clients, big or small; that practitioners will continue to advertise the profession by high standards on a collective basis and not an individual basis, the cost of which must be passed on to the public. With our education emphasis moving from primary to continuing education, perhaps one of our first endeavours should be towards the promotion of standards and educating ourselves to the requirements of those we serve.

Let the public tell us what they want, let us tell them what they should expect and if they do not receive it, then they should have our support.

R. M. MCGOUGH,
Immediate Past President.

Auckland University Centenary

Editor's Introduction:

Auckland University's Centenary year would appear to be an appropriate time to review the establishment and development of the Auckland Valuation qualification, currently known as the Diploma in Valuation. This qualification will hopefully soon become the Bachelor of Land Management (BLM).

As one of Auckland University's students of the old Dip.Urb.Val. in the 1960s, your Editor remembers with gratitude the time and effort devoted to the University course of valuation by such pillars as F. E. R. Noble, J. D. Mahoney and S. L. Speedy. There were of course others before and more have followed.

In imposing upon Mr Christiansen to research and write the following article, your Editor was conscious that in New Zealand University educational terms we are still a relatively young discipline. At Auckland we have been involved in the educational sphere only since the late 1930s. However, it is fair to say that the growth of valuation generally as a discipline and the need for broadly based educational qualifications throughout New Zealand parallels the demand by our increasingly complex society for "Valuers" of land in the widest meaning of the word. The market place still requires valuers to value, but there is also an increasing demand for the valuer's skills as adviser, developer, consultant, property manager and arbitrator.

The broadening and development of the Auckland University Course reflects this demand and the change in emphasis of the valuer's work over the past approximately 44 years.

THE EDUCATION OF VALUERS IN THE CONTEXT OF THE UNIVERSITY OF AUCKLAND'S CENTENARY

by W. K. S. Christiansen, Senior Lecturer in Land Economy at the University of Auckland

The University of Auckland was formally opened, as Auckland University College, on 21 May 1883. It became independent in 1962 when the University of New Zealand was abolished.

Auckland was not the first university in New Zealand but it is the largest in terms of student numbers. There were 95 students in 1883; 156 in 1901; 4,000 by 1959; 9,300 by 1970; nearly 10,000 by 1974; well over 12,000 students while Auckland celebrates its first century during 1983.

The academic education of valuers has been a feature of the professional courses offered at Auckland since 1939. Comprehensive proposals were submitted on 13 March 1939 by Professor C. R. Knight whose understanding and support proved invaluable in establishing the course in valuation.

The School of Architecture was established in 1917 and Professor Knight was appointed to the Chair of Architecture in 1925. As the only 'land and buildings' school within the University it was an obvious choice for the location of the new valuation course.

Council approved the proposals for the Diploma in Urban Valuation on 17 July 1939. Professor Knight was able to report in November of that same year that "about fifteen students entered this year". He also commented that the inauguration of the diploma was the result of over two years' discussion with the State Advances Corporation, Valuation Department and the newly created New Zealand Institute of Valuers.

From these comments it would seem that the genesis of the diploma at Auckland University College would go back to 1937, or perhaps even 1936. The association with the School of Architecture has remained constant: it is still where valuation is taught. Enrolment in 1983, for all years, was around 120 students. This represents about 1% of the University total and about 25% in the School.

The current Centenary Year will best be remembered by the valuation profession as the year in which the University of Auckland approved the elevation of the diploma to a bachelor's degree. Council gave its approval on 16 May 1983, within 5 days of the hundredth anniversary of the 21 May 1883 inauguration of the University.

A principal objective in the formation of the New Zealand Institute of Valuers was the raising of standards in the performance of valuation functions. Up to the time of the formation of the Institute, in 1938, no course of prescribed study was available. Among the principal goals of the newly formed Institute were the provision of courses of study, a curriculum, and an examination system.

The NZIV has remained faithful to these objectives. It was instrumental in setting up the urban valuation course at Auckland in 1939 and the rural valuation course at Lincoln at about the same time. It also set up its own examination system in 1947 with study courses available from a variety of non-university sources.

On all fours with overseas example the NZIV has pursued the goal of university qualification for all aspiring valuers. With the last sessions of the Institute's own examination procedures during 1982, the education of valuers is now exclusively in the hands of three universities: Auckland, Lincoln and Massey. The Valuers Registration Board liaises with the universities on a regular basis to ensure that the valuation courses meet the Board's educational requirements.

The first reference to the new course in the University Calendar is in 1940. This stated that Auckland University College "offers a Diploma in Urban Valuation for students engaged in the Public Service and in private employment with valuers. The Course covers three years and includes subjects in Building Construction, Architectural Design, Law, Bookkeeping and a Practical Course in Valuing".

The separate Prospectus listed the following subjects and fees payable by students -

	\$	s	d
Construction I	3	3	0
Construction II	3	3	0
Sanitation and Hygiene and Electrical Installation	3	3	0
Concrete and Steel Construction	3	3	0
Architectural Design	3	3	0
Architectural Civics	3	3	0
Specifications, Measurements and Valuation of Materials	3	3	0
Professional Practice and Building Law	5	5	0
Bookkeeping and Accounts	2	7	0

The above comprised 'Division A' of the course. Architectural Civics was essentially town planning. The Prospectus is silent as to the fees for 'Division B' which comprised the important components:

1. Urban Valuation (two papers)
2. Practical Tests in Valuation of Town Properties (one full day)

Perhaps the silence was due to the fact that at the time of printing the Prospectus the post of Lecturer in the Practice of Valuation was "Vacant". It was not until 19 February 1940 that it was reported to Council "that Mr McClintock had been appointed Lecturer in Urban Valuation".

The fee structure set out above represented 3 guineas for one hour of classes per week and 5 guineas for two hours. There was an examination fee of one guinea per subject sat.

The early students comprised local valuers from government departments, valuers in private practice, and architectural students newly qualified or nearing the completion of their architectural course. The State Services Commission arranged for junior valuers employed in government offices in other towns to transfer to Auckland in order to attend the course.

It will be obvious from the list of subjects in the original diploma that most of these will have already been available within the architectural courses. The advantage of offering the new valuation course within the School of Architecture was that the construction oriented subjects were already available and that the lecturing staff were already in place.

The mainly valuation subjects have been catered for by a devoted band of part-time lecturers, from within the profession, from 1940 until 1974 when the first full-time appointment was made. The appointment of full-time specialist valuation and property management lecturers from 1974 onwards has been responsible for the tremendous strides forward over the past ten years.

Who were the early personalities responsible for promoting the interests of valuation education by devoting their talents on a part-time basis? The NZIV's representatives in the preliminary discussions for the diploma were L. E. Brooker (a practising registered architect), W. G. McClintock (District Valuer) and W. G. Boswell (Government Valuer, subsequently Auckland

City Valuer and latterly senior partner of C. F. Bennett Ltd).

W. G. McClintock was probably the first appointment made and W. G. Boswell was probably the second. Then will have come F. E. R. Noble who lectured for some 15 years. The NZIV Auckland Branch instituted an annual prize in 1982 in recognition of the late Mr Noble's services to the profession: it is awarded to the student who achieves the best record in all the valuation papers.

Other names include J. D. Mahoney, R. M. McGough, J. F. Monds, R. A. Albrecht, S. L. Speedy. Unfortunately the employment records at the University are not such that it is possible to identify part-time lecturers during the whole of the 44 year period in which we are interested. If there are any gaps or omissions the writer can only offer a sincere apology.

Special mention must be made of Squire L. Speedy who has played a prominent part on the part-time lecturing and examining staff since 1964 and is still going strong. Squire Speedy must be the most highly qualified contributor, both professionally and academically. He has specialised in the accountancy and investment appraisal aspects of valuation. He is also patron of the Valuation Students' Association.

An extensive list would be necessary to include all those, from within the profession and outside it, who have contributed over the years. Men and women from a wide spectrum of activities associated with the land have given one or more lectures, participated in seminars and field trips, given demonstrations and so on. The full-time architectural staff of the School continue to provide a significant proportion of the total lecturers.

There is little doubt that 1974 was a significant year in the history of the diploma when R. L. Jefferies was appointed as Senior Lecturer in Valuation. This was the first full-time appointment of a registered valuer to the staff with specific responsibility for the total diploma course. It was Rod Jefferies who made the first serious attempt at producing a degree course. Jefferies tackled the job with his usual enthusiasm but decided, under pressure of commitments, to resign in 1976. He returned to private practice. He is the author of the textbook "Urban Valuation in New Zealand".

In 1977 P. M. Brown was appointed to replace Jefferies. Peter Brown came to the University from the School of Business and Administration at the Western Australian Institute of Technology. He too made a significant contribution. Apart from his endeavours to achieve degree status for the diploma, it was during his tenure that the diploma became a post-graduate qualification and changed its name to Diploma in Valuation. It was also Brown who introduced property management into the course. He resigned in 1981 to take up a position as Senior Lecturer in the Department of Building and Estate Management at the National University of Singapore.

In the meantime, in 1979, R. A. Bell was appointed to the full-time staff to strengthen both

the advanced valuation and property management subjects. Robin Bell's appointment doubled the number of full-time teaching staff specifically responsible for the Dip. Val. It is of interest to note that both Jefferies and Bell, among their several qualifications, had obtained valuation diplomas at the University of Auckland.

In 1981, to replace Brown, the writer was appointed Senior Lecturer. Christiansens's involvement dates from 1978 when he started lecturing part-time in property management, being responsible for formulating the course content and examining the students in this subject. With the assistance of Robin Bell, he embarked upon the third, and hopefully finally successful, endeavour to achieve the translation of the diploma to a degree. The first draft proposals are dated 17 December 1981.

Returning to the syllabus for the Diploma in Urban Valuation, it remained much the same for nearly 20 years. In 1967 the valuation content was strengthened by the addition of a further valuation paper. Further improvements were effected during 1973-74. In 1978 Honours were introduced. In that year a stage 3 valuation paper was added and the property management paper was introduced. By this time the number of subjects necessary to qualify was nineteen.

The pace of upgrading since 1974 has escalated since 1978. In 1979 the intermediate year was introduced and the diploma achieved post-graduate status. The number of papers became 21 including a compulsory Research Topic, plus the opportunity of gaining Honours for outstanding graduates. The diploma with Honours involves the writing of a dissertation of not less than 5,000 and not more than 10,000 words on an original subject in, or relevant to, valuation. Honours is not something one can apply for: it is offered to a few students each year who are judged sufficiently worthy of this mark of academic distinction. At the time of writing 15 Honours dissertations have been successfully completed.

What is probably destined to be the final evolution in the diploma's history took place in 1980. In that year it became the Diploma in Valuation and a further property management paper was added bringing the total of papers to 22 over three years full time study, or longer if studied part time. The stage is now set for the diploma to be superseded by a new degree in 1984 or, at the latest, 1985.

There is a long somewhat frustrating history of endeavour in the profession's attempts to achieve a degree at Auckland. It has been suggested that discussions were taking place as long as 15 years ago. Certainly, degree proposals were being mooted and pressures exerted in 1974-75 and again in 1977. A lot of time and energy were put into drafting degree proposals and in discussions between representatives of the profession, employers, the Valuers Registration Board and the University. It was accepted by University Grants Committee in 1977 that the universities were the proper place for training valuers but this did not, at the time, advance the prospects of a degree at Auckland.

Degrees did become available at Massey University and Lincoln College.

The concept received a fresh boost at a meeting of the Valuation and Property Management Advisory Committee on 1 July 1981 which "recommended that all appropriate steps be taken to achieve a Degree at Auckland". This meeting, in the School of Architecture was chaired by Professor A. A. Wild with representation from the Valuers' Registration Board, the N.Z. Institute of Valuers, the Property Management Institute, the Housing Corporation and full-time and part-time valuation teaching staff.

Since the original desire for a valuation degree, if that time can be pinpointed, the character of the valuation profession has evolved into a broader based and much more complex discipline. The same pressures of "progress" have affected the other professions of the land which, if one goes back far enough, were all part of the same calling anyway. These trends have been bound to have an effect on the perceptions of the professions, the informed public and the academic world on the type of degree most likely to meet the demands of today.

In drawing up the initial draft proposals for a new degree towards the end of 1981, the writer was influenced by the type of degree which had evolved in Britain and elsewhere since just after the First World War. These carried a variety of names but what has emerged is the recognition of "land economy" as a broad based academic discipline catering for the needs of valuers, property administrators, developers, those involved in real estate transactions, the economics of land use decisions, project co-ordination, portfolio management, investment appraisal, the new breed of property consultant

In the light of this approach to the education of valuers, and others responsible for a professional approach to property generally, it became a matter of urgency to place before the University authorities well founded and persuasive proposals for the translation of the diploma to a degree. The name selected, after considerable deliberation, was Bachelor of Land Management. It is still a 3-year course but with additional papers with a wider selection of options and greater valuation content than in the diploma. There is absolutely no doubt that a thorough grounding in valuation is essential to all the other branches of land economy.

The Faculty of Architecture and Town Planning which is responsible for architectural and town planning degrees and for the Diploma in Valuation is developing a multi-faceted role in buildings and land use studies. It houses the Urban Research Unit. It will accommodate the Bachelor of Land Management (BLM). It moved into a new building complex in 1982.

The profession owes a debt of gratitude to Professor Allan Wild who has been Dean of the Faculty since 1969. It is Professor Wild who has presided over the dramatic events from the first appointment of a full-time senior lecturer in valuation to the piloting of the

degree proposals through the University hierarchy. Final approval has yet to be confirmed but what has already been achieved is in itself remarkable.

Few will probably appreciate that two M Phil (Hons) have already been earned at Auckland in the valuation area. One by Squire Speedy who is still lecturing with us, the other by Peter Brown who is lecturing in Singapore. We still rely heavily on the full-time architectural staff for the building technology subjects and on part-time staff for valuation and allied subjects. Important, but *more* general, subjects are provided by other faculties.

The 1983 specialist academic staff are Miss

Jan Leman (valuation law), Associate Professor Cameron McClean (building economics), Dr Mike Linzey (construction), Dr Hayden Willey (environmental control), Gary Cheyne (valuation), Ian George (construction), Waldo Granwal (concrete and steel), Jeff Jefferson (valuation of materials), Brian Putt (town planning), Ray Smith (construction), Robin Bell (valuation and property management), Ken Christiansen (property management, urban land economics and valuation).

I would like to acknowledge most sincerely the essential assistance I have received from Boz Boswell, Squire Speedy, Robin Bell, Jack Monds and university records.

The "Quasi" Arbitrator

by Munro L. Graham, Dip. U.V. A.N.Z.I.V., A.R.E.I.N.Z.

Munro Graham has been a contributor to *The Valuer* on a number of occasions in recent years. An article on shop rental analysis appeared in the March, 1983 issue. His current article deals with a subject which at times can be controversial; where one or other of the parties to a rental dispute challenges the correctness of the appointment of a valuer who first assesses a rental then is appointed as the arbitrator.

Since the creation of the New Zealand Institute of Valuers, a substantial change has occurred in all aspects of economic life and some of the greatest changes are evident in the study of leased property. Not only has lease documentation become more complex with many documents extending beyond 40 or 50 pages, but changes have occurred in law, in valuation methods and market conditions.

The New Zealand economy which is cyclical by nature, over the last two decades has tended to go into periods of longer recession followed by relatively short periods of buoyancy and, during this period, typical commercial leases reflecting a substantial increase in inflation have tended to provide for rent reviews at much more frequent intervals, which 20 years ago were often five or ten yearly but are currently two and three yearly.

It is not surprising, therefore, to find that disputes over rent review are becoming more frequent and the relative informality and ease with which disputes have been resolved in the past is making way for a more formal legalistic approach, especially where disputes involve the setting of precedents as to matters of law or valuation principle.

Some years ago, in an article to the *VALUER* dealing with different ways in which disputes

may be settled (negotiation, mediation and arbitration), I raised the point that an arbitrator should be disqualified from acting as such if he is a necessary witness, a circumstance which would usually arise in a rental dispute if he had previously made an assessment of the property for one of the parties to the dispute. Should such a valuer accept instructions and proceed to act, it would seem that such actions would be those of an "expert", rather than "arbitrator" and the terms "quasi arbitration" and "quasi arbitrator" (from quasi-seeming, taking the form of) would apply. The purpose of this paper is to indicate the legal differences between the choice of third party referee, whether expert ("quasi arbitrator") or arbitrator (true arbitrator) and to discuss a number of other aspects of arbitration which should be of general interest to valuers.

Arbitrator:

Webster's Dictionary defines an arbitrator as a person chosen by the parties to settle a difference between them in controversy. Note that the legal terms arbitrator and expert both satisfy this general description. It is from a study of case law and the Arbitration Act that it becomes evident that, in a legal sense, an arbitrator acts in a judicial capacity.

