WALUERS' JOURNAL

DECEMBER
1993

IN THIS ISSUE

- Asset Valuation Standards
- Public Sector Valuations
- Infrastructural Asset Valuations
- The Valuer Witness in a VRB Inquiry
- Review of the Maori Reserved Land Act 1955

NEW ZEALAND INSTITUTE OF VALUERS

Incorporated by Act of Parliament

PRESIDENT
J P LARMER

VICE-PRESIDENTS
W A CLEGHORN, I W GRIBBLE

MEMBERS OF COUNCIL

Northland	W A F Burgess
Auckland	I W Gribble
Waikato	S A Ford
Rotorua-Bay of Plenty	W A Cleghom
Gisbome	G H Kelso
Hawke's Bay	R M Stone
Taranaki	J P Larmer
Central Districts	R V Hargreaves
Wellington	W M Smith
Nelson-Marlborough	A W Gowans
Canterbury-Westland	A Stewart
South Canterbury	E T Fitzgerald
Otago	J Dunckley
Southland	J W Briscoe
Valuer-General's Nominee	A R Calderwood
Immediate Past President	A P Laing

BRANCH SECRETARIES

Northland	V Winiata, PO Box 1713, Whangarei
Auckland	M Baker, PO Box 3650, Auckland
Waikato	W Hutt, PO Box 1402, Hamilton
Rotorua-Bay of Plenty	P Schellekens, PO Box 1318, Rotorua
Tauranga (Sub-Branch)	P Pennycuick, PO Box 1037, Tauranga
Gisbome	A Warren, PO Box 1315, Gisborne
Hawke's Bay	J Reid, PO Box 458, Napier
Taranaki	D Harrop, I1 Rogan Street, New Plymouth
Wanganui (Sub-Branch)	R Spooner, PO Box 4123, Wanganui
Central Districts	Ms V Macindoe, PO Box 952, Palmerston North
Wairarapa (Sub-Branch)	Ms K Lublow, PO Box 1, Masterton
Wellington	M G McMaster, PO Box 5124, Wellington
Nelson-Marlborough	B Rowe, PO Box 342, Nelson
Canterbury-Westland	G McDonald, PO Box 1397, Christchurch
South Canterbury	K Ellis, PO Box 564, Timaru
Otago	G J Paterson, PO Box 1082, Dunedin
Southland	L Borrie, PO Box 399, Invercargill

PAST PRESIDENTS

1938-1940 N H Mackie, Palmerston North
1940-1943 G B Osmond, Auckland
1943-1947-A W A Sweetman, Auckland
1947-1949- O F Baker, Christchurch
1949-1950- J A Wilson, Dunedin
1950-1951- O Monrad, Palmerston North
1951-1952- L E Brooker, Wellington
1952-1953- L A McAlister, Wellington
1953-1954- W G Lyons, Palmerston North
1954-1955- S E Bennett, Auckland
1955-1957- R J Maclachlan, Wellington
1957-1958- V W Cox, Napier
1958-1960- G C R Green, Dunedin
1960-1962- J W Gellatly, Wellington
1962-1964- S Morris Jones, Wellington
1964-1966 - M B Cooke, Christchurch
1966-1968 D G Morrison, Whangarei
1968-1970-A R Wilson, Napier
1970-1971- J M Harcourt, Wellington
1971-1974- R S Gardner, Auckland
1974-1976- G M Niederer, Invercargill
1976-1977- L M Sole, Rotorua
1977-1978- E J Babe, Wellington
1978-1979- P G Cooke, Nelson
1979-1981- P E Tierney, Tauranga
1981-1983- R M McGough, Auckland
1983-1985- R M Donaldson, Timaru
1985-1987- G J Horsley, Wellington
1987-1989- R E Hallinan, Christchurch
1989-1991- R L Jefferies, Auckland
1991-1993- A P Laing, Otago

LIFE MEMBERS

D G Morrison (1976) E
J Babe (1982)
M R Mander (1985)
R M McGough (1987)
A L McAlister (1988)
S L Speedy (1990)
R P Young (1993)

HONORARY MEMBERS

J S H Robertson
R Aldred
J A B O'Keefe
F B Hunt
M Aldred
W K S Christiansen
L W North
J S Baen
S M Locke
G R Brown