It is to be noted that an umpire is described in the general sense as a person to whose sole decision a controversial question between parties is referred. There is little actual or legal difference in meaning between arbitrator and umpire other than that the arbitrator may act with another person, while the umpire must act alone. Furthermore, in the Arbitration Act, the words third arbitrator and umpire are often interchangeable.

The judicial nature of arbitration is perhaps best set out in the case *re An Application by Hamilton City Corporation* (1959) N.Z.L.R. 119, where it was held that the true role of an umpire appointed under the Public Bodies Leases Act 1908 is to decide between conflicting valuations made by others whose duty, therefore, calls for judicial qualities rather than knowledge of skill in valuation.

Arbitration contemplates a judicial hearing according to rules of court to which there are avenues of challenge and appeal to the Supreme Court.

Indifference:

It is clear from the judicial nature of arbitration that arbitrators and umpires who are to pass judgement on matters of fact and expert opinion submitted by others must be totally independent and without bias.

The Court of Appeal in *re Attorney General v Wellington Harbour Board* (1959) N.Z.L.R.

150, stated that the term "indifferent" in the phrase two indifferent persons as arbitrators in clause 4 of the first schedule to the Public Bodies Leases Act 1908, operates to exclude any person who may be reasonably presumed on account of his prior relationship with the party appointing him to have some bias in favour of that party. Further, it is essential in an arbitrator that he shall be free to approach the matter subject to the arbitration with an open mind, free from previously formed or pronounced views or preconceived opinions in favour of his employer. As a consequence, no officer employed by the Government in any of its departments can qualify as an indifferent person to act as an arbitrator to fix a new rental under a lease of which the Crown is lessee (and also presumably where the Crown is lessor).

The arbitrator or umpire must make his decision without reference to either of the parties to the dispute. For example, in the case of *Moore and MacGregor* (1958) N.Z.L.R. 78, an arbitrator's award was set aside because the arbitrator called on the solicitor for one of the parties for his assistance in drafting the award.

Capacity to Act:

It is important to know what sort of person may be legally barred from acting as an arbitrator. The somewhat surprising answer is that virtually anyone appears to have the legal capability of undertaking this work and it is presumed that the parties in their wisdom will arrange for the appointment of persons capable of understanding the details of the matter and making the necessary decisions.

If one or both of the parties instructs a person who is not totally indifferent to act in the capacity of arbitrator, the burden of responsibility lies with the person instructed to ensure that justice is done and that a "quasi arbitration" situation does not arise or, if it does arise, it does so with the knowledge and consent of all parties. I would recommend that the person appointed should, in his formal acceptance, certify his independence and impartiality in the matters submitted to him.

A joint working party of the Royal Institute of Chartered Surveyors recommends that in any R.I.C.S. presidential appointments (of arbitrator), in order to ensure impartiality, enquiries be made of possible appointees to ensure that neither they nor their firm or partners have had any previous business or social connections with either of the parties to the dispute or the subject property or are for any other reason likely to be held to be biased, are able to deal with the subject of the dispute expeditiously and that the subject matter of the dispute falls within their normal sphere of everyday professional work.

It further recommends that, whether by presidential appointment or appointment by agreement between the parties, any valuer so instructed should normally decline the appointment unless he can satisfy the above conditions.

Objection to Appointment:

What right does one party have to object to the appointment of the other party's arbitrator?

Under the Act, it appears that only a formal response is possible, namely, an application to the Court for such a person to be removed. In practice, the threat of such action would normally suffice to ensure that the other party appoints a more suitable person. Note that under the Act, under clause 3, it is stated that a submission (unless a contrary intention is expressed therein) shall be irrevocable except by leave of the Court. It is doubtful whether the intention of the Act here is to require Court application before the removal of an arbitrator named in a submission is possible or whether, as is more likely, it is merely intended under the Act that parties, having contracted to accept arbitration to settle a dispute, can only break that contract (to arbitrate) by application to the Court.

Leys and Northey state that the arbitrator's authority commences from the time of his appointment (probably more correctly from the time of his acceptance of appointment) but that it is subject to the power of the parties to remove him by mutual agreement. Compare this statement with the situation of an umpire who has no power to act until the two arbitrators confirm their disagreement, at which time he has sole responsibility until the publication of his award.

Removal of Arbitrator:

The Court has wide powers to remove an arbitrator or set aside his award and may require a party to appoint an alternative arbitrator within a specified time, appoint an alternative person of its own, specify that the other party's arbitrator is to act as sole arbitrator or remove both arbitrators and appoint the umpire to act as sole arbitrator. The powers of the Court were enlarged under Section 16 of the Arbitration Amendment Act 1938. The Act and its amendments and various articles and papers written on the subject, which appear in the attached bibliography, give the circumstances under which the Court will act. Of most relevance insofar as this paper is concerned is the case of *Frankenberg and Security Company* (1894) 10 TLR 393, where the company had appointed

its own manager as arbitrator and an order was made that another arbitrator must be appointed within a week.

On the basis of this and similar subsequent cases, there would seem to be no doubt that the Court would order the removal of a valuer as arbitrator in a case where he had previously undertaken a valuation and where objection to his appointment is made by one of the parties to the dispute.

In recent years it has been suggested by some valuers that it would be inappropriate for a valuer who is also the member of a property management institute to act in the capacity of arbitrator in a dispute involving landlord and tenant. The grounds for such a belief are similar to the grounds which would be submitted in objection to a person acting as arbitrator who was member of or associated with a tenant protection group. I tend to disagree with this line of argument as the Articles of Association of most management type institutes deal with the theory and practice of management, rather than the rights of landlords. However, valuers will obviously need to take care that, if they wish to be considered for the position of arbitrator, they do not form associations with groups which have a bias towards either landlords or tenants.

Setting Aside the Award:

The award of an arbitrator or umpire may be challenged by appeal to the Supreme Court and a number of successful challenges in past years give guidance to the valuer as to the general conduct of arbitrations. In the context of this paper, it is of interest to note that it has been held as incompetent for one of two arbitrators in arbitration involving the appointment of an umpire to state a case on his own account (an act of advocacy). Under Section 20 of the Arbitration Act 1908 where an umpire is to be appointed, it is for the umpire to find the facts and state the case (*New Plymouth Borough Council v Bonner* (1929) N.Z.L.R. 217). This decision, of course, in no way restricts the right of the parties to employ counsel to state their respective cases before the arbitrators in the first instance.

Misconduct by an arbitrator can occur when he refuses to hear all material evidence tendered or if he receives communication from one party without the knowledge of the other party. He may wrongfully exclude a person entitled to be present or make an inspection without giving one or both the parties the opportunity to be present. In *re Trevor Brothers Limited v Westerman* (1933) G.L.R. 822, the arbitrator was considered to have misconducted himself in acting on evidence not given in the course of the arbitration.

This brings to light a grey area in the law as, compare the later decision in the case of *Wilson v Glover* (1969) N.Z.R. 65, where it was held that, in the case of a building consultant appointed as sole arbitrator to a building dispute who assessed loss due to various defects without any evidence whatsoever, his award could stand. In this case it would seem that the so called arbi-

trator was, in the legal sense, an expert agreed upon by the parties to resolve their dispute, considered as a "trade" arbitration.

The limits to the power of an arbitrator to use his own knowledge are not fully tested and it is reasonable to suppose that, at all times, the arbitrator is on dangerous ground when bringing his own expertness and knowledge to bear upon the matter before him.

Further reasons for setting aside an award include the arbitrator making excessive or extravagant charges as part of his award or receiving further evidence after the close of the hearing.

Professional Liability:

In the case *Sutcliffe v Thakarah* (1974) 1A11 ER 858, it was stated that an arbitrator is not liable for negligence, whereas a valuer, acting as an expert is liable.

It would seem that, if the parties to a dispute appoint their respective valuers to resolve the dispute, those valuers having already made assessments of the property, then a "quasi arbitration" situation will have arisen and the valuers are probably acting in the capacity of experts, rather than arbitrators, in which case they may be held liable for any decision reached between them.

It is of interest to note that, although the expert is liable for proven negligence, liability is to the aggrieved party and his award stands and is binding (see *re Campbell v Edwards* (1976) 1 WLR 403 and *Baber v Kenwood Manufacturing Company Limited* (1978) 1 Lloyds Rep. 175).

The use of a disclaimer by the valuer who contracts out of any responsibility for his award, seems unlikely to be of much legal effect as, by definition, an expert is only an expert insofar as he is prepared to accept responsibility.

General Conduct:

It is clear that, in the case of a dispute concerning the value of a property, a valuer is ideally suited to act in the capacity, either of joint or sole arbitrator, or joint or sole expert. Major test cases in New Zealand have generally been heard by members of the law profession acting as sole arbitrators (but usually designated as "umpires").

Having completed a valuation assignment, it would be wrong for the valuer to suppose that he has no further contribution to make in settling a dispute concerning that property. He may be empowered to consult with the valuer for the other party and, if agreement can be reached between valuers, to submit that agreement as a recommendation for the principals to accept, thus protecting the rights of the principals to submit their difference to arbitration should they disagree with their valuers.

Alternatively, the valuers may be empowered to give, as an award, any agreement which they may reach and this will be binding upon the parties.

One or other of these alternatives is the most common method of approach in settling rental

disputes in Auckland at the present time and this is probably the cheapest and most effective way of dealing with typical disputes.

The valuers are, of course, acting as experts and, although parties to the dispute may call such a procedure an arbitration, it should, more correctly, be called a "quasi arbitration" and, in this context, the "quasi arbitration" is a proper, effective and cheap method of dealing with the problem. What would be improper would be to call the procedure an arbitration.

The decision as to whether to proceed to formal arbitration, whether before a single arbitrator or a tribunal of two arbitrators and an umpire, will depend very much upon the circumstances, namely the difference of opinion between the two parties, the amount of any claim and whether there are legal or valuation principles at stake or other matters likely to set an important precedent. It is worth bearing in mind that there are advantages and disadvantages to valuers, as well as to the parties in dispute, depending on which decision is ultimately arrived at, whether to use experts or arbitrators to resolve the dispute. From the valuers' point of view, there is the matter of professional liability set out above. From the point of view of the parties to the dispute, a number of matters should be considered.

1. An arbitrator must call a hearing and listen to evidence, whereas an expert may decide the issue alone.
2. An arbitrator may be bound to give a reasoned award which can be subjected to appeal. The expert's decision, on the other hand, can be appealed against and he need not necessarily give reasons for his decision.
3. Under the Arbitration Act, its amendments, general case law and procedures developed within the valuing profession, the rights of the parties are safeguarded. For example, the parties have legal rights of discovery and witnesses may be required to be sworn. On the other hand, where an expert has been appointed, the parties are totally reliant on his expertness and procedure can be a matter of whim. The expert has no legal right of discovery and need not even call witnesses. There is no right of subpoena.
4. Although arbitration is generally thought to be more expensive than submission of a dispute to an expert (and this would normally

be so), the arbitrator may not charge excessive fees, whereas the charges of an expert are not subject to any control other than that which may be set out in his contract of appointment.

Conclusion:

Current practice in resolving disputes in Auckland (and probably throughout the country) is generally efficient in terms of time and cost and, in the absence of subsequent litigation, it must be assumed that decisions arrived at, if not always pleasing to the parties, at least have their acquiescence.

A number of leases, however, contain restrictions on the parties and some go so far as to preclude any possibility of negotiating an asking rental and require any dispute to be submitted to arbitration. This is more common in older leases, especially institutional ground leases drafted (rather loosely) last century and earlier this century. Where leases are drawn up in this way it is incumbent upon valuers to ensure that their actions are correct in law and that, if the designation "arbitration" is used, then this means a formal approach to the matter is envisaged under the Act. That is not to say, of course, that the parties cannot agree to a cheaper and less formal arrangement and, if common sense were to prevail, this would occur in virtually every instance of dispute.

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A Progress Report on the Implementation of Current Cost Accounting (CCA)

by *K. J. Cooper, Chairman of the Assets Valuation Standards Committee, F.N.Z.LV., A.C.A.*

As you will recall, in 1981 the New Zealand Stock Exchange and the New Zealand Society of Accountants announced that companies that have their securities listed on the New Zealand Stock Exchange would be required to provide supplementary CCA (current cost accounting) accounts for all financial statements covering periods beginning on, or after, 1 April 1982. In reaching this decision it was the society's intention to have the requirement to provide supplementary CCA accounts extended to other business units (such as non-listed companies) at a later date.

As part of working towards the introduction of CCA the society then set about developing the necessary standards. After issuing a number of exposure drafts, on which the assets valuation standards committee, on behalf of the institute, made submissions, the following important publications were issued.

Name of Publication	Code	Price
1 Current Cost Accounting Standards: Explanatory Foreword to Current Cost Accounting Standards (March 1982)	CCA	\$1.00
2 Current Cost Accounting Standard No. 1: Information Reflecting the Effects of Changing Prices (March 1982)	CCA-1	\$1.00
3 Guidance Notes on CCA-1: Information Reflecting the Effects of Changing Prices (March 1982)	GU-4	\$5.00
4 Guidance Notes on CCA-1: Alternative Approach to Reporting Information Reflecting the Effects of Changing Prices (December 1982)	GU-7	\$6.00

(All of these publications are available from the New Zealand Society of Accountants, P.O. Box 11342, Wellington.)

From the institute's viewpoint, the Guidance Notes prepared by the society for their members on CCA (ie publication GU-4) are somewhat unsatisfactory in matters relating to the valuation of property. Nevertheless, they do represent a definite modification over the original position outlined in the early exposure drafts. We hope however that over time, the deficiencies we see in the approach adopted can be rectified through consultation and joint development.

In the meantime, the institute should remain sympathetic to the society's position in this matter. It is, in effect, introducing an additional accounting system, a move which has not, to date, gained government support or widespread

commercial acceptance. Therefore, the cost of introducing CCA is critical to its acceptance and valuers must play their part in keeping their costs down by tailoring the service they offer to the needs of the situation.

In many cases, for the first year or two the valuers' role may be confined to one of providing advice and comment on the company's portfolio of properties. In later years, a full valuation service arranged on a cyclical basis is most likely to be required. This approach would be in keeping with that adopted by the society in that it is unrealistic to expect a high degree of accuracy in CCA accounts in the initial stages of introduction. In effect the implementation of CCA must be a "phased-in" process with progressive refinement over a period of years.

Members will recall that the institute's assets valuation standards committee issued its own property valuation guidance notes in May 1980, based on those prepared by the Royal Institution of Chartered Surveyors (RICS) in the United Kingdom. These still provide a sound basis for an asset valuer preparing valuations in the New Zealand context.

It is however appropriate to note that concepts in this area are still developing and the recently formed (October-November 1981) International Assets Valuation Standards Committee, of which our institute was a founding member, has embarked on a substantial work programme in association with the International Accounting Standards Committee. (This body represents the accounting professions in 50 countries.) A number of draft guidance notes and background papers have been issued to IAVSC member countries for comment and in general they follow the RIGS approach and are in keeping with the NZIV guidance notes. In due time, it will be appropriate for the institute here to supersede its current notes with those issued by the IAVSC.

In conclusion, one must also be conscious of the falling inflation rates throughout the world and the consequential lessening of pressure for modification to the historical cost accounting system. However, even if inflation rates fall to low levels and remain there, it is likely that the methodology and standards, which have been, and are currently being developed for the valuation of property assets for accounting purposes, will remain as a permanent international feature of both the accounting and valuing professions.

The Mystery of Indemnity

By Peter MacLeod, M.I.L.A.N.Z., Loss Adjuster, MacLeod and Taylor Limited, Christchurch

Peter MacLeod is a director of MacLeod and Taylor Ltd. Insurance Assessors and Loss Adjusters, Christchurch, New Zealand. He is a member of the Institute of Loss Adjusters of New Zealand (Inc.) and is Immediate Past Secretary of the Canterbury/Westland Branch.

Mr MacLeod has been involved in the adjustment of many major fire claims in the Canterbury area and is fully conversant with the requirements of the insured in a loss situation.

Ever since I first started working in the Insurance Industry 11 years ago, I have continually been amazed at the extent of use of the word indemnity. I can recall asking Senior staff in the Insurance company for whom I worked at the time as to the meaning of the word indemnity, and was intrigued with the various answers I received. If one was to approach 10 different people in the various companies, then you would probably receive 10 different answers approaching the subject from any different direction. As I started studies in the Insurance Institute examinations, the Technical study books clearly set out the meaning of indemnity in its application to the various Insurance subjects. The application to the various subjects is therefore slightly different because of the intention of the use of the word for fire claims on buildings, stock and plant, dwellings and contents, liability policies etc. Perhaps one should start at the Dictionary to clarify the meaning of the word. In Websters Dictionary:

INDEMNIFICATION

- A. The act of indemnifying or state of being indemnified.
- B. That which indemnifies recompence.

INDEMNIFIER

A person or company that indemnifies.

INDEMNIFY

- A. To protect against or keep free from loss damage etc., to insure.
- B. To repay for what has been lost or damaged, to compensate for a loss etc, to reimburse.
- C. To redeem or make good.

INDEMNITEE

A person who receives or is entitled to an indemnity.

INDEMNITOR

A person who provides indemnity.

INDEMNITY

- A. Security from loss or damage, protection of Insurance against loss or damage etc.

B. Legal exemption from penalties or liabilities incurred by own actions.

C. Repayment or reimbursement from loss damage etc, compensation.

So the Dictionary explains to us a little about the word indemnity. Perhaps we should pass onto the text books and clarify what the textbooks say.

General Principles of Insurance Law -

E. R. Hardy - Ivamy:

Value of the subject matter is its value at the time of the loss and at the place of loss.

The insured is not adequately indemnified against the loss of his property unless so far as money can do so he is restored to the position which he occupied at the time of his loss. No hard and fast rule can be laid down. That basis must be adopted which is best calculated in the particular case to carry out the intention of the parties. If he can be restored to his original position as is usually the case, by the purchase of an equivalent or by reinstatement of the property destroyed, the amount of the indemnity must be sufficient for the purpose. Prima facie, therefore the basis of calculation is either the market value of the property destroyed or the cost of reinstatement. Whichever basis is adopted it is only as a basis for calculating the real value of the property, and the insured does not recover the market value or the cost of reinstatement as such.

In many cases the market value of the property destroyed represents its real value and payment of the market value is an adequate indemnity since the insured by going out to the market and purchasing similar property can be restored completely to its original position.

Theoretically the market value and the cost of reinstatement ought to be the same. In practice however, there is frequently a difference. Further property does not always possess a market value and even when there is a market value it does not necessarily represent the real value of the property. Hence the view that in all cases the basis of calculation is the market value of the property is unsound. There are cases where the loss can not be made good except by reinstatement in which case payment of the market value does not give the insured an adequate indemnity since he may be compelled to incur further expenditure before he can be restored to this original position.

As a general rule the insured is precluded from recovering more than the value of his interest in the subject matter since the measure of the loss is the interest in respect of which he has been prejudiced. The value of his interest is not necessarily the value of the subject matter - it may be only a portion of such value varying in extent according to the amount of interest possessed by the insured.

That is one reference material which gives a fairly clear indication as to the intention of the word indemnity within the construction of an Insurance Policy.

MacGILLIVRAY ON INSURANCE LAW

Now to indemnity in other texts.

The proper measure of damages is the difference between the value of the undamaged property before the loss and the value of the damaged property after the loss.

The undamaged value before the loss is to be taken at the market value immediately before the loss at the date and place of loss.

Cost price or cost of construction or manufacture is only prime facie evidence of value. It may be subject to abatement under three heads.

1. The insured may have paid more than its value.
2. The market value may have fallen since the time of purchase.
3. Wear and tear or damage other than that insured against may have depreciated the value of the particular property prior to the loss.

Notes from other papers presented at various Seminars I have attended from sources not identified refer to the fact that:

The basis of market value cannot however be applied in every case. The market value does not necessarily represent the real value of the property and payment of the market value may not adequately indemnify the insured for what he has lost.

This is particularly the case where the property was held by the insured not for the purpose of placing it on the market but for his own use or enjoyment or for the purpose of carrying on his business. The insured cannot continue the use or enjoyment or carry on his business unless the damage. The pre-amble to most Insurance property is reinstated. The cost of reinstatement

may be considerably in excess of the market value. There are also cases in which property such as for example a Church has no market value at all and where there can be no restoration to the original position unless the property can be reinstated. In cases such as these the amount recoverable is based on the cost of reinstatement.

Where the loss is partial only, it can usually be made good by repairing the damage to the property and the amount recoverable therefore is based on the cost of repairs.

THE POLICY. So basically we have an understanding as to what the Dictionary has to say about indemnity and the text book. We next cross over to the Insurance Policy which in the case of the standard Fire Policy undertakes to pay the value of the property at the time of its damage. The preamble to most Insurance Policies normally states the introduction of that on receipt of payment of a premium, the company agrees to indemnify the insured. The Policy refers to indemnity throughout the policy and in some policies various maximum sums payable under the policy are declared. The policy is restricted to the sum insured. The standard Fire Policy has been in use for a very long period and has changed very little over this period. The indemnity have been the subject of litigation through the Courts throughout the World and various interpretations have been stated.

I quote from Mr George James, a paper on indemnity, past and present in which he states:

"All contracts of Insurance other than Insurances of the person are contracts of indemnity, that is, they aim to make good loss suffered as a result of the operation of an insured peril or other contingency. Subject to the adequacy of the sum insured in compliance of policy conditions, the insured is entitled to have his loss made good in full, but in principle (although this will be seen later the practice varies); the insured should not make a profit out of this claim".

As far as I am concerned, the Policy document is the master document for the control of the claim and is the main starting point for the Loss Adjuster to determine as to what action should take place when issued with instructions to report on a loss. The indemnity value stated therein is the limit of the claim so an early evaluation of the future problem areas of the claim can be determined on first inspection of the damaged property particularly if the damage is serious. Unfortunately in most cases the indemnity value is not arrived at by a Registered Valuer, so therefore most values are based on a "bricks and mortar" type value i.e. replacement value less depreciation.

The policy normally states any interested parties i.e. Mortgage on the property and any special warranties in respect of the property particularly in respect of the storage of dangerous goods, so this item must be carefully checked on immediate inspection. Provided the policy conditions have been complied with then the Adjuster commences the adjustment of loss to determine a fair and reasonable value of the claim. This usually involves the appointment of a Registered Valuer.

CASE LAW. On the subject of indemnity value, there has over the years been established some very interesting case law on the subject. One of the oldest is the case of "Castellain versus Preston, 1883, 11QB, 380". In this case the principle of indemnity was established and I quote from the textbook for this case:

"The very foundation in my opinion of every rule which has been applied to Insurance Law is this, namely, that the contract of Insurance contained in a Marine or Fire Policy is a contract of indemnity and of indemnity only".

Ever since this case the general principle has been beyond dispute. The insured was entitled to recover his actual loss subject to a provision in the policy as to the maximum amount recoverable. The insured could not recover more than his actual loss.

Another case of interest is "Leppard versus Excess Insurance Co. Ltd (Court of Appeal), 1979, 1 WLR, 512". This involved the dispute on the purchase of a country cottage under a policy of indemnity. Purchase price was £1,500.00. It remained empty, was placed for sale, the sum of £12,500.00 but reduced in price down to £4,500.00. The property was insured under an indemnity policy for £10,000.00 and subsequently increased to £14,000.00. The cottage was destroyed and an Insurance claim was completed. The Court awarded the Insured £8,694.00 damages, the agreed costs of reinstatement of the cottage plus interest. The Insurance Company appealed on the principle of indemnity in that they felt the insured was only entitled to recover his actual loss, namely £3,000.00 the value of the cottage minus £1,100.00 the value of the section. The argument in that case was the interpretation of the policy and the first judgement awarded the claim on the basis of reinstatement but on appeal this was reduced down to the actual indemnity settlement as previously explained.

In the case "Reynolds and Anderson versus Phoenix Assurance Co. Ltd. (1978)" an old grain store building was insured from £50,000.00 up to £628,000.00 on the advice of a Broker. It could have been replaced by a pre-fabricated building which would have served its intended function for about £50,000.00. The cost of replacement of the building less depreciation was £343,000.00. The Court decided that the true measure of indemnity was the figure of £343,000.00 as in this case the insured had a genuine intention to reinstate. Market value was about £50,000.00.

The text refers to the Court ruling "to force an owner who is not a property dealer to accept market value if he had no desire to go to the market seems to be a conclusion which one should not easily arrive at. At the same time the cost of reinstatement cannot be taken as inevitably a measure of indemnity. There must be cases where no one in his right mind would contemplate rebuilding if he could establish himself elsewhere. The question of the proper measure of indemnity becomes a matter of fact and agree to be decided on the circumstances of

The combined result of these two cases would each case".

appear to be that if the insured has a genuine intention to reinstate he is entitled to have his loss settled on that basis taking into account depreciation, but otherwise market value is to be the basis despite the fact that the Insurance is adequate to cover the reinstatement cost. In the previous case of Reynolds and Anderson, the claim was taken to Appeal, but before the case was heard, settlement was negotiated. Under this compromise arrangement, the insureds agreed to accept the sum of £225,000.00 on the basis that they were able at the time to purchase suitable alternative premises to those destroyed this figure replacing the Court Award in the first instance of some £343,000.00.

In New Zealand we have similar cases where in 1980 "Wale versus State Insurance, General Manager, High Court, Palmerston North, A55/79".

The short facts are that a farm house was insured for a maximum sum of \$12,000., fire caused by unknown arsonist resulted in total loss. The pre-fire value is \$5,850.00, the State Insurance Office offered in full settlement \$810.00. This represented an assessment of the demolition value and in reliance on the Falcon Investments Corporation N.Z. Ltd., versus State Insurance Ltd., 1975, NZLR520 case.

The assessment was presented to the insured. In the Wale versus State Insurance decision the Court reduced the issue to a question of fact and to deciding whether it was the intention of the defendants to demolish the building or whether it was to be left standing in a habitable state. The claimant under an Insurance policy must establish their loss. In Wales case the evidence showed that upon a balance of probabilities there was no intention to demolish the house which would have remained for an indefinite time a habitable dwelling. This is all that is needed to justify a claim for the total loss of its value as such, the indemnity value of \$5,850.00 was awarded to be paid out. In another 1980 case T. R. Perry Ltd., versus State Insurance General Manager, High Court Wellington A243/78 an old Church was irreparably damaged in transit to a new site in Masterton. The cover was \$20,000.00 indemnity. Liability was admitted by the Insurers which argued about the amount of payout. The Judgement stressed the inherent difficulties in quantifying a loss in this kind or case. The principle of calculating indemnity on the basis of other court rulings was that where the character of the structure of the Church never changed from that of a Church and so the basis of valuation for Insurance purposes were properly as a Church and not as a mere structure wrenched from its site and transhipped somewhere else for re-erection, accordingly the full original value \$10,300.00 was awarded, not the minimal scrap value.

In the case of Falcon Investments Corporation (N.A.) Ltd., versus State Insurance General Manager (1975) 1NZL520 the Court decided that the indemnity value was to be established on a different basis i.e. value of anticipated rent up to date of demolition scrap value plus interest. You are no doubt fully familiar with

this case as I understand this is one which is the subject of your own education facilities.

VALUATIONS. Valuations in respect of Insurance claims are a vital part of the claim. The Registered Valuer should be familiar with the requirements of the Insurance Industry before presenting the valuation and a brief from the Loss Adjuster is essential before commencing the task of evaluating the Valuation of the Property concerned be it building, plant and/or chattels. By way of brief, I mean full details of the Insured, background to discussions already completed with the Insured and any particular information requiring attention within the Valuation which would be of particular interest and/or concern to the Insurer and the Loss Adjuster.

The role of the Loss Adjuster in adjusting the loss is to adjust the loss within the terms of the Insurance Policy. If the Policy is one of precise indemnity with no replacement involvement then that is precisely what the client is entitled to. In the back of one's mind must be the legal decisions in the past and the fact that the insured must receive fair and reasonable treatment but must not receive any profit out of the claim and must not receive any further payment above that limit to which they are entitled. If a dispute arises as to the value then the insured is entitled to consult his own Valuer to obtain an independent Value also. The original Valuer appointed by the Loss Adjuster is not necessarily the one and only value which will be considered. The various types of valuation have to be considered and these are as follows:

1. **Physical Value.** This is based on the premise of taking the replacement cost of the property and then depreciating that cost by a percentage in accordance with age, condition and the life expectancy of the property concerned.

2. **Market Value.** This must take the land into consideration even though the land is excluded from the sum insured. This adds the variable factors of town planning undersize sections, market fluctuations, zoning designated land and high value land. The Valuation is valid if the insured intended to sell or is agreeable to sell.

It is not enforceable without the agreement of the insured. It may or may not represent true loss sustained by the insured.

3. **Rental Value.** In some circumstances this can be the measure of the loss particularly where the Insured has brought a property for development. If the intention is clear and definite steps have been taken towards that end then loss of rental income, plus shortfall of demolition and clean up costs may well be the measure of indemnity.

4. **Special Value.** This becomes important where the architecture or wholeness of the design of the property means that it has to be restored to an identical condition. It could apply to a house where the original character has been preserved.

5. **Sentimental Value.** The Courts are consistent in stating that sentimental value is not to be given any value. A house may be old and very important to the Insured but there is no such thing as additional sentimental value.

This is important in Commercial losses if

simply to enforce the point that depreciation has been applied. It could be indemnity in the case of obsolete plant and equipment.

6. **Repair Value.** In the case of a partial loss this is probably the best measure of indemnity. Allowance should be made for betterment. Betterment exists where the value of the property has been increased by the repair, the life expectancy of the property has been extended or where the anticipated maintenance costs have been reduced. Repairs may be carried out in equivalent modern materials and methods.

7. **Functional Value.** This is not so much a value as a principle to be considered in establishing values. If the insured has a functional income producing asset at the time of the loss the Courts say he is not indemnified unless the monetary value of the claim is sufficient to restore his property to that same functional position. This is the other face of the coin from the physical value side. Indemnity is therefore assessing both values.

8. **Indemnity Value.** This is the value we are formulating. It sounds simple but it can be very complex depending on the nature and use of the property insured. It may be any one or a combination of the eight suggested values. There are three key questions to ask before discussing the quantum. These are as follows.

A) What has the insured lost?

B) What will the insured do i.e. what was the intention prior to and after the loss?

C) What is the Insured's net monetary loss?

DWELLINGS. Residential dwellings do not have the same difficulties in establishing value as do commercial properties. Physical value will usually be the method adopted taking into consideration the market value and in the case of dwellings used for rental purposes i.e. flats when the life expectancy and rental income from the flats must also be considered. Very rarely do they have a pre-loss valuation, prepared by a Registered Valuer for a dwelling claim. After the fire, flood, windstorm etc., has occurred the Valuer is then called in. In the case of flooding and windstorm the physical condition of the property can be evaluated but in the case of fire where most of the property has been destroyed and/or badly discoloured by smoke and/or water, then one is placed at a disadvantage in understanding the pre-loss condition described by the owner. In the case of above average dwellings, it would be advisable for the property owners to have registered Valuers present an indemnity value of the property to assist in determining the value if a serious fire does occur.

COMMERCIAL VALUE. Commercial Valuations on buildings create special problems. The skill of the Valuer is very important as this type of valuation gives the valuer the opportunity to use all of his expertise in determining the correct indemnity value. The same criteria as to dwelling claims applies in that one must consider the following.

What has the insured lost?

What will the insured do i.e. what is their

intention pre and post fire.

What is the insured's net monetary loss.

To discuss this subject I have referred to a paper presented by Roger Hallinan to the Institute of Loss Adjusters approximately two years ago on the subject of establishing the indemnity value of buildings i.e. commercial property. We have already defined what is required to determine a true indemnity and/or compensation to the insured and now we have to consider the method of establishing the correct indemnity value. With Commercial Properties i.e. buildings registered valuations have often been obtained on previous occasions be this for sale, mortgage, finance purposes. If they are available then they are usually very helpful. The use of photographs by Valuers if they are only placed on your file for future reference are invaluable. Pre-loss values with photographs could save tremendous argument and misunderstandings between the insurer and the insured in the case of a serious loss.

Therefore the bricks and mortar basis of calculation of the sum insured is generally satisfactory. There are a number of properties where the added value of the buildings is greater than replacement cost less depreciation. These buildings would be as follows:

- 1) A non conforming building where Town Planning restrictions prevent re-development with a similar type of building i.e. factory in a residential zone, service station or shop in a residential zone, hotel in a residential zone.
- 2) A building on designated land. i.e. a home on a site designated for motorway purposes which prevents the owner obtaining a building permit in event of destruction and which the designating authorities are not prepared to immediately acquire.
- 3) A building producing a rental income or capable of producing a rental income which supports a greater value than a depreciation replacement cost basis of valuation.

The instructions issued to the Valuer in respect of values on buildings is very important. Variations to the value should automatically apply in that your members should look at the value from two or three different angles to allow the Loss Adjuster and the Insurance Company to evaluate the fairest method of applying the valuation to the property and also allow negotiation between the values. Quite often when valuations are presented the insured will present argument as to why the value should be higher. If variations to the value can be presented on a different basis i.e. physical (replacement less depreciation) rental and added value.

One recent valuation obtained by our office was for a hall in a rural area insured for \$23,000.00. The Christchurch Valuer valued the Property at \$10,500.00 and the insured elected to obtain their own value. This was received at \$11,300.00 which you will appreciate is very close to the original value. Both values are very

much less than the sum insured agreed by the Underwriter to be the sum insured on an indemnity basis for the bricks and mortar type value.