JOHN M. HARCOURT MEMORIAL AWARD

E J Babe (1975)
R S Gardner (1977)
R L Jefferies (1979)
S W A Ralston (1980)
K J Cooper (1981)
S L Speedy (1983)
A L McAlister (1986)
M E L Gamby (1989)
E T Fitzgerald (1990)
G J Horsley (1992)

VALUERS' JOURNAL

DECEMBER 1993

Editor: Trevor J Croot

Production Editing: Vicki Jayne

Editorial Board:

W A F Burgess T J Croot R V Hargreaves

T Boyd S L Speedy R L Jefferies

Chief Executive Officer & General Secretary: J G Gibson

Westbrook House, 181-183 Willis Street

P.O.Box 27146 Wellington

Phone (04) 384-7094 Fax (04) 382-9214

Marketing Manager: R P Newton

The New Zealand Valuers' Journal is the official publication of the New Zealand Institute of Valuers. The focus of the Journal is to publish researched articles on valuation, property investment and related matters, and to encourage the investigation and expansion of the frontiers of knowledge that cover such fields. It seeks to publish reports of decisions of hearings of tribunals, courts, and arbitrations of special relevance to the profession.

The New Zealand Institute of Valuers has a special interest in scholarly research that can be useful in property valuation and development, finance, investment, property management and market analysis, real estate and the valuation of plant. The Editorial Board is willing to work with any potential author who is developing new and exciting ideas.

Articles and correspondence for the New Zealand Valuers' Journal should be submitted to the Editor at the following address:

The Editor, New Zealand Valuers' Journal ,
P o Box 27146, Wellington, New Zealand.

All contributions should be typewritten and accompanied by a biographical note of the author. The Editor reserves the right to accept, decline or modify material. Views expressed by the editors and contributors are not necessarily endorsed by the New Zealand Institute of Valuers. Copies of manuscript should be retained by the author as they cannot be returned. Deadline: two months prior. Each manuscript submitted will be reviewed by the Editor to evaluate its appropriateness for the Journal and assigned anonymously for review by two or more referees. Complete editorial policy review process and style instructions are available from the editor. Business letters, subscriptions and advice of changed address should be sent to the General Secretary. The mode of citation of this volume of the *New Zealand Valuers' Journal* is (1993) N.Z.V.J. December page.

Copyright Official Publication of
The New Zealand Institute of Valuers

Contents

Articles

Editorial Comment

NZIV Insurance certificate out of the frying pan into the fire

The recently revised reinstatement insurance certificate proposed by the working party appointed by the New Zealand Institute of Valuers has introduced what must be regarded as necessary changes to the form.

The introduction of the term "indemnification" is considered to be a positive step forward as it circumvents that enigma of insurance "indemnity value" which has often been interpreted to mean different things in different circumstances. However under "indemnification" it is unclear whether the valuer is required to assess two values, one based on Market Value and a second based on Depreciated Replacement Cost. It is suggested that only one of the two methods of assessment should be used by the valuer and that there should be a question inserted under the heading "indemnification" asking "if indemnification has been assessed on the basis of Depreciated Replacement Cost what are the factors which preclude assessment by reference to Market Value?"

The proposed insurance form also introduces brief details of land contour and sub-soil type to be notated by the valuer and the definitions provided for these changes includes descriptive terms that are to be used. But it is suggested that the definition statement that the description given is without prejudice and is based on a visual inspection only, is probably insufficient protection as a disclaimer should that description, particularly as to sub-soil type, prove to be inaccurate.

Greater protection may be afforded if the definition stated that such description is provided in a non-expert capacity.

The Functional Replacement value provision as proposed seems straightforward and practical. But the further proposals for additions to the form being promoted by the Insurance Council sub-committee should be of great concern to valuing practitioners.

The first of these proposals is that the valuing practitioner be required to answer the following question:

> "Under the Building Act 1991 is a Code of Compliance Certificate required in terms of Section 44? Yes/No"

It is suggested that the valuer is not the appropriate source of the answer to this question nor for the answers to the two questions which follow:

> "If yes, has an annual Warrant of Fitness been issued? Yes/No."
>
> "If no, what requirements are outstanding?"

Surely both these questions and their respective answers have no relevance to the valuation of the building(s) being insured. They may well have relevance to an insurance proposal but it is suggested that the questions should be directed by the insurer to the insured or his/her agent.