When the future life expectancy of the building was taken into consideration the valuation changed considerably because the future life was very limited.

In this case the sum insured was higher than the indemnity value because at the time the insurance was taken out the life expectancy was probably not seriously considered. Now, with changing times and old buildings being replaced with new at regular frequency, the position changes but no consideration is given to the insurance policy.

With Commercial Properties future intention of the property is most important. From time to time we become involved in investigations as to the cause of fires and arson is becoming a more regular occurrence than it was a few years ago. In depth investigations are required when communicating with the commercial property owners and/or the person leasing the property. The Loss Adjuster is well aware of the importance in interviewing the people involved immediately after receiving instructions to attend the fire and the information passed on at that stage is vital information to the Valuer which should be passed on to the Valuer when he is appointed.

EXAMPLES: Assume a 30 year old weather-board bungalow of 1200 square feet, with three bedrooms, with reasonably modern fittings, good design and in sound tidy order. The replacement of the building we would calculate as follows:

1200 square feet at \$23.00 per square foot equals \$27,600.00 replacement cost.

In view of its condition we adopt a depreciation rate of 1.25 percent per annum for its 30 years.

30 years at 1.25 percent per annum equals 37.5 percent.

Less depreciation 37.5 percent equals \$10,350.00.

Value on replacement cost, less depreciation basis \$17,250.00

(A) Ignoring chattels the market value of this property on a standard 30 perch residential section in, say, Spreydon, may be \$24,000.00

The land if vacant with fencing is worth \$10,500.00

The added value of all improvements is: \$14,500.00

If the garage is not damaged the cleared section with the garage may be expected to sell for \$11,000.00' so that the added value of the dwelling reduces by \$500.00 to \$14,000.00. The true indemnity value is therefore \$14,000.00 and not \$17,250.00.

(B) If this same house was on a residential site zoned for high density residential flat development its total market value may be \$25,000.00 which reflects the future potential in the land once the house reached the end of its physical and/or economic life. However the physical life of the house has been terminated prematurely by fire. Once the site is cleared it would have a market value for flats of \$19,000.00, so that the added value of the house and other improvements given to the land immediately prior to the fire was \$6,500.00. The true indemnity value is therefore \$6,500.00 and not \$17,250.00.

(C) If this same house was on an industrial or commercial zoned site the added value may be extremely low and may not exceed its value if sold for removal (if this were practical) or the net salvage value of materials.

It may also have some short term use on the site for a few years in which case it could add a greater sum. The industrial site if vacant may be worth \$30,000.00 (\$1,000.00 per perch) but the maximum market value of the house and industrial land may only be \$33,000.00 so that the added value the improvements gave to the land was \$3,000.00. The true indemnity value is therefore \$3,000.00 and not \$17,250.00.

As I said earlier the true indemnity value can also exceed replacement cost less depreciation. Take the case of a small block of five retail shops, 20 years old, on a site now zoned Residential 1. Each tenant is paying \$50.00 per week or \$2,600.00 so that the property is returning \$13,000.00 per annum. The property enjoys "existing use rights". The market value of the property would be mainly influenced by the investment return available. If a 13 percent capitalisation rate was considered a fair return the market value of the property would be \$100,000.00. If the site were vacant it may have a residential value of \$15,000.00, so that the added value the improvements gave to the land was \$85,000.00. The true indemnity value was \$85,000.00 therefore. However, a bricks and mortar assessment would be as follows:

4000 square feet at \$20.00 per square foot	\$80,000.00
Less depreciation 25 percent (20 years old)	\$20,000.00
Replacement cost less depreciation value	\$60,000.00

Recent town planning legislation as regards existing use rights influences the above so that the Valuer, if called upon to determine the true value, would investigate the effect of this on his valuation.

VALUATION CERTIFICATE

When appointed to a fire one of the first items of interest to the Loss Adjuster is the policy document and the Valuation Certificates if available.

Your Valuation Certificates are invaluable to us in the adjustment of the loss and it is good to see clearly detailed Valuation Certificates. Fortunately these days most commercial properties are insured for reinstatement value. Your Certificates detail the Certificate of Indemnity Value in compliance with the requirements of the Earthquake and War Damage Act. The indemnity value should be looked at very closely when valuing commercial property particularly where the intention of the property owner and i.e. your client, is to continue operating on the same property in the same manner producing the same goods i.e. fully intent on remaining in business.

During one discussion with an insured over recent years, mention was made that if the property did burn down he would bulldoze the building down and use it as a car park. This would be used until the opportune time arose to dispose of the property for redevelopment and mention was made that he would receive the replacement value of the building as it was insured for replacement. I very quickly advised the person concerned that this was not correct in that he would not receive replacement value for the building if it burnt down and he was most mystified because of this. I explained that to obtain indemnity under replacement conditions of an Insurance policy it is necessary to reinstate the property and the reinstatement value (up to the maximum of the sum insured) would be payable as the costs were incurred. The person concerned advised that he would be changing his Insurance Policy to one of indemnity to save him the extra expense of paying for a replacement Policy when he had no intention whatsoever of replacing the building if it burnt down. You may and/or may not be aware that the Valuation Certificate must be presented to the Insurance Company every year in accordance with the Fire Policy conditions. This is a standard requirement but in some cases can be altered by negotiation and a value can be updated each year in accordance with the percentage increase.

The policy clearly states that the Valuation Certificate updating the sum insured should be available to the Insurance Company as of the date of renewal and if not the old value will apply. Over the last few years I have been involved in two large fires where the Valuation Certificates were not available on due date and because of this the client and the Valuer concerned were most embarrassed. Fortunately, the insurer agreed that they would accept a late value providing the extra premium was paid and accordingly the claim was accepted for the new value. In each case the inflation affected the reinstatement of the properties concerned. Not only would the value be affected but the insurer took the opposite view and average would also apply.

The indemnity value should therefore be calculated considering the property owner's intentions and the physical value of the property. The indemnity value may be the only option available to the insured if a major fire was to occur. This would apply in the case where the insured does not elect to reinstate and the policy would therefore revert back to indemnity.

REINSTATEMENT VALUE

I have been involved in the adjustment of several major fires over the years where reinstatement conditions apply. This is a very important development in the Insurance Industry, one that is of tremendous benefit to the commercial property owner. The same has applied of course to residential property where dwellings are now insured under reinstatement conditions. I personally have both contents and dwelling insured under reinstatement conditions and recommend these to every person as this is the type of cover one requires when a serious fire occurs. With the high cost of property and contents these days inflation has a drastic effect and one would find the financial effect on a major loss fairly disastrous. In the case of not having reinstatement conditions a financial burden could be imposed on the person involved due to the costs involved and the fact that reinstatement is the only option. In some cases this is not correct but in most of the cases reinstatement insurance is preferable. Because of this Registered Valuers are heavily involved in the issuing of reinstatement Valuation Certificates for buildings and plant. Once again the Valuation Certificate is of vital importance to the Loss Adjuster when he attends the scene of a major loss and/or a moderate loss.

The amount detailed in the valuation certificate under reinstatement estimate is the maximum amount claimable and included in this maximum amount is to be the cost of demolition and removal of debris. The extra costs of compliance with any act of Parliament and/or regulation inclusive of Municipal Local Authorities. The replacement percentage allowance under the valuation certificate is also included in the expenditure for the claim and has proved on more than one occasion to be of tremendous assistance in allowing the insurer to fully indemnify the client within the terms of the reinstatement provision of the policy.

These days the valuer must take into careful consideration the additional costs of compliance with By-Laws regulations etc., as the cost of these particularly in the food processing field can be very expensive. Compliance with anti-pollution laws, Health Department regulations for pollution control and also water board control. All these can involve the company in future expenditure to allow them to continue in operation. In one major claim I was involved in the Water Right was due to expire approximately one month after the fire and an application for renewal of the Water Right had been applied for.

The application received considerable objection and this was at a stage when the company concerned had achieved a high standard of pollution control to the stage where very little pollution could be detected in the stream which flowed through the property. The inflation provision particularly over the last two years has been very important although this appears to have levelled off slightly at the moment.

Under the reinstatement memorandum of an Insurance Policy, provision is made for rebuilding of the property including the use of currently equivalent building materials and techniques and

such additional costs necessary to comply as previously mentioned with By-Laws. If because of siting and/or compliance with regulations, the insured is forced to shift from the site to a suitable zone area, the policy provides for reinstatement upon another site and in any manner suitable to the requirements of the insured. The only condition of this is that the company should not be liable to make any payment beyond the amount which would have been payable under the policy if this memorandum had not been incorporated in the policy. In other words, this means that the building reinstatement costs of the existing site should not be increased by the shift to the other site. This of course can be rectified by more professional design of the building particularly if the building being replaced was an old building and utilisation of improved technology in the work flow of the plant in the factory can usually save the insured from over expenditure on the new site. One must remember that the insured is faced with the cost of purchasing another site and this may well be a very expensive proposition. So savings on area coverage on a new building and correct design would probably allow reinstatement of the building on the new site for a cost within the economic limit of the original costs on the existing site. If the client elects to shift site then this of course is quite acceptable providing no further costs are incurred. The only problem of this sometimes is when the factory and/or building has an undamaged portion, say for example that the building had been destroyed 75 per cent then the other 25 per cent would have to be carried by the insured as a loss and/or investment. By shifting site the insurer is precluded from being able to reinstate the 25 per cent portion, so therefore the extra costs must be paid by the insured. These are all costs which must be anticipated by the Valuer particularly if notice has already been served on the property, that if it is ever destroyed by fire reinstatement on the existing site would not be permitted. Details of this should of course be incorporated in the Certificate of Valuation by the valuer. Any Act, By-Laws, Municipal or local authorities advised prior to the loss cannot be incorporated within the loss. This means that if the Health Department etc.. had advised the company to comply with certain requests involving the company in expenditure of any nature, then these costs would not be covered by the Fire claim but would be a cost that must be paid by the insured.

CLAIM SETTLEMENT

The settlement of Insurance Claims is usually a difficult task and it is probably the reason why Loss Adjusters are required. Generally the public are not aware of the implications of Insurance, they do not understand anything about Insurance and knowledge of the Insurance Contract is most rare. Some people understand Insurance but not very many. This particularly applies to the Commercial type loss, where buildings, plant stock and Loss of Profits policies are involved. The best advice I can provide to valuers answering questions from their clients about Insurance is that providing the in-

tention is to continue the business and/or continue owning the property for its existing use then a reinstatement policy is a must.

This is regardless of age. If it is very old then the Insurance Company concerned, may refuse to accept Insurance under the reinstatement condition. Generally if the property is in sound condition the insurers will accept cover on the building and apply the premium according to the risk. Most people are critical of Insurance Companies in the settlement of claims, also critical of Loss Adjusters during the adjustment of the loss, but this is mainly due to misunderstandings of the Insurance policy document and the memorandums attached thereto. One of the most important documents is of course the valuation certificate if one exists and if not then the valuations obtained are of vital interest to the insured. Because of the Loss Adjuster's knowledge and initial questioning of the client in the first instance we are in a fortunate position of being able to obtain an accurate valuation from Registered Valuers and to discuss the value with the valuer concerned so that the correct indemnity value can be established. In a case of reinstatement values, the most important thing to remember is that you have a duty to your client to provide the Valuation Certificate on due date as required under the Policy otherwise the valuer could be placed in a very difficult position with a Professional Negligence claim. I have discussed this with some Valuers, but they say that the instruction to revalue is often given to them very late. In this case I would suggest that the valuer write to the Insurer concerned advising them that you have been instructed and that the valuation certificate will be late but should be available within two or three weeks. Providing this is noted on the records and the insurers have a letter then no doubt the position will be safe. During recent times economic pressure has been placed on the Insurance Industry who are heavily committed to the paying of Insurance claims. The claims are becoming much more expensive and insurers are obviously watching the position very closely. Any misunderstanding such as I have explained with late delivery of Valuation Certificates could not only place the valuer in an invidious position but also preclude his client from receiving full indemnity as he would normally have been entitled to receive.

VALUATION OF PLANT

The valuation of plant represents a particularly difficult area of valuation because it is in the plant area that substantial changes do occur after a serious fire. This also occurs in the case of a moderate fire, explosion, flooding etc. When expenditure is about to take place on an expensive plant item i.e. \$50,000.00 it is natural for the owner of the property to suggest a change to the type of plant to a more modern and more efficient machine. When you are valuing plant, modern technology should be taken into consideration and alternatives to the existing system. I have been involved in two or three large claims where plant items were replaced on a basis whereby the company changed the plant installation system to provide with more streamlined manufacture, improved technology so therefore adjustments were required between the cost of replacement. Once again the policy memorandum provides that replacement must be by similar property in a condition substantially the same as, but not better than the condition of the insured property when new. The interpretation of this clause has been most difficult over the years and various persons have different interpretations. The best method of overcoming any misunderstandings is by negotiation and if one can prove that the insured is being reasonable by adopting a certain attitude which does not cost any more than the original intention, then usually the Insurer will agree to the expenditure on a different type of plant providing the cost is no more than it would have cost in the first instance for a similar type of machine.

CONCLUSION

Valuation of Commercial property is a difficult task and one cannot state a particular formula for any type of valuation particularly in the commercial field. A knowledge of the Law reports applicable to Insurance claims over the year is vital to the valuer's concerned and they are of equal importance to the Loss Adjusters. It is important that we all keep ourselves familiar with the latest Court decisions on the settlement of Insurance claims under dispute and that this is used to the benefit of all involved when valuations are requested.

Is the Appraisal Profession Dying?

By Lynn N. Woodward

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The appraisal profession may be dying. Although growing, consolidating, and professionalizing, it is not broadening its influence. What is happening to the profession is happening externally without the participants recognizing the potential impact. Like a young ostrich with its head in the sand, the appraisal profession is not broadening its tools while the market for the individual appraiser's future services potentially declines.

The need for market value appraisals may be eroding. Market value appraisals are the foundation of the profession and the requirement for designation membership in the appraisal societies, institutes, and associations. The loss of markets for this form of work product will be realized in the future. In many cases "Johnny-one-note", as Dr. James A. Graaskamp, SREA, CRE, calls him, is the appraiser who can carry only one tune.' That one tune is market value appraisal. The three approaches to value, the trilogy, is locked in by precedent. Obsolete concepts associated with this orthodox methodology and its limiting form of work product, will lead to loss of markets, both present and potential, for the profession as a whole. Considering the changing need for a real estate analysis profession, the appraisal profession cannot afford the luxury of this precedent.

Loss of present appraisal markets to other professions and the demand for non-appraisal analysis which will be provided by firms outside the appraisal industry will limit the appraiser's role in the future. At the Society of Real Estate Appraiser's International Conference in Reno in 1979, Dr. Graaskamp suggested that other professions have real advantages over the appraisal industry in establishing themselves in the analysis report markets and potentially absorbing the appraisal business.² Other professions and institutions

- have better client access and control than the appraisal profession which is assigned as a third party in most situations.
- have data processing technology in place, capable of storing comparables, the factors affecting value, and processing a high volume of information into a low cost work product.
- have greater professional credibility built

upon longer term business relationships and reputations as professionals.

- are identified as: counselors and other management consultants; architects, landscape architects, and design professionals, engineering firms and environmental specialists; the "big eight" and smaller regional accounting firms, savings and loan associations and financial institutions related to the secondary mortgage markets; mortgage bankers; securities or bond underwriters, and bank service and trust departments.

Herman Keiting concluded in his study of the demand for and supply of real estate analyst reports, that "with the increasing application of quantitative market research techniques to real estate, a greater number of real estate analysts will come to the field with strong academic and business backgrounds in market research, but without appraisal training or experience."³

Even within the real estate industry, appraisal and analysis work is recognized as the province of many organisations. The appraisal /assessment profession has twenty-two designations given by ten different organizations in the United States and Canada - SRA, SRPA, SREA, RM, MAI, ASA, SR/WA, IFA, SIFA, IFAC, ARA, CRA, AACI, RRA, R-1, CA-R, CA-S, CA-C, CAE, AAE, CPE, and RES 4 This continuing proliferation of designations only serves to confuse the public as to the hiring and the role of each designee. To the

"public, real estate brokers still do real estate appraisals". Other professions and institutions are serving the public in the analysis role. The real estate consulting or counselling arena has four designations - CRE, SEC, REC, and CREC.S Outside the professionals in appraising and counselling, other industries are absorbing real estate appraisal assignments and performing the analysis functions which should be the appraiser's assignment.

How would the scenario read if FNMA, FHLMC, FHA, and VA did not require an appraisal? The majority of work assignments in single family appraising is controlled by a "monopoly" condition set by regulation. For their loan package the lenders must have an appraisal in their institution's file or to ship the loan to the secondary mortgage market.

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Regulations create a market for an estimated ninety percent of the single family appraisal business. If, by regulation, the appraisal requirement was dropped or modified, the profession would receive a severe blow. The need for appraisers would be reduced substantially.

The background condition for this to happen is in development stages now. Many of the financial institutions and agencies that originate or regulate mortgages and require appraisals are developing data processing capabilities. These organizations have better access and control of the customer, possibly greater credibility, and have the data processing capability nearly in place. Development of automated appraisal systems is being concluded in the assessment, secondary mortgage market, and university research arenas. These automated appraisal systems would use data processing capacity of the institutions and agencies. The continuing development of a data base of the SREA Market Data Centre, local appraisal data bases, secondary market information, and financial institution files will provide the data base for their computer terminals nationwide.

The automated statistically-based appraisal computer models can estimate the most probable selling price. A reasonable check of the selling price from the data base of sold properties stored in the computer, can be accomplished in a few minutes. The terminals to accomplish an "appraisal" could be located in each savings and loan office connected to the data base, as they are now connected to the bid/ask quotes of the secondary market. Actually, the secondary market needs only a determination of the reasonable risk that the homebuyer is not paying too much. Determining the reasonable risk of "overpricing" the home and the potential of the borrower losing his willingness to pay, would be an acceptable risk management strategy when considering the portfolio of several billion dollars of mortgages. The risk of error is possibly no more than present appraisal practice. Appraisers would only be needed for spot-checking the comparables, factors, and appraising a sample (say one of ten) of the computer-assisted "appraisals".

The single-family home appraisal market is not the only area of potentially eroding markets for the work product of appraisers. The "big eight" accounting firms (the eight largest accounting firms in the country) and smaller regional accounting firms have an opportunity to establish divisions that could accept real estate valuation and analysis assignments. The Securities and Exchange Commission (SEC) has some requirements and the Financial Standards Accounting Board (FSAB) has made recommendations that corporate financial statements should clarify, by footnote or by recognition, the current value of land, buildings, and equipment. The past precedent for financial statements was the historical cost of the asset. Each year the property can be revalued for current value accounting by an index or a revaluation. Since

1975 when the initial regulations were written, and after hiring designated appraisers, the accounting firms have realized that the technical aspects of appraisal are very similar to their familiar tasks, such as auditing, data processing, and financial analysis. To serve the needs of the new current value accounting, the major accounting firms, most with management consulting divisions, have established "real estate consulting" departments. The accounting firms have better access to the customers, data processing capability, and professional stature through the CPA designation.

The investment bankers (securities and bond underwriters) are becoming familiar with the real estate analysis industry through underwriting real estate securities. The investment bankers, who have had an SEC requirement of an appraisal in real estate property prospectus for several years, have recently become involved in mortgage revenue bond financing. The investment bankers' close relationships with insurance companies, financial institutions, and the growing pension fund equity purchasing departments, will aid the underwriters in intercepting the real estate appraisal and analysis business. The security and bond underwriters have access to the clients, data processing and possible credibility in financial analysis.

The mortgage bankers, the financial institutions and the mortgage underwriters of these investors, are removing their requirements of an appraisal for each income property loan package. The mortgage underwriters are turning away from appraisals in favour of mortgage underwriting analysis. Mortgage underwriting analysis can be completed in-house or by the correspondent mortgage banker or broker. The loan-to-value ratio, formerly the chief underwriting tool, does not answer the question of ability to pay. The ability of the property's cash flow over the mortgage term to cover the debt service on the project's mortgage, the debt coverage ratio, is the risk management tool needed. The loan-to-value ratio requires an appraisal; the debt coverage ratio, not now included in an appraisal, requires mortgage underwriting analysis. The two-tier pricing caused by foreign investors in some markets and high interest rates can be rationalised and mortgages underwritten using mortgage underwriting analysis rather than a market value appraisal using traditional capitalization techniques. Mortgage bankers are preparing the mortgage underwriting analysis and not assigning as many appraisers for the loan submission. Many lenders are withdrawing their requirement for an appraisal from the loan package submission. Mortgage bankers and underwriters have lender access, data processing capability in some instances, and are gaining credibility with the lenders.

The architectural and landscape architectural firms (now doing land use planning), mechanical engineering and civil engineering firms all have the technical capability to provide valuation and investment analysis of

projects in which their firms are involved. Valuation engineering can be practised by the physical design firms. The American Institute of Architect's contract has a feasibility and valuation standard clause so the firm can perform those tasks along with the physical design tasks. The energy inventory inspection of homes and industrial properties by the engineering profession could easily be broadened into a valuation inspection. Design and engineering professionals have early access to customers, calculation or computing capability, and long term business relationships to intercept the feasibility and valuation business.

The sophisticated investors presently buying real estate equities rely on internal rate of return (IRR), net present value, financial management rate of return (FMRR), modified internal rate of return, risk or probability estimations, and sensitivity analysis models to make investment decisions. The appraisal dogma presented by textbooks and other literature stresses traditional techniques of valuation which lack the sophistication of the investors' models. Kenneth Lusht's research, "The Behaviour of Appraisers in Valuing Income Property: A Status Report", which appeared in *The Real Estate Appraiser and Analyst* demonstrates the lack of congruency between appraisal techniques and the techniques used by large institutional investors.⁶ The semantics of financial analysis is not used in appraisal practice. It is argued that appraisers and analysts should be familiar and should adopt accounting and finance terminology because of the increased use of valuation for corporation properties due to current value accounting? Without communication in the form of acceptable sophisticated analysis and acceptable terminology, institutional and corporate clients will be lost to the accounting, physical design, engineering, and investment banking communities.

The courts, secondary markets, and "practitioner-generated" dogma has dictated the appraisal form.⁷ The Supreme Court has been careful to make it apparent that the "market value definition is essentially a rule of convenience, not a conceptual strait jacket."⁹ "The tendency of the court to define the "fair" market value and its presentation, limits the use of new appraisal techniques and constitutes an unwarranted and often erroneous simplification of the value realities of the market."¹⁰ The secondary market, through the standardised FNMA/FHLMC appraisal form, has defined the appraisal "line by line". The form is not in the control of the appraisal profession, but the form makers - and the appraiser follows. Control of appraisal practice should be returned to the academically-educated appraiser/analyst rather than the courts, government forms, and out-of-date practitioners. The profession is not leading, but being led. The appraisal profession is losing its primary right to define appraisal methodology.

Key forms of analysis are not present in appraisal reports. An appraisal is simply a

limited form of a feasibility analysis. Important elements of a feasibility study should be included in an appraisal. Supply and demand in the particular submarkets - defined by location, price, type, and buyer profile should be analysed to determine the property's effective demand. Identification of those submarkets, a market segmentation analysis with market research techniques, and a most probable buyer analysis, should be included in present appraisal reports. The most probable buyer profile precedes, and is very important to, the highest and best use determination. The highest and best use should be analysed in terms beyond simply the highest present value, but for a use that is legal, feasible, appropriate, and probable - the best fitting and most probable use rather than the highest and best use. As most properties have alternative use possibilities, the analysis should include several scenarios of best fitting and most probable uses. The reconciliation of the final value estimate should recognise that it is only a central tendency and not just a single point value estimate. Without losing the one value concept required by more regulations, the appraiser should provide a range of values, based on judgment and/or statistics, to aid the client's decision. The appraisal reports should include the recognition of risk or probability identification needed in these uncertain and changing times. Key valuation research theories and techniques should be included.

The appraiser may have to abandon the three approaches to value in favour of three alternatives: inference simulation models, and normative economics. The inference would be done through an expanded market comparison technique allowing statistics to aid judgment; a Ratcliff price-quality linear regression; a computer programme like MKTCOMP, a judgmental, statistically-based appraisal included in EDUCARE; or a step-wise multiple regression using factor analysis to define the variables. The simulation models would simulate the behaviour of the most probable buyer and situation through a Ratcliff buyer-group rating of property features; forecasting models and techniques; after-tax investment analysis; and probability or sensitivity models. The normative economics would be recommendations, not the market's determination, of "what ought to be" the economic criteria of client decision.

Many critics (Ratcliff, Graaskamp, and others) of the appraisal framework have stated that the highly structured definition of market value is not needed in eighty percent of the assignments. Ratcliff has proposed "most probable selling price" as an alternative. In addition, the question may not be what is value, but a recommendation that may be valueless." The analysis needed may be the most probable selling price, mortgage underwriting analysis, investment analysis, a feasibility study, primary market research, an absorption and capture rate study, or one of many other report formats, not necessarily a market value appraisal form.

Accounting firms, architectural firms, management consultants, engineering firms, invest-

ment or mortgage bankers and other professions and institutions provide feasibility studies, market research, and other forms of real estate analysis not considered market value appraisal. Herman Kelting implies that the majority of the real estate research and analysis is done by professions other than the appraisal profession.¹²

Competitive pressure, changing technology, and more sophisticated analysis will change the organisation of the profession. Other professionals without appraisal experience must be recognised within the appraiser ranks. The profession must re-establish its right to define appraisal methodology and integrate that methodology and terminology with current thinking in accounting, investment finance, engineering and physical design. The profession must end the confusion of capitalisation techniques which cannot stand the review and scrutiny of modern financial management theory. It must provide the competitive power to bring the message to the client/user market against the encroachments of accounting, finance, design, and financial professions. The profession must establish access and control of customers rather than being third parties. It must establish the computing capability for sophisticated techniques and data processing needs of a low-ticket, high-volume industry. It must establish professional credibility of an academic-based education, broader experience, and multidisciplinary capability to capture the market for the high-ticket, low-volume analysis of the large scale, sophisticated project analysis.

As Graaskamp has said, "Obsolete concepts in changing times create stress which appears in loss of professional prestige, difficulty in recruitment, and loss of markets."¹³ Although growing, consolidating, and professionalising, the appraisal profession must quickly broaden its influence in all forms of real estate analysis. Without that broadening influence, the profession risks the removal of several captive

markets and the encroachment of other professions and institutions into valuation. The profession must broaden its work product, its membership requirements, its right to define methodology, its techniques of analysis, its competitive stance, and its multidisciplinary capability.

¹ James A. Graaskamp. Speech at Society of Real Estate Appraisers' International Conference, Reno, Nevada, July 30, 1979.

² Ibid.

³ Herman Kelting. "The Demand for and Supply of Real Estate Analyst Reports," *The Real Estate Appraiser and Analyst*, January-February, 1979, pp. 43-46.

⁴ Lynn N. Woodward, "Professional Designations: A Compilation of Requirements and Organizations," *The Real Estate Handbook*, Maury Seldin, ed., (Homewood, IL: Don Jones-Irwin, 1980).

⁵ Idem, "Professional Designations or Merit Badge?" typewritten, submitted for publication, Wichita State University, 1980.

⁶ Kannaith Lusht, "The Behavior of Appraisers in Valuing Income Property: A Status Report." *The Real Estate Appraiser and Analyst*, July-August, 1979, pp 49-59.

⁷ John R. White, M.A.I. and Peter F. Spres, "Towards Universally Acceptable Semantics." *The Appraisal Journal*, January, 1978, p. 67.

⁸ Stephen E. Aoulac, "Real Estate Investment Analysis and Valuation: Economic Analysis, Disclosure and Risk," *Real Estate Issues*, Vol. 2, No. 2, Winter, 1977.

⁹ Gideon Kanner, "How Just is Just Compensation?" *Notre Dame Lawyer*, April, 1973.

¹⁰ Ibid.

The Real Estate Appraiser and Analyst, Winter, 1981.

¹¹ Charles F. Seymour, "More and More of My Reports are Valueless." *The Appraisal Journal*, October, 1967, p. 453.

¹² Kelting, p. 45.

¹³ Graaskamp, Speech at Society of Real Estate Appraisers.

Property Tax Assessment in Singapore

by Ng Tee Geok *FNZIV, MSISV.*

Mr Ng was trained as a Valuer in New Zealand on a Colombo Plan Scholarship in 1964 and had attended the International Tax Programme at Harvard Law School in 1975/1976 on a UNDP Fellowship. He is presently Chief Assessor of the Property Tax Division of the Inland Revenue Department, Singapore. He is also on the boards of the Urban Redevelopment Authority, the Post Office Savings Bank of Singapore and several companies.

Introduction

Property tax in Singapore is levied on the basis of gross annual value at a rate of 36 per cent prescribed by Section 8 of the Property Tax Act, Chapter 144, 1970 Edition or as amended by various Ministerial Orders made under that Section. Property tax is the second largest source of tax revenue, contributing 15.5% of total tax revenue and 11.3% of total government revenue in 1979. The revenue structure of Singapore for Financial Year 1980 is shown in Table 1.

The role of property tax has increased in that last decade as illustrated in Table 2. Total property tax collection of S\$490.1 million in 1979 is 2.52% of Singapore's GNP.

The paper gives an overview of property tax in Singapore. The yield and contribution of property tax in the tax structure of Singapore were examined before delving into the methods of assessments. Then, the historic labyrinth of rates was explained right up to the Rationalisation of Tax rates announced for 1979-83. The legal requirements of the Valuation List, urban renewal concessions and exemptions, and policy on owner-occupier's concession were also explained. The paper ends by discussing the incidence of property tax on types of properties, the reassessments undertaken, the stability and equity of the tax base, regressivity and the ease and cost of property tax administration in Singapore.

TABLE 1

TOTAL SINGAPORE GOVERNMENT REVENUE FINANCIAL YEAR 80
(ESTIMATED)

	Million S\$	Percentage
(1) Income Tax	1,423.0	34.6
(2) Property Tax	481.4	11.7
(3) Payroll Tax	103.0	2.5
(4) Estate Duty	15.0	0.4
DIRECT TAXES	2,022.4	49.2
(5) Import Duties	349.7	8.5
(6) Motor Vehicle Taxes and Fees	371.8	9.0
(7) Entertainments Duty	39.0	1.0
(8) Excise Duties	223.3	5.4
(9) Tax on PUB and TAS Bills	87.7	2.1
(10) Other Selective Sales Taxes	43.5	1.1
INDIRECT TAXES	1,115.0	27.1
TOTAL DIRECT & INDIRECT TAXES	3,137.4	76.3
NON-TAX REVENUE	975.6	23.7
TOTAL GOVERNMENT REVENUE	4,113.0	100.0

TABLE 2

ROLE OF PROPERTY TAX IN SINGAPORE ECONOMY

Year	As Percentage of Total Tax Revenue	As Percentage of Total Govt. Revenue	As Percentage of GNP
1970	13.9	8.5	1.85
1971	14.7	9.2	1.99
1972	14.2	8.9	1.92
1973	13.5	9.6	2.03
1974	13.7	10.2	2.08
1975	13.1	9.3	2.14
1976	14.3	10.6	2.32
1977	13.5	10.3	2.23
1978	13.9	10.5	2.22
1979	15.5	11.3	2.52

Prior to the introduction of property tax on immovable properties on 1 January, 1961, pursuant to the Property Tax Ordinance, 1960, "rates" were levied under the Municipal Ordinance, 1935, for the City Area and the Local Government Ordinance, 1957, for the rural districts. The imposition of a tax in lieu of the "rates" was on account of the integration of the City Council and the District Councils into the Central Government. It was necessary to replace the "rates" as these were levied on the basis of services and utilities of equivalent value being provided by the revenue obtained. Property tax, on the other hand, would be a pure fiscal levy going into the government Consolidated Fund without being earmarked or tied to the levy of local services and utilities provided for the benefits of property owners. However, owing to administrative and valuation expediencies, the introduction of property tax was then imposed on the old base and rates structure.

History of "Rates"

Without delving too much and quite unneces-

sarily into the antiquity of "rates" in Singapore, it is important to note that rates had to be increased because of rising expenditure for beneficial services. The old rating base could not produce the revenue needed. In 1946, total City Council rates were 24%. By 1959, they had risen to 36% and this comprised:-

Consolidated Rates	30%
Improvement Rate	2%
Education Rate	4%

In the rural districts, the permutations of the aggregate rates were more complicated because of differential rating and in 1960 Consolidated Rates for buildings could be 30, 15, 12 or 10% and for vacant land could be 30 or 5% depending on location. To these must be added the 4% Education Rate, plus the 4% Water Rate and 2% Improvement Rate (if applicable).

The Tax Rate Plan, 1971 (at Annexure D) shows the old differential rating areas. The Table 3 shows the Labyrinth of rates in relation to category of properties as at 1978.