There are three issues here. First, it is suggested that a valuing practitioner may not be qualified to provide the answers and will, in most circumstances, have to rely on information or opinion obtained from other sources or people.

Second, there must be an inevitable liability taken on by the valuing practitioner in providing the answers to these questions, particularly if the answers prove to be incorrect. Third is the consideration of cost, as the fee for completion of an insurance certificate including these provisions would have to rise significantly to cover the consequent time cost of the valuing practitioner.

Of even greater concern though are the two further proposed questions:

> "Do the development and site uses comply with the Resource Management Act? Yes/No"
>
> "If no, outline the required detail to comply."

Requiring answers to these two questions is surely jumping out of the frying pan and into the fire in terms of the development of the insurance certificate. Valuing practitioners are not, it is suggested, qualified to provide the answers and should not be required to accept the inevitable liability that will arise as a consequence of being asked the questions, particularly if the answers should prove to be wrong. It is a fact that many local authorities in New Zealand have not completed their programmes for identification of contaminated sites and some, for example, the Otago Regional Council, have not even commenced an identification programme.. A further 11 contaminated sites have only recently been identified in Canterbury.

It is considered that these questions relating to the Building Act 1991 and the Resource Management Act 1991 are not relevant on an insurance valuation form. But now that these particular questions have been raised, it is believed that statements of specific exclusion of these matters will need to be included on the form to prevent any future misunderstandings.

Trevor J Croot.

From the President's Pen

Professionalism. What does it mean for valuers? It is a term probably very much over-used in the modern world, being no longer restricted to the major professions. We have "professional" sales and trades people; "professional" sports people and "professional" motivators and gurus of all kinds.

In reality, professional status in the public mind has to be earned. It goes without saying that the conduct of some professional persons over recent years has certainly tinged the term with an element of irony in the public's mind as far as some business and financial dealings are concerned.

The way a valuer conducts him or herself; the competence and balance brought to an assignment or appraisal; the ability to perform within the agreed timetable; and a commitment to quality in general; these are the hallmarks of a true professional. Providing top quality service is about adhering to high standards of reporting; investing in continuing education to remain up to date; and addressing the client's reasonable requirements efficiently and economically.

Much is made of the independent status of registered valuers in the property world and there is no doubt that this is a very important public perception. We should remember, however, that true independence is a state of mind rather than a state of employment. Independence is about being fair, balanced and impartial, regardless of the adversary-based judicial system, orperhaps the bias of certain clients. Where advice given is at variance with a client's predetermined outlook then valuers, as true professionals must use communication skills to clearly convey the relevant information and their considered independent view. Poor communication, not least over fees, leads to disgruntled clients and sometimes problems or complaints that could have been avoided.

I urge all members, in whatever capacity they are acting, to make a commitment to true professionalism-in ethical behaviour and adherence to standards; by supporting the Institute's continuing education programmes; and through a high level of service and communication. Registerd V aluers can then truly be described as "property, valuation and land professionals".

A question of value

The Editor,

I wish to respond to the editorial comment in the September 1993 issue of this Journal and in particular to the concept of determining the most probable market price and a range of probable values.

I personally have some difficulty with your suggestion that the non-professionals in the property field should refer to the most probable price and a range of values whereas the valuer will determine a figure which is"the market" or "the value". The concept that a professional valuer can determine "the value" or a single figure representing the market must rank alongside an economist who can categorically specify a future inflation rate. Surely we can only determine "the value" if property valuation is an exact science and I have never heard it described as such.

My understanding of the task of the valuer assessing market value is to use her or his specialist knowledge and experience to analyse the property market situation and make a prediction on the market value of a particular property. Such an exercise is not dissimilar to that undertaken by the market analyst, or for that matter the weather forecaster, who has a certain amount of known data and thereafter uses her or his expertise to interpret the data by making a number of assumptions and arriving at a most likely situation. Any professional would described the outcome of such a process in probabilistic terms ratherthan definitiveterms.

Furthermore, the receiver of a value opinion usually has reasonable knowledge of the process required to determine the opinion and therefore will judge the worth of the opinion according to the knowledge and expertise of the giver. The fact that the opinion is given in definitive terms will in no way strengthen the opinion in the eyes of the enlightened client; on the contrary a client may be sceptical of a professional making a dogmatic statement when clearly no such statement can be made.