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<p>36%</p> <p>27% B%</p> <p>18%</p>	<p>PLU</p> <p>1</p> <p>2396.19%</p> <p>2%</p> <p>IS% la</p>	<p>CONCESSION CLAIM BY OWNER OCCUPIERS ADMISSIBLE IN OCCUPATION PRIOR TO .7.77 THEREAFTER THE RATE IS 23%</p> <p>23% WEF .7.77 FOR OWNER OCCUPIED DWELLING HOUSES</p>
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TABLE 3

Table of rates of tax applicable to the various classes of property in different areas of Singapore

	Area 3 IN	Area 4 %	Area 2 %	Area 5 %	Area 1 %	Area 6 %	Area 7 %
(a) VACANT LAND							
(i) AV in excess of \$240	36	36	18	18	12	12	12
(ii) AV is \$240 or less	36	9	9	9	9		*
(b) BUILDINGS MAINLY CONSTRUCTED OF WOOD AND ATTAP (SEMI-PERMANENT)							
(i) Buildings where concession rate has been approved	36	23 or 19	23 or 19	20 or 16	18 or 14	18	18 or 14
(ii) Owner-occupied houses where concession rate has been approved						\$6 per annum in all areas	
(c) OWNER-OCCUPIED DWELLING PLACES OF PERMANENT CONSTRUCTION	23	23 or 19	23 or 19	23 or 20 or 16	23 or 18 or 14	23	23 or 18 or 14
Owner-ship occupied houses where "owner-occupier's rate" has been approved, or where Annual Value is \$240 or less							
(d) INDUSTRIAL PREMISES	36	23 or 19	23 or 19	20 or 16	18 or 14	18	18 or 14
(i) Owner-occupied industrial premises							
(ii) Let-out premises with Annual Value of \$240 or less, or mainly constructed of wood and attap where concession rate has been approved	36	23 or 19	23 or 19	20 or 16	18 or 14	18	18 or 14
(iii) Let-out premises with Annual Value in excess of \$240	36	36	36	36	36	36	36
(e) OTHER CLASSES OF PROPERTY							
(i) All others with Annual Value of \$240 or less	36	23 or 19	23 or 19	20 or 16	18 or 14	18	18 or 14
(ii) All others with Annual Value in excess of \$240	36	36	27	27	18	18	18

* Noted rated in 1960 except Pulau Ubin and Palau Tekong which were rated at 9%

TABLE 4

PROPERTY TAX ON PRIVATE PROPERTIES

Year	Annual Value S\$ (m)	Items ('000s)	Collection S\$ (m)	Effective Tax Rate
1970	243.6	165.1	74.6	30.62
1971	311.0	173.5	100.3	32.25
1972	378.9	181.2	111.6	29.45
1973	475.8	188.9	146.0	30.69
1974	598.2	206.2	191.7	32.05
1975	704.6	223.3	209.9	29.79
1976	843.6	237.0	248.9	29.50
1977	925.2	249.5	246.5	26.64
1978	1,071.1	291.9	280.0	26.14
1979	1,242.4	313.7	318.2	25.61

Tax Base

Property tax is payable half-yearly in advance, and without demand, in the months of January and July, and is based on a percentage of the Annual Value of all houses, lands, buildings and tenements. As it is levied in lieu of the rates previously leviable by local authorities, it is of Anglo-Saxon origin. The basis of the tax is gross rental value; the primary definition of "Annual Value" is the gross amount at which the property could reasonably be expected to be let from year to year, the landlord paying the expenses of repair, insurance, maintenance or up-keep and all taxes.

The total Annual Values on private properties for the last decade are shown at Table 4.

A graph showing the trend of increases in annual values and private properties under assessment is at Annexure H. As at 31 December, 1979, the total Annual Value of 313,761 private properties was S\$1,242.4 million.

Methods of Determining Annual Value

For properties such as residential houses, flats, factories, commercial shops and offices, and other properties with an abundance of lettings, the market comparison method is adopted. This method determines the annual value by comparing the subject property with the letting of other similar or comparable properties in a similar economic situation, and estimates the gross annual rental a hypothetical tenant would reasonably be expected to pay for the premises.

For purpose-built factories normally erected by industrialists for their own occupation, actual or comparable rentals are usually scarce. Nevertheless, the factories are assessed by the comparison method, but as a rough check, the contractor's test is also used. This latter method is solely relied upon only in the absence of rental evidence, for example in the cases of shipyards and petrol kiosks. Briefly, this method determines the annual value by approaching the matter from the point of view of the hypothetical landlord, that is, the gross amount the landlord could reasonably expect from his capital outlay on the property as compared to investing his funds in alternative investment sources. Theoretically, when there is equilibrium in the property market, any rent higher than this would induce the hypothetical tenant to borrow funds to build for owner-occupation, and any lower rent would mean that the landlord is not getting an adequate return on his investment in the property.

The annual values for public utilities and port undertakings are determined by the profits method. This method is used only in the absence of rental evidence and in cases where the hypothetical tenant would relate his bid to the profits from the business he conducts on the hereditament. This method involves the use of the accounts of the actual occupier. The gross receipts of the business are first ascertained and from these are deducted the working expenses to leave a balance which is divided between the hypothetical tenant and the landlord. The tenant's share must be sufficient to induce him to carry on the business, and the residue, after deduction of the tenant's share, is deemed the gross rent the hypothetical tenant is willing to pay.

The annual value of vacant land or land with insignificant buildings is statutorily determined by adopting 5% of its capital value:-

- (i) on the estimated value of such property including buildings if any thereon; or
- (ii) on the estimated value of the land as if it were vacant land with no building erected, or being erected, thereon.

The value of the property is the amount at which it could reasonably be expected to sell, or the price it would command on the open market to be paid by a willing buyer to a willing seller as at the date of assessment. This value is based on the evidence of recent vacant land sales in the locality. Similar basis of assessment is adopted for the assessment of land in the course of development.

The assessment of encumbered land may be made as follows:-

- (i) if the huts are subject to the Control of Rent Act, separate assessment of the huts are raised in the normal way, and any excess vacant land not forming part of the curtilage of the huts or their tenancies may be separately assessed at 5% of the estimated capital value of the excess land; or
- (ii) if the huts are not subject to the Control of Rent Act, the whole property may be assessed at 5% of the encumbered value of

the property.

In the absence of comparables and if the property is let, the Chief Assessor may use the option provided under proviso (c) to the primary definition of "annual value" in Section 2 of the Property Tax Act. The Annual Value is determined from the gross rent at which the property is let or licenced to the occupier as the case may be.

Where land is occupied as appurtenant to any house or building but is in excess of the quantity fixed by the Comptroller of Property Tax, a separate land assessment may be raised with the sanction of the Minister. The separate land assessment is based on 5% of the value of the land. An excess land assessment cannot be raised in the case of property subject to the Control of Rent Act where the tenancy extends over the whole of the property. In such a case, a surplus land assessment can only be raised if the tenancy does not cover the whole of the property.

Valuation List

Under the law, the Chief Assessor is required to publish a Valuation List containing all properties in Singapore each year showing the Annual Value of each property. The Valuation List contains in respect of all houses, buildings, lands and tenements:-

- (a) a description or designation sufficient for identification;
- (b) the name of the owner;
- (c) the annual value ascribed thereto;
- (d) such other particulars as the Chief Assessor may from time to time deem necessary, e.g. the owner's address and tax rate.

It is not mandatory to prepare a fresh Valuation List each year as the existing List could be readopted for the ensuing year with such amendments or additions as are thought necessary. The Valuation List is kept up to date by carrying out reassessments district by district.

The law empowers the Chief Assessor to amend, whether on his own account or on representation by an interested person, the Valuation List when there is any change in material particulars such as letting of owner-occupied premises; change in rent of let premises; sale or transfer of interest in any premises; erection of any new building or any building is rebuilt, enlarged, altered, improved or demolished; a non-exempt property is not in Valuation List or when the Chief Assessor is of the opinion that the rental, if any, obtained from the tenant is lower than the gross rent at which the property could reasonably be expected to let from year to year. Where amendments of Annual Value are proposed in such circumstances, the owners may object to the proposed Annual Value within 21 days from the date of service of the Valuation Notices. In August each year, the Valuation List for the ensuing year is open for public inspection for a period of 28 days. Any owner may object to the proposed Annual Value before such amendments are authenticated in the Valuation List for the ensuing year. The flow chart for an amendment to the Valuation List is shown at Annexure III.

ANNEXURE HI AMENDMENT OF THE VALUATION LIST

Valuation Notice under S 18(2) advises the owner of the proposed annual value. In the case of a notice under S. 19A(1) is also issued, the owner, if aggrieved, may object against either or both notices within 21 days. If no objection is lodged, the annual value will be ascertained.

SECTION 19A(1)
SECTION 18(2)

Objective

SECTION 19A(3)
SECTION 12(3)

The decision of the Department is conveyed to the owner who may, if dissatisfied, appeal to the Valuation Review Board within 21 days.

The Board, whose members are appointed by the Minister, may dismiss the appeal, increase or decrease the annual value and/or vary the effective date.

The Department or the owner may appeal against the decision within 21 days.

c

Valuation
List
Amended

High Court

The High Court may dismiss the appeal, increase or decrease the annual value and/or vary the effective date.

The Department may only appeal the decision of the High Court on a point of law.

Rate of Tax

The actual amount of property tax payable is based on a percentage of the Annual Value. The tax rate stipulated in the Property Tax Ordinance brought into operation 1 January, 1961, was 36%. This rate, however, was cut back by various Ministerial Orders made under the proviso to Section 8 of Property Tax Act. The main Orders affecting tax rates in chronological order are:-

- (a) Property Tax (No. 3) Order, 1961
 - 1960 rates for properties with annual value of S\$240 or less and wood and attap houses;
- (b) Property Tax Order, 1963
 - S\$6 per annum flat rate for owner-occupied wood and attap houses;
- (c) Property Tax Order, 1967 (as amended)
 - 12% for 20 years for urban renewal projects;
- (d) Property Tax (Rates) Order, 1971
 - (i) In the more rural parts of the Republic, 18% of the Annual Value for buildings and 12% for vacant land;
 - (ii) In the urban-rural fringes of the Republic, 27% for buildings and 18% for vacant land;
 - (iii) For all surrounding islands except for Sentosa Island, Pulau Brani, Pulau Selegu and Pulau Hantu 18% for buildings and 12% for land;
 - (iv) Properties situated on reclaimed land at the rate applicable to proper-

ties of the adjoining areas;

- (v) 1960 rates for owner-occupied industrial premises;
- (e) Property Tax (Sentosa Development Order, 1973
 - 12% for 10 years for approved touristic projects in Sentosa;
- (f) Property Tax (Surcharge) Order, 1974
 - 10% surcharge under Property Tax (Surcharge) Act on residential properties owned by non-citizen and non-permanent resident owners. Units in approved condominiums and in buildings of six or more storeys are exempt.
- (g) Property Tax (Rates for Owner-Occupied Premises) Order, 1977
 - 23% for any owner-occupied dwelling place throughout Singapore but does not apply to any dwelling place:-
 - (i) to which the Control of the Rent Act applies; or
 - with an annual value of S\$240 or less; or
 - constructed mainly of wood or attap; or
 - during the period when a concession rate of property tax is granted under the Property Tax Order, 1967, or the Property Tax (Sentosa Development) Order, 1973.

In cases where prior to 1 July, 1977, the owner of any owner-occupied dwelling place is entitled to pay, or is paying property tax on his dwelling place at a rate lower than the proposed

owner-occupier's rate of 23%, then the lower rate shall continue to apply to such dwelling place until the dwelling place ceases to be occupied by the person who is the owner of the dwelling place on that date.

(h) Property Tax (Singapore Handicraft Centre) Order, 1977

- 12% for 20 years to Singapore Handicraft Centre;

(i) Property Tax (Rates) Order, 1978

Property Tax (Rates) Order, 1979

- These Orders give legal effect to the 1979 and 1980 tax rates arising from the policy statement of 21 November, 1978, on the "Revision of Property Tax Rates" announcing the rationalisation to a uniform rate of 23% phased over 5 years. The concession rates in (a), (b), (c) and (h) above would not be affected. The Tax Rate Rationalisation Table is shown at Table 5.

To know the 1980 Rate, the 1978 Rate for a particular property has first to be ascertained from the Property Tax Rate Plan, 1971 (at

Annexure I) subject to the foregoing Orders.

The number of private properties and the annual tax payable for each tax rate as at 22 April, 1979, is as shown in Table 6. The most significant tax rate is the 33% city area accounting for 60% of the Annual Tax payable.

Concession for Owner-Occupied Dwellings

The practice of fractional assessment of dwelling-houses (assessed then on a concessionary Annual Value much below the true legal Annual Value) in the days of Local Government was admitted to be irregular and planned for correction, but a reduced tax rate for owner-occupiers of small dwelling-houses was justified on the ground that it is wrong to penalise owners "of small means, who, by the exercise of thrift, have come to acquire their own homes". Consequently, after a Revaluation Exercise on owner-occupied houses from 1968 to 1972, the status quo in property tax liability of an owner-occupier was maintained by way of a discretionary "Ministerial rebate" calculated as a balancing figure as in the following hypothetical examples:-

TABLE 5

RATIONALISATION OF TAX RATES 1979-1983

Existing Rate in 1978	1979	1980	1981	1982	1983
	%	%	%	%	%
9%	12	15	17	20	23
12%	14	17	19	21	23
14%	16	18	19	21	23
16%	17	19	20	22	23
18%	19	20	21	22	23
19%	20	21	21	22	23
20%	21	21	22	22	23
23%	23	23	23	23	23
27%	26	25	25	24	23
36%	33	31	28	26	23

TABLE 6

PROPERTY TAX BY TAX RATE AREAS AS AT 22 APRIL 1979

1979 Tax Rate	No. of Items	Total Annual Value (\$S1000)	%	Total Annual Tax		
%						
12	5,285	1.8	134,023	11.8	15,957	6.3
14	1,296	0.4	16,455	1.5	2,304	0.9
16	851	0.3	60	0.0	9	0.0
17	1,873	0.6	143	0.0	24	0.0
19	11,371	3.8	214,570	19.0	38,699	15.3
20	856	0.3	56	0.0	11	0.0
21	1,552	0.5	1,231	0.1	132	0.1
23	197,461	66.5	271,906	24.0	37,307	14.7
26	5,547	1.9	17,566	1.6	4,544	1.8
33	54,438	18.3	461,802	40.8	151,673	60.0
\$S6 p.a.	16,110	5.4	2,491	0.2	97	0.0
•	139	0.0	10,737	0.9	2,179	0.9
Total	296,779	100.0	1,131,039	100.0	252,935	100.0

* Mixed Rates

(1) Before Revaluation		
Annual Value (concessionary)	S\$2,400	
Concessional tax rate	23%	
Annual owner-occupier's tax	S\$ 552	
(2) After Revaluation		
Annual Value (full legal value)	S\$6,000	
Concessional tax rate	23%	
Annual owner-occupier's tax	S\$1,380	
Less Ministerial rebate	S\$ 828	
Annual owner-occupier's tax in (1)	S\$ 552	

Therefore, the Ministerial rebate extended to owner-occupiers (which is actually the difference between the full tax legally payable and the concessionary tax that used to be payable when fractional valuation was practised in Local Government days) is an administrative remission to continue the encouragement of home ownership in Singapore.

Payment of Tax

Property tax is leviable on the "owner" and is payable half-yearly in advance without demand in the months of January and July or when presented with a tax bill at other times. Property tax is a first charge on the property concerned. A tax bill is issued to the owner on

authentication of the Annual Value or on issue of the Section 12 (3) decision on objection. The collection and recovery action is as shown in the flow chart at Annexure IV.

Exemption from Property Tax

Exemptions are provided in respect of properties with an Annual Value of S\$18 or less, and in respect of such buildings or parts thereof which are used exclusively for public religious worship, public educational, charitable purposes or for purposes which are conducive to social development in Singapore.

Refund of Property Tax on Vacant Properties

To alleviate the tax burden on owners whose premises are vacant and could not be let, refund of tax is possible if the owner has reported the vacancy and made a claim and has satisfied certain administrative requirements as set out in Section 7 of the Property Tax Act. The vacant period must not be less than 30 days or a calendar month. The criteria for a refund are:-

- (a) the building is in good repair and fit for occupation;
- (b) every reasonable effort to obtain a tenant has been made;
- (c) The rent demanded is a reasonable one;
- (d) the building has been vacant during the whole of the period in respect of which refund is claimed.

ANNEXURE IN COLLECTION AND RECOVERY OF TAX

For properties already in the Valuation List, bills are issued every half-yearly in January and July. For new properties, bills are issued when tax is due.

Section 14(I) Notice of Demand is issued if tax is not paid within one month. Notice fee of \$1 is added. Tax becomes arrears if outstanding after 15 days.

Notice of Demand

Notice of Sale
Ix Ar n 3551 Ph)
Notice of Sale

Section 35 (1)(a) warrant is issued with a fee of \$5.00. Also, penalty under Section 31 (4) not exceeding 5% of the arrears may be charged.

Warrant
Attachment

Attachment of warrant
penalty if arrears and
interest on arrears

If arrears remains unpaid after 7 days, distress may be effected by attaching any movable property or crops found on the premises.

Attachment of movable property

Attachment of properties if arrears are not paid within 10 days.

Cost of attachment
incurred

Urban Renewal Concessions

To give effect to the Government's intention to encourage and promote greater participation of the private sector in the redevelopment of the city by the construction of new building projects, property tax incentives under Property Tax Order, 1967, have been given for approved development projects. The owner may on completion of an approved project apply for a refund of property tax paid for the concession period which is computed as follows:-

- (i) in the case of a lease granted by the Government, the period of 6 months from the commencement date of the lease;
- (ii) in any other case, the period of 6 months from the date of approval of the project;
- (iii) a further period of one month in respect of each storey of the approved project;
- (iv) thereafter, the rate is 12% for a period of 20 years commencing from the expiry of the concession period mentioned in (i), (ii) and (iii) above.

The uniform rate of 23% will apply after the expiry of the 20-year period.

In the case of an approved development project not completed within the concession period

as mentioned in (i), (ii) and (iii) above, the tax payable for the period between the date of expiry of the concession period and the date of completion of the project shall be at the rate as prescribed under Section 8 of the Act. This is to encourage early completion of the approved projects. Since the 4th Sale in 1974 and the subsequent Sales of Urban Renewal Sites for private developments, the 12% rate was not granted. It was announced in the 1978 Policy Statement that concessionary rates will not be introduced in the future. In 1978, the "tax expenditure" on approved urban renewal projects was S\$22.5 million.

The Property Tax (Sentosa Development) Order, 1973, which took effect from 1 January, 1972, extends the concessionary tax rate of 12% to approved development projects erected on the island of Sentosa provided that such projects are approved by the Minister as being a project for the promotion of the tourist trade in Singapore. The duration of the concession is 10 years.

Property Tax Performance

The property tax yield had increased almost five-fold in the last decade as shown in Table 7.

TABLE 7
PROPERTY TAX YIELD (in millions of S\$)

Year	(1)	(2)	(3)	(4)
	Total Collection	Contributions by Statutory Boards, etc	Private Properties (1) - (2)	Percentage (3) - (1)
	S\$ (m)	S\$ (m)	S\$(m)	S\$ (m)
1970	109.0	34.4	74.6	68.4
1971	138.4	38.1	100.3	72.5
1972	155.6	44.0	111.6	71.7
1973	200.2	54.2	146.0	72.9
1974	253.2	61.5	191.7	75.7
1975	278.7	68.8	209.9	75.3
1976	330.4	81.5	248.9	75.3
1977	348.3	101.8	246.5	70.8
1978	387.1	107.1	280.0	72.3
1979	490.1	171.9	318.2	64.9

On average, private properties contributed 71.6% of the yield, the balance coming from Contributions from statutory bodies engaged in public housing, urban redevelopment, port undertakings, industrial development, telecommunications, water, electricity and gas

undertakings, etc. The role of the public sector in property tax is therefore quite substantial. Government property is not taxed.

The incidence of property tax on each type of property is shown in Table 8.

TABLE 8

PROPERTY TAX BY PROPERTY TYPES AS AT 1 JANUARY 1978

	No. of Items		Total Annual Value (S\$ '000)	%	Total Annual Tax (S\$ '000)	Annual %
LAND	4,910	2.0	85,646	9.4	23,373	10.8
BUILDING						
Residential						
Bungalow	10,177	4.1	80,215	8.8	17,972	8.3
Semi-detached	12,036	4.8	61,499	6.8	10,650	4.9
Terrace	22,788	9.2	58,025	6.4	9,280	4.3
Flat	23,073	9.3	103,665	11.4	26,495	12.2
HDB/JTC Flat	109,177	43.9	62,843	6.9	13,208	6.1
Huts	44,311	17.8	9,176	1.0	1,742	0.8
Others	417	0.2	1,180	0.1	415	0.2
Total	221,979	89.3	376,603	41.4	79,762	36.8
Commercial						
Shop	14,900	6.0	80,241	8.8	22,706	10.5
Office	3,096	1.2	98,653	10.8	22,362	10.3
Others	840	0.3	57,823	6.4	18,352	8.5
Total	18,836	7.6	236,717	26.0	63,420	29.3
Industrial						
Factory	1,473	0.6	146,666	16.1	34,697	16.0
Workshop	318	0.1	5,238	0.6	1,511	0.7
Warehouse	465	0.2	15,442	1.7	5,170	2.4
Others	138	0.1	40,804	4.5	7,839	3.6
Total	2,394	1.0	208,150	22.9	49,217	22.7
Miscellaneous	434	0.2	2,811	0.3	978	0.5
GRAND TOTAL	248,553	100.0	909,927	100.0	216,750	100.0

Residential properties constituted 89.3% of the Valuation List but contributed only 36.8% of the tax. The burden is heaviest on vacant land which had an average effective tax rate of 27.3% on the Annual Value.

As at 1 January, 1980, there were 313,678 properties in the Valuation List. This should be compared with the total assessments completed in 1970-1979 in Table 9.

TABLE 9

ASSESSMENTS COMPLETED 1970-1979

Type	No. of Items
Permanent Buildings	38,418
Temporary Buildings	4,664
HDB/JTC Flats	166,917
Sub Total	209,999
Reassessments	79,293
Land Assessments	10,945
Total	300,237

Leaving aside the 5,000 parcels of vacant lands which were revalued twice during the last decade, and the 16,100 owner-occupied huts each taxed at a nominal S\$6 per annum which were not reassessed, it would be seen that on average the other properties in the Valuation List had been revalued at least once during the last decade. However, as owner-occupied houses are still being granted concessionary taxes frozen at 1960 level and therefore not lucrative targets for reassessments, the true valuation performance in the properties that mattered in tax yield was at least twice in piece-meal revaluation exercises even though no global 5-yearly Revaluations were announced. This effort must be viewed in the light of scarce valuation manpower shown in Table 10.

About 30% of the man-hours of our officers is spent on non-property tax valuations, i.e. valuations for development charge, compulsory acquisition of private properties, stamp duty, estate duty, sale and letting of State Land and buildings, and other valuations required by Government Departments.

TABLE 10

VALUATION MANPOWER 1970-1979

Type	Establishment in 1970	Establishment in 1979	Average Percentage of Establishment Filled 1970-1979
Valuers (professionally qualified)	20	27	83.8
Valuation Officers	59	53	67.7
Total	79	80	73.9

Stability and Equity of Tax Base

Real estate is a national patrimony which is easy to tax because of visibility and immobility. Therefore, real estate offers "tax handles". The revenue thought necessary for adequate government and what is the bearable tax limit could be vastly different. Taxation beyond tax limit could be unpleasant as borne out in the Californian Tax Revolt of 1978. These voters passed Proposition 13 by a resounding 2 to 1 margin to limit real property taxes to 1 per cent of "full cash value" defined as the 1975-76 County Assessor's Valuation of real property thereby imposing an assessment freeze. If value of real estate is considered unsuitable because of fiscal drag caused by escalating values, taxes on income or consumption which levy on a more fluid personal taxable capacity could be used in combination to make the tax structure more acceptable politically. That however, is a favourite public finance topic for academics to debate. I doubt there will be any agreement on what is a fair share to the cost of government.

The "capital value" system for "rates" or property tax is practical if there is a reasonably active property sale market. Since both land element and building and improvements are included in the tax base on the assumption of the property's full potential value, the rate or tax or millage need be very small. However, if property prices quadrupled like in Singapore in 1971/73, declined 40% in 1975/78, then doubled in 1979/80 due to intense speculation, foreign buying and cost-push economic factors, the "capital value" system would be too volatile for all sectors of the economy. The burden of tax increases on the retired and fixed-income earners, and on those businesses and industries that could not shift the burden on to consumers would be too impolitic.

The land or site value system which taxes only the pure land element would be much more speculative and too unstable a value base in Singapore. It may be practical for another newly developing city if there are sufficient sales of vacant sites to accord evidence for valuation. It encourages development since buildings and improvements are exempted. The exemption of building improvements is justified by egalitarians who want a heavy levy on the unearned increment and not any on man's enterprise in building construction and development. The base excluding buildings and improvements must be small necessitating exorbitant tax rates to yield the same government revenue. In Singapore, the redeveloping impetus for the Central Area comes from the Urban Redevelopment Authority which (besides Government and 3 other statutory bodies) has the power to acquire private properties compulsorily at existing use value or 1973 value, whichever is the lower. For private development, a development charge of 70% of the increment value (difference between value for proposed development and value as existing user in the Master Plan) is payable as from 8 February 1980. Therefore owing to the possible creaming-off of unearned increment, market prices for vacant or development land are unpredictable and would not be a stable or equitable base for those going to be affected by public development schemes.

The "gross Annual Value" tax system is well entrenched in Singapore, being derived from the British "rates". It is a more stable base for taxation since rentals are less volatile than market prices since the most common tenancies are for 1 year or 2 years without a rent escalation clause. The extent of the rental market could be gleaned from the owner-occupancy pattern in Table 11.

TABLE 11
OWNER-OCCUPANCY AS AT 1 JANUARY 1978

	Total No. of Items	Number Owner- Occupied	%	% Owner-Occupied ignoring I"IDB/JTC Flats
Residential				
Bungalow	10,177	4,667	43.9	43.9
Semi-detached	12,036	7,787	64.7	64.7
Terrace	22,788	13,257	58.2	58.2
Flat	23,073	8,504	36.9	36.9
HDB/JTC Flat	109,177	109,177	100.0	-
Huts	44,311	38,716	87.4	87.4
Others	471	75	18.0	18.0
Total	221,979	181,983	82.0	64.5
Commercial				
Shop	14,900	3,255	21.8	21.8
Office	3,096	676	21.8	21.8
Others	840	280	33.3	33.3
Total	18,836	4,211	22.4	22.4
Industrial				
Factory	1,473	1,140	77.4	77.4
Workshop	318	173	54.4	54.4
Warehouse	465	168	36.1	36.1
Others	138	93	67.4	67.4
Total	2,394	1,574	65.7	65.7
Miscellaneous	434	345	79.5	79.5
GRAND TOTAL	243,643	188,113	77.2	58.7

Apart from the public flats (HDB/JTC flats) sold to citizens under the Home Ownership Scheme, there are an abundance of rented premises in every category of buildings. Rentals paid for the current use of premises are much easier to analyse for valuation than sale prices. It is also more equitable as the owner is being taxed at what he is deriving from the current use of the premises and not paying cash on unrealised potential value of which a large portion would be appropriated for public use again should the property be acquired or redeveloped for a more intensive use.

Regressivity and Inability to Pay

According to Jude Wanniski (in "The Way the World Works: How Economies Fail and Succeed") the task of political leadership is to find the rate of taxation which maximises production, and is consistent with the distribution of income conducive to welfare. When the rulers understand this central issue and act on it, the society prospers and progresses; when they fail there is decline, conflict and chaos."

... Asian Wall Street Journal
of 5 June 1978

Who pays the property tax? There is no doubt in the case of owner-occupied homes where the burden falls entirely on the owner-occupiers. In all other cases, the question of regressivity is quite unsettled, being dependent on who is perceived to bear the ultimate incidence and how to measure ability to pay as well as the services and benefits received.

Owner-occupiers of homes may not have the cash flow to pay current taxes since the purchase of homes would be more for long-term needs. In Singapore, such taxpayers enjoy a lower tax rate of 23% as well as a Ministerial rebate in the tax payable. The percentage of full tax payable by owner-occupiers of private residential

houses in a sample of 12 housing estates is as shown in Table 12.

It is clearly evident that there is a bias against the smaller and less substantial dwelling units. The situation is redressed to some extent by the notional income on the excess of net annual value over S\$25,000 being taxed at the personal rate of income tax of 4% on the first S\$2,500 chargeable income to 55% of income in excess of S\$600,000.

The rule of "horizontal" equity, or requirement of equal taxes for people in equal positions, is satisfied by assessing similar properties at similar values. Something less than "intentional systematic under-valuation" such as was envisaged by the Supreme Court in *Sioux City Bridge Co. v. Dakota County* (1922) 260 U.S. Reports 441, would perhaps visit on unconstitutionality, that is, a breach of the basic principle of equality and equal protection of the law. In *Howe Yoon Chong v Chief Assessor, Property Tax, Singapore* (1980) in Privy Council Appeal No. 11 of 1979, the Privy Council ruled that the test for unconstitutionality and invalidity of the Valuation List is the proved existence of defects resulting from inadvertence or inefficiency on a large scale.

The theoretical solution to demonstrable inability to pay property tax is to defer or postpone the tax if the tax is a first charge on the property. Settlement of tax arrears could be effected at disposal on sale or transfer at death. In Singapore, in situations where taxpayers have demonstrable inability to pay property tax, the tax is exempted under Section 6(5) of the Property Tax Act if the premises is used for charitable purposes, or the tax is remitted by the Minister under Section 59B on the ground of poverty, or if in his discretion it is just and equitable to do so.

TABLE 12

AVERAGE % OF FULL TAX PAYABLE

Type of Residence	Percentage
Detached bungalow	15.7
Semi-detached houses	18.6
Terrace houses	18.5
Flats	20.5

Ease and Cost of Administration, Etc

The costs of property tax assessment and collection in Singapore were:-

Year	Cents per tax dollar collected
1977	0.78.
1978	0.82
1979	0.69

As at 31 December, 1979, only 2.63% of assessments were in arrears of payment, and the amount of arrears represented only 4.03% of the tax payable for 1979.

There is similar administrative costs for both "capital value" and "annual value" systems which are much higher than "land or site value" system because buildings and improvements have to be surveyed, measured and analysed. How-

ever, analysis of rent for current use is probably much easier than analysis of selling prices of land and improved property with potential value involved. In Singapore, only about 2% of the properties in the Valuation List is transacted each year, so the seeking of comparable sales is much more tedious than that of comparable rents from the about 40% of total private properties let.

Facility for valuation error detection is probably best afforded by the land or site value system since building data are not valuation inputs and all site data and unit values could be plotted on tax cadastral or on survey plans for maximum visual checks. With the advent of computer-assisted valuations, error detection formulae could be built into the computer programmes for any value system.

Conclusion

Property tax, or more accurately the taxation of people on the basis of their ownership and use of property, has not just a revenue implication. Analytically, property tax here comprises three elements in the case of built-up properties: one falls on "pure" land values, another on the buildings and other improvements, and the third on that portion of the annual rental that services the outgoings such as repairs, insurance, maintenance and upkeep, and property tax. The heavy taxation on land (in its narrow sense) has convincing appeal. The unearned increment of socially created values is appropriated for Government use. The tax reduces the land value, and this lower cost is beneficial to the economy whether in term of production or in development.

However, the burden of the building element discourages construction and improvement to land thus investment in buildings tends to be less than if this element of the tax is not levied. The feature of taxing on gross annual value is undoubtedly an offence of principles, since there is a degree of discouragement of maintenance and modernisation of buildings. Nevertheless, it is theoretical whether a building owner once saddled with a building investment would be discouraged from maintaining his building to command the market rent. A prudent owner would not be deterred by such maintenance expenditures if they offered the best after-tax return. In any case, market rental in Singapore are all on the gross basis, and taxing on net values will have to be on an arbitrary formula, which is not likely to be acceptable and understood as in tax jurisdictions where the occupier pays the tax or "rates".

With more periodic reassessments as required by economic factors, and the rationalisation of the multiplicity of tax rates to a uniform rate of 23% by 1983, it is hoped that a more healthy property market will be created. There will then be no disincentive against redevelopment of the Central Area and economic distortion through urban sprawl to lower-taxed outlying areas. By taking care of owner-occupiers of publicly built flats through acceptable standard taxes payable for each type of flats, the possible regressivity burden on the low income populace is averted. In the final judgement, whether there is horizontal equity is wholly dependent on the quality of assessments.

(The views expressed in this paper do not necessarily represent those of the Inland Revenue Department or the Government of Singapore).

Legal Decisions

CASES RECEIVED

Notice of cases received are given for members' information. They will be printed in the "Valuer" as space permits and normally in date sequence.

CASES NOTED

Cases 'noted' will not normally be published in the "Valuer".

Copies of cases 'received' and 'noted' may be obtained from the Registrar of the Court under whose jurisdiction the cases was heard. (A charge is normally made for photocopying.)

IN THE LAND VALUATION TRIBUNAL

HELD AT NAPIER

IN THE MATTER OF a claim for compensation under the Public Works Act 1981.

BETWEEN

HAWKE'S BAY HARBOUR BOARD

Claimant
AND

NAPIER CITY COUNCIL

Respondent

Dates of Hearing: 20th May, 1982, 31st August, 1982, 1st September, 1982.

Date of Decision: 1st November, 1982.

The case concerning the Hawke's Bay Harbour Board and Napier City Council involved the purchase of 41.5 hectares of land for recreation purposes. The hearing arose through a significant disagreement over the amount of compensation to be paid with the Harbour Board seeking in excess of \$1.2 million and the City Council offering \$360,000. While the case does not really cover any new ground, it does illustrate the significant variation that can result when the basis of valuation is different, in this case land ripe for subdivision versus land with no immediate prospect of subdivision.