I agree with your comment on the valuation process "a valuation figure (is) determined by a qualified and suitably experienced valuer resulting from detailed research and analysis of relevant market data...", however I consider that the identification of the results of such analysis is enhanced by stating that the resultant figure is the valuer's best estimate. We regularly find valuers arrive at different values and the courts are forced to mediate between them. This is not surprising because of the nature of property and the difficulty of accurately predicting unknown events. The concept that by being dogmatic we strengthen our position is erroneous as it demonstrates a lack of understanding of the complexity of the issues.

I would suggest that persons with a superficial knowledge of the property market would purport that they can determine "the" value and that the professionals will state that, after careful analysis of the market, they can determine the most probable value and a possible range of values. The incorporation of a range of values in addition to the most probable figure is an acknowledgement of the fact that it is not possible to specify the assumptions accurately and there is a probability that certain assumptions may be inaccurate. It would be normal to expect that the range of values would be greater where comparable market information is inadequate and that the range of values will be smaller where substantial and directly comparable market date is available.

I do not believe that the concept of a range of values has been brought about by the current market situation and would stress that the concept was put forward in the United States by world renowned leaders in the valuation field such as Graaskamp, Ratcliff and Lusht in the 1970s and is commonly utilised in America today. Furthermore it is essential to stress that the specification of a range of values never replaces the need to establish the most probable value; it is always necessary to specify the most probable value, which has the same standing as the single point estimate.

I have had the experience of discussing the concept of acknowledging the level of risk in determining a market value with leading legal minds in Australia and have experienced only positive responses from the concept of the most probable value within a range of values. Furthermore major appraisal firms in America, who have received instructions from as far afield as Australia, incorporate arange of values within their appraisal reports. An examination of the i nstmctions given to appraisers in America by the major financial institutions will indicate there is often a specific requirement that they specify a range of values about the most probable figure.

I am therefore concerned that valuers in New Zealand are not given the impression that the concept of the most probable value in a range of values is in any way degrading the profession. On the contrary I believe it can only enhance the standing of the profession.

Terry Boyd,
Professor of Real Estate, Valuation and Property Management,
Lincoln University.

October Council Meeting 1993

Report by the editor

The October meeting of the Council of the New Zealand Institute of Valuers was held at Quality Hotel, Oriental Bay, Wellington on 10-11 October 1993 commencing at 9.30 a m.

President John Larmer welcomed all Councillors, invited guests and a representative of the Executive Committee, Earl Gordon and the Chairperson of the Professional Practices Committee, John Wall. John Dunckley was attending as the new councillor for Otago branch.

Minutes of the previous Council Meeting held in April at Dunedin were confirmed as being a true and correct record of that meeting. In Matters Arising from the minutes Councillors reported on their branch responses to rationalisation of publication of NZIV Statscom and Valnews with some branches indicating a preference for a wider base of information being included in Statscom, particularly rental and sales information.

Ross Calderwood, the Valuer General's representative to Council reported on a recent meeting attended by the Valuer General in Malaysia at which the Malaysian and Singaporean valuers were showing a strong desire to obtain reciprocity with the New Zealand Institute of Valuers.

The Council nomination of Mr P E Tierney as the NZIV representative on the Valuers Registration Board was ratified.

Vice President Bill Cleghorn reported on the policy being introduced by the Inland Revenue Department to provide for Associate members of the Real Estate Institute of New Zealand to assess valuations of dwelling and curtilage on rural properties. President John Larmer reported on discussions he and Chief Executive Office John Gibson had held on the issue with representatives of Inland Revenue Department. Council agreed that no further representations need to be made at present.

Standing Committee Reports

PROFESSIONAL PRACTICES COMMITTEE John Wall, Chairman, presented his report and advised that the committee endorses its Mission Statement with particular emphasis on the discouragement of frivolous complaints. He sought and obtained Council confirmation of the appointment of Mr Peter Holmes to investigate a complaint against a valuer in the Wellington branch.

Reports from Nominees to External Organisations

MASSEY FOUNDATION Vice President Bill Cleghorn reported on activities of the Massey Foundation and advised that he had been appointed for a further term of fouryears He also advised that Mr Graham Bringans had been appointed Chairman of the Massey Foundation.

REAL ESTATE, VALUATION & PROPERTY MANAGEMENT EDUCATION FOUNDATION - Chief Executive Officer, John Gibson reported that the professorial chair at Massey University has still not been filled and that unless an appointment is made in the near future there will be no further funding requirement from NZIV.