VALUER'S REGISTRATION BOARD

Edited Decision of The Valuer's Registration Board

Members of the Board: Messrs L. M. Sole (Inquiry Chairman), R. P. Young, D. J. Armstrong.

Date of Hearing: 16 and 17 March, 1982.

A complaint was laid by "A.B.C. Ltd." on 1 July, 1981, concerning compensation valuations made by a registered valuer relating to land in a county adjacent to a borough boundary. The complaint alleged that and the valuer had acted in an incompetent, unethical manner, thereby causing considerable unnecessary expense and financial loss to the owners, "A.B.C. Ltd."

The complaint was referred to the Valuer-General for investigation and his report was considered by the Board at a meeting on 9 December, 1981. It was determined that since it had not been shown that there were no reasonable grounds for the complaint an inquiry should be held. The valuer was advised of the inquiry and of the charges against him in a notice dated 3rd February, 1982. The charges were drawn in terms of section 31 (1) (c) of the Valuer's Act and cited gross over-valuation in respect of a 1976 (charge 1) and valuation dated 22nd September, 20th April, 1978 also in respect of a valuation dated (charge 2).

Counsel for the valuer advised that all charges were denied.

The complaint concerned two valuations made by the valuer on the instructions of a firm of solicitors acting for "A.B.C. Ltd."

"A.B.C." owned the property on the outskirts of the town which was taken by the Crown for public works on or about 3rd August, 1976. The valuer was instructed to prepare a valuation for compensation purposes, pursuant to the relevant provisions of the Public Works Act and the Finance Act and "based on the land's potential for subdivision".

The valuation report was dated 22nd September, 1976, and advised that in the valuer's opinion the current market value of the property was \$405,000. This valuation was based on the valuer's conclusions as to the subdivisional potential of the land, this opinion being in essence, that a residential subdivision would be economic and could proceed virtually immediately, with the sale of 30 lots per annum over a 15-year period, the subdivision producing a total of 472 lots.

On 20th April, 1978, after considerable discussion and exchange of correspondence, the valuer submitted a valuation of \$140,000 based on the sale of 11 lots. Subsequently, at a hearing before the Supreme Court the value of the land was fixed at \$65,000.

This Supreme Court decision outlined the valuation aspects in detail and considered the evidence of four valuers including one valuation based on a hypothetical subdivision, a basis which the Court considered unsuitable in this instance because of delayed potential.

The valuer was not called to give evidence in the Supreme Court hearing and a valuation based on the sale of 11 separate lots was not considered by the Court.

This Board has heard evidence from the Valuer-General, Mr Mander, who expressed the opinion that a valuer's report and valuation should be able to stand on its own feet, and that it should not rely solely on information given in a letter of instruction, without checking. Mr Mander contended that it is improper to accept instructions which are contrary to fact, law and valuation principles and that if such a valuation is carried out, it should be qualified by stating clearly the assumptions used and their effect.

The Board also heard evidence from another registered valuer who presented a valuation of \$55,000 supported by a report and sales schedule. He gave evidence generally along the lines traversed in the Supreme Court judgement. This witness acknowledged that with regard to a nearby property also acquired by the Crown he was asked by Ministry of Works officials to provide a valuation on the assumption

that the rurally zoned land was in fact residential. He provided this valuation which resulted in an increase in value and in that instance this increased valuation was used as a basis for compensation.

In answering the charges the valuer gave evidence of extensive experience in land valuation and land development. He was involved with the nearby property referred to by the previous witness and the compensation awarded in that case was only slightly below his valuation which was prepared on a sub-divisional basis. He discovered the invalidity of that approach in December, 1977 and claimed that his principals were well aware of the resultant invalidity of his original valuation by 15th December, 1977.

It was submitted with regard to the first report of 22nd September, 1976, that the valuer's approach was wrong, that he failed to make his assumptions clear in the body of the report and therefore did not effectively qualify his valuation. It was further submitted that in a subsequent report of 9th November, 1977, the valuer compounded the problem by assuming that a Section 38 (2) Town Planning application would be successful.

On behalf of the valuer, it was submitted that in fact no one was misled by the first report of 22nd September, 1976, the valuer having maintained communication both with the principals of "A.B.C. Ltd." and with their solicitors. They were advised at an early stage that if the assumptions contained in the valuation could not be sustained then the property was worth no more than \$100,000-\$130,000.

It was further submitted that the report and valuation should not be looked at in isolation, but must be viewed together with all other evidence. A number of submissions were also made regarding the second charge which deals with a further report of 20th April, 1978, including the fact that this particular valuation was based on the sale of 11 separate titles and was not tested in the Supreme Court. It was submitted that if it had been tested the result might well have been different.

The Board acknowledges that there are many aspects of the case relating to the first charge which are less than satisfactory and largely unexplained, including the relationship and degree of liaison between the valuer and his principals. It is apparent that a few simple safeguards and qualifications stated within the body of the first report may well have avoided the causes of this complaint.

Nevertheless the Board is of the opinion that the original instructions to the valuer were explicit in that they spelt out very clearly the reason for the valuation.

These instructions are contained in the letter to the valuer from the solicitors dated 31st August, 1976. The main portions of this letter read as follows:

"You are asked to prepare a valuation for compensation purposes pursuant to Part 3 of the Public Works Act, 1928, as amended. We would particularly refer you to Section 29 Sub-Section 1 to 3 of the Finance Act No. 3, 1944, which is incorporated in the latest reprint of the Public Works Act. Paragraph (b) of Section 1 requires that the value of the land be reset 'to be the amount which the land if sold in the above market by a wellknown seller on the specified date (12th of August, 1976) might be expected to realise'. You will note that sub-paragraph (c), (d) and (e) effectively remove from consideration any value otherwise accrued to the land by reason of the pending (Crown) development creating a demand for the land.

"You are asked to prepare a valuation based on the land's potential for subdivision. The company considers that quite apart from the (Crown) proposals there is a market for building lots on the outskirts of (this town). It will be one of your main tasks to assess this market. The Company believes that there would have been little problem in obtaining approval to a scheme of subdivision. The land has low agricultural value. It is adjacent to the boundary of (the town) and was effectively incorporated within the Borough's boundaries just prior to the date the land was taken. Only formalities remain before the boundary is redrawn. Further, there are indications that the Borough was zoning

this land residential, although we must note this was probably because of the (Crown) works, but not necessarily so.

"The value of the land is potentially subdivisible depending of course on a budget of development costs set against an expected sale price of the lots and allowing for a reasonable profit for the subdivider. We enclose two plans of subdivision prepared by the Company. The latest plan shows stages by which the land was to be subdivided and developed. We also enclose a report from the Company's Town Planning consultants which discusses the method of laying out the lots and creating reserves, generally permitting a high quality subdivision.

"On the question of development costs you may wish to liaise with (the consultants) to obtain their opinion".

The above extract from the letter of instruction is quoted as written by the solicitors, including some obvious errors.

The Board believes that these instructions would have been well understood by valuers undertaking this type of compensation work. The instruction is to prepare a valuation for compensation purposes pursuant to part 3 of the Public Works Act, 1928, as amended. This instruction is of paramount importance and over-rides questions of alternative approaches or methods of valuation.

If the principals insist on a valuation based on unacceptable assumptions or premises (and the Board is far from convinced that this is in fact the case), the report should be clearly and unequivocally qualified to that effect, and indeed, to fulfill his professional obligations, the valuer should probably submit a further report and valuation based on what he believes to be the proper approach in the circumstances. The valuer's opinion, after all, is being sought only because of his particular professional expertise in these fields and his principals should be entitled to a full and frank manifestation of that expertise. In the absence of any adequate qualification in the report itself, the Board is of the opinion that the principals would be entitled to rely on the competence and validity of the report, valuation and recommendation. The valuer would have failed in his duty by not pointing out the hazards of doing so.

The valuer in this case is a man of wide experience and undoubted ability and the Board was impressed by his frankness and co-operation. It seems unlikely that his valuation judgement in this instance may have been influenced by his extensive involvement in more entrepreneurial fields.

It is not necessary to determine whether his clients were in fact misled by the report, but only to decide whether the reports, valuations and recommendations were a professionally competent response to the instructions received.

With regard to the valuation report of 22nd September, 1976, in defending the magnitude of this valuation the valuer's main defence is that it was assessed on the basis of assumptions and hypotheses stipulated and prescribed by the instructing solicitors. Having examined the letter of instruction (dated 31st August, 1976, the main portion being quoted above) the Board must reject this defence.

While the instructing letter does ask the valuer to assume incorporation within the Borough boundaries just prior to the date of taking, it also asks him to prepare a valuation based on the land's potential for subdivision. The letter does not tell him to value the land on the basis that it has immediate potential for residential subdivision. The valuer could quite legitimately have replied to this letter by stating either:

- (1) The land has no potential for subdivision.
- (2) The land has very long term or deferred potential for subdivision.
- (3) The land has immediate potential for subdivision.

It was the valuer's own assumption and judgement which led him to treat the land as being available for immediate subdivision. He was not told to do this and the Board does not accept his defence to this effect. It was the valuer's own assumptions and judgment as a valuer which led him to assess a value of \$405,000.

He reiterated his conclusions in this respect in his subsequent report of 9th November, 1977, and in that report went so far as to increase the valuation from \$405,000 to \$422,000.

On the evidence presented to the Board, the Board must conclude that the valuer cannot defend himself by stating in effect that his valuation figure was pre-determined by the basis on which he was instructed to value the land. As we have stated above, even if that had been the case then his valuation report would have to be qualified with clear statements to that effect. In fact his report was not clearly qualified.

As mentioned above, the valuer's initial valuation report of 22nd September, 1976, was confirmed and reinforced by a second report dated 9th November, 1977. This 1977 report arose from the solicitor's letter of instruction dated July 15th, 1977, a letter which also does not dictate the basis on which the valuation is to be assessed. This letter states:

"We would like your opinion on the market value of the land on the following hypothesis:

That the land is situated in the County Council. There is no prospect of any (Crown) development or other public work programme.

Any residential development of the land would require a Section 38A application under the Town and Country Planning Act.

We would like you to give us your valuation figure on this hypothesis without revealing to you what we think the probabilities would be of a successful Section 38A application viewed as at August, 1976".

In fact, it is clear to the Board that the above are not hypotheses at all. They are the simple facts of the matter as the valuer would well have known having regard to his experience in these matters.

The solicitors do not specify that the valuer had to assume that a Town Planning application would be successful. He was asked to provide a valuation based on his judgement of the probability of such a successful application. It was the valuer's own assumption and judgement that led him to the conclusion that a Section 38A application would be successful. This was not a term dictated by the solicitors.

The Board concludes that the valuer's original report of 22nd September, 1976, and the supplementary or confirming report of 9th November, 1977, are extremely misleading and potentially dangerous documents. With regard to Charge No. 1, the Board's views are summarised as follows:

1. On an examination of the evidence and in particular an examination of the solicitor's letters of instruction, the Board does not accept that the valuer was directed to assess his value on a basis specified by his client or that he was directed to adopt full and immediate subdivisional potential for the land.
2. Even if the valuer had been instructed to produce a valuation on the basis of assumptions and hypotheses dictated by his client, the Board is firmly of the view that it is not professional or ethical for an independent registered valuer simply to produce a report which in effect regurgitates the wishes and aspirations of his client. A valuer is an independent expert and his report must embody his independent and expert opinion. It is no defence for a valuer simply to say "that is what my clients asked for and therefore that is what I gave them".
3. A valuer may produce a report and valuation figure based on certain hypotheses and assumptions prescribed by his client, but in these circumstances his report must clearly state that this is the case. If, in the opinion of the valuer, the resultant "valuation" does not accurately reflect or represent the current market value of the property then the report must also clearly state that this is the position.
4. The Board finds Charge No. 1 to be proven and concludes that the property was grossly overvalued.

Dealing with Charge No. 2 relating to the valuation report dated 20th April, 1978, and giving due weight to the fact that this basis of valuation (i.e. the sale of the land in 11 separate titles) was not tested at the Supreme Court hearing, we find the Charge not proven.

In the matter of penalty, the Board is conscious of the necessity at all times to maintain the highest standards of accuracy, good faith and professional conduct in the preparation of all reports and valuations. In view of the valuer's high standing in other fields and his previous unblemished record, the Board considers that deregistration is not appropriate in this case but must reprimand the valuer and impose a fine of \$750.00 (seven hundred and fifty dollars).

Edited Decision of the Valuers' Registration Board

Date of Hearing: 4th May, 1982.

Members of the Board: M. R. Hanna (Inquiry Chairman), D. J. Armstrong, L. M. Sole and R. P. Young.

A hearing was held to investigate charges laid by the New Zealand Institute of Valuers' as follows:

- (i) That under Section 31(1) (c) and 31(2) of the Valuers' Act 1948 a registered valuer had been guilty of unethical conduct in the performance of his duties as a valuer, in that he failed to exhibit a high standard of courtesy to his client contrary to Article 1 of the Code of Ethics of the New Zealand Institute of Valuers, and
- (ii) That under the above Section of the Valuers' Act, 1948, he also failed to regulate his conduct so as to uphold the reputation of the New Zealand Institute of Valuers and the dignity of the profession contrary to Article 2 of the Code of Ethics of the New Zealand Institute of Valuers.

These charges are related to correspondence addressed by the Valuer to a firm of solicitors, in respect of a valuation report compiled by him on June 17th, 1981, concerning a property in a provincial town.

The letter which gave rise to a complaint to the Institute, stated:

"I am somewhat bemused by your client's queries and suggest that your client be informed that valuers and tourist guides would normally see matters in a different light. Perhaps she feels that I should have mentioned Waiouru Military base is within a proximity of () miles, and Burnham within () miles. As regards the other matters I also did not mention the back door opens and closes".

In presenting the prosecution the New Zealand Institute of Valuers submitted copies of the correspondence complained of and other supporting documentation, pointing out that the original complaint related to the valuer's reply to a subsequent enquiry and not to the valuation itself. It was stated that the letters from the complainant were normal business enquiries which were in no way frivolous or unreasonable. He said that the case for the Institute was that the valuer's letter of August 11th, 1981, was of a type which no professional person should ever send to any client and that in sending it the valuer failed to observe his professional obligations and responsibilities as set out in Articles 1 and 2 of the Code of Ethics of the New Zealand Institute of Valuers.

Appearing in defence the valuer's senior partner contested the interpretation placed on the correspondence by the prosecution and claimed that the

solicitors' letter to his client bordered on the defamatory.

Called to give evidence on his own behalf, the valuer detailed the sequence of events from his valuation through the subsequent correspondence and described his reply as being "short and blunt" but not unprofessional. In reply to a question, he stated that the solicitors' letter was nothing short of an invitation to amend his valuation and also stated that he had never struck this before nor had he ever had his valuations questioned.

In reply to cross-examination the valuer agreed that he did not believe that his professional contract with the client concluded on the payment of the fee but claimed that although a client had a right to obtain further information the questions in this case were trivial. He agreed that although his letter of August 11th was not written for several days after the enquiry from the Solicitors, he would with present hindsight, have replied differently.

In conclusion, the prosecution contended that the valuer, by his own admission, had breached Articles 1 and 2 of the Code of Ethics of the New Zealand Institute of Valuers. Defence counsel argued that the Board should take an overview of the valuer's actions in the whole affair which, in his submission, were prompted by a letter from the solicitors questioning the original report. He stated that in respect of Article 2 there was no charge to answer since his client had done everything to uphold the dignity of the profession by refusing to stoop to advocacy.

After very careful consideration of the evidence placed before it, the Board found as follows:

Charge 1:

That in respect of this charge the valuer did in fact, fail to exhibit a high degree of courtesy to his client contrary to Article 1 of the Code of Ethics of the New Zealand Institute of Valuers.

Charge 2:

That in respect of Charge 2 the valuer also failed to regulate his conduct so as to uphold the reputation of the New Zealand Institute of Valuers and the dignity of the profession, contrary to Article 2 of the Code of Ethics of the New Zealand Institute of Valuers.

In delivering its decision, the Board wished the valuer to be aware that it regarded the letter written by him to the complainant on August 11th, 1981, as being entirely unwarranted by any of the circumstances of the case and as being a serious breach of the standards of conduct and courtesy which the Board considers the Code of Ethics to require of registered valuers. The Board was of the view that the valuer failed to act in a courteous or responsible manner and that in the evidence he submitted at the Hearing, he showed little appreciation of the normal reasonable and proper obligations of a valuer to his client.

Having found the valuer guilty on both charges as set out above, it was the decision of the Board that he should be severely reprimanded for his conduct.

The fact that this penalty was not more severe was only a recognition by the Board of the valuer's relative youth, inexperience and professional immaturity and it directed him to keep clearly in his mind in the future, the grave concern which had been expressed by the Board in this matter.

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The new system will provide a convenient, uniform, readily accessible directory, with valuation firms listed by district, firm name and practitioner.

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