INSTITUTE OF PLANT AND MACHINERY V ALUERS Earl Gordon, the NZIV representative on the IMPV reported that membership of the IPMV currently stands at 64. A vote for continuing professional development education and compulsory professional indemnity insurance was passed at the last Annual General Meeting with implementation planned for January 1995.

PROPOSED ASSOCIATION OF BUSINESS RELATED PROFESSIONS - President John Larmer reported on a meeting he and Chief Executive Officer John Gibson had attended at Wellington with various other professional representatives for the formation of a proposed Association of Business Related Professions.

ANNUAL GENERAL MEETINGS AND SEMINARS - lain Gribble, Councillor for Auckland Branch reported that the Council meeting, AGM and Seminar for 1994 will be held from 15-19 April at Rose Park, Parnell, with accommodation and the Council meeting venue at Rose Park. The venue for the AGM and Seminar will be the Aotea Centre in Auckland City.

Ted Fitzgerald, Councillor for South Canterbury Branch reported briefly on the proposed arrangements for the 1995 Council meeting, AGM and Seminar. He advised that it was intended to hold these events at Twizel with the Council meeting on the Thursday and Friday, and the AGM and Seminar on the Saturday and Sunday. Council endorsed these proposals.

WESTBROOK HOUSE-BODY CORPORATE 66017 - John Gibson, Chief Executive Officer reported on maintenance and upgrading work being carried out on Westbrook House, the building in which the NZIV has its office floor under a Unit Title. The work mainly involves exterior maintenance and upgrading of lifts and foyers.

Forum Sessions

Immediate Past President Alex Laing chaired a forum session for councillors on NZIV services and the further development of sales data and computer software systems for members by the Services Committee or a proposed development company with minority shareholding held by NZIV.

Vice President, Bill Cleghorn chaired a forum session on Non-Active status within the NZIV.

Vice President,lain Gribble chaired a forum session on marketing of professional services at which Adrian Brady, a valuer in public practice and a member of the Wellington Branch NZIV was the guest speaker. He presented an illustrated address on the possible role of the NZIV in marketing the professional services of registered valuers.

President John Larmer reported that the Valuers Act 1948 is still under review and that submissions have been made to the select committee by the NZIV.

Vice President Bill Cleghorn reported on a study that has been done for the NZIV on all legislation nominating the Valuer General as exclusive valuer and he outlined the programme that would need to be implemented to have appropriate legislative changes promoted.

Standing Committee Reports:

PROMOTIONS COMMITTEE Alan Stewart, Chairman reported that the Promotions Committee has adopted a 0 8 policy to be more pro-active in marketing activities of the profession. A major marketing initiative is for a proposed "must read" publication to be produced on a quarterly basis under the auspices of the committee.

It is intended also to investigate a research project into marketing strategies for the NZIV and into the effectiveness of marketing programmes that have been used in the past. Discussions have been held with the new management of Consultus, the NZIV public relations consultants, regarding these marketing initiatives.

Council agreed to change the name of the Promotions Committee to Marketing Committee.

EDUCATION BOARD - Bill Cleghorn, Chairman reported that the 1993 Distance Teaching Seminars were successfully completed with 200 registrants taking part at 26 centres throughout the country. The first of a series of ethics module seminars has been conducted in Auckland under the direction of the Education Development Officer, Kathrine Fraser, and two residential seminars have been held during the year, one at Massey University and one at Lincoln University. Good attendances were recorded at the seminars which were both on topical subjects.

Mr Cleghorn advised that the Maori Land Valuation Hui to be held in November at Massey University is being conducted under the direction of himself, as Chairman, and the Valuer General. The Hui will discuss the Treaty of Waitangi, protocol on a marae, the Maori Reserved Land Act review and rating on Maori land.

Mr Cleghorn advised that publication of the rural textbook and the textbook on leasehold interests has been delayed indefinitely. He reported on the extensive range of activities undertaken by the Education Development Officer. Council confirmed the appointment of Kathrine Fraser of Multi-Serve as Education Development Officer under contract for a further term of twelve months.

LAND PROFESSIONALS MUTUAL SOCIETY - Lindsay McAlister NZIV nominee to the LPMS reported that Loss Prevention Seminars have been conducted throughout the country under the auspices of LPMS. The seminars have generally been well attended.

Mr McAlister reported that there have been significant increases in professional indemnity insurance premiums in the last year reflecting the comparatively high risk category that valuers are now placed in. There has been a significant drop in the number of valuer firms insured with the Society probably as a result of premium increases.

Mr McAlister suggested that in his opinion one of the majorreasons forclaims against valuers was as a result of poor quality report compilation.

STANDARDS COMMITTEE President John Larmer introduced Richard Chung and John Eyles representing Ernst & Young, chartered accountants who presented a bid for rewriting the NZIV Asset Valuation Standards.

President John Lanner introduced Alan Winwood of AA Winwood & Associates Ltd who presented a bid for rewriting the NZIV Asset Valuation Standards and he also presented a proposal for a marketing seminar programme that he would be able to present to branches for the NZIV.

President John Larmer introduced Andrew Wilson representing Standards New Zealand who presented an outline of the standards review process undertaken by Standards New Zealand. He emphasised the advantages of having standards approved by Standards New Zealand which included enhanced credibility and public acceptance and greater possibility of Australasian acceptance.

Council agreed that the bid of Ernst & Young for the rewriting of the Asset Valuation Standard be accepted.

Council agreed that the revision of the Asset Valuation Standards should be completed on a full cost recovery basis.

Council agreed that Valuation Standards should be issued under the auspices of the NZIV and not through Standards New Zealand.

Graeme Horsley, Chairman of the Standards Committee advised that the provisional practice valuation standard for *The Valuation of Rural Properties* has now been elevated to the status of Practice Valuation, Standard No. 3. He advised the exposure draft for *The Valuation of Suburban Commercial Property* has now been elevated to the status of Provisional Practice Valuation Standard No. 4.

Mr Horsley reported that he had just returned from a TIAVSC meeting held at Prague and that a revision of the asset valuation standard is now being completed by TIAVSC.

He advised that the Standards Committee has a proposal for half-day seminars to be conducted at three venues in New Zealand early next year on the subject of Valuation for Non-Valuers.

Council agreed that the proposal of Winwood & Associates Ltd for conducting marketing of professional services at branch level be forwarded to the Marketing Committee.

EDITORIAL BOARD - Bill Burgess, Chairman reported that there have been progressive changes made to the format and content of the *New Zealand Valuers' Journal* including interview style articles and a regular "From the President's Pen" column. He advised that further changes were being considered and publication and printing costs were being reviewed. Mr Burgess reported that a 1994 sponsored lecture tour is being investigated by the board and that previous similar sponsored lecture tours had resulted in substantial profits and good copy for publication.

Trevor Croot, Editor of the *New Zealand Valuers' Journal,* advised that Ian Mitchell, lecturer in valuation at Massey University has been appointed as a subeditor to compile a regular Technology Forum section in the Journal, commencing next year.

He reported that a satisfactory flow of articles was being received but appealed to Councillors to ensure that papers from branch seminars were referred to him or to The General Secretary for consideration for publication.

SERVICES COMMITTEE Roger Stone, Chairman reported that Mr Keith Morris, a registered valuer who holds a Masters in Property Administration and a Diploma of Computer Science has completed an in depth study, on contract to the NZIV, investigating the availability and range of computer based services for the valuation profession. Following receipt of the "Morris Report" a sub-committee comprising Roger Stone as Chairman, Ted Fitzgerald and John Gibson, Chief Executive Officer undertook a review of the commercial services being provided by the NZIV to members. The sub-committee concluded that the current computer software packages, which are now four years old, are coming to the end of their economic shelf life. The sub-committee provided three options for consideration by Council for the future direction of Services Committee and recommended the adoption of the third option. This involved a managed process for transfer of existing NZIV software sales rights and distribution of sales data to an independent industry led services company but with the NZIV holding up to 20 per cent of the shares of the new company.

Council agreed that it does not wish to proceed with development of computer software and would encourage commercial interest to develop software to utilise sales data in the form provided by the NZIV.

Council agreedthatNZlV Executive be empowered to proceed with negotiations to sell software rights and product endorsement to a selected commercial enterprise.

Council agreed that NZIV Executive be empowered to use the proceeds of the sale of rights and endorsements of software to subscribe to the equity of the selected commercial enterprise.

Council agreed that the NZIV will continue to purchase and provide sales and other data to the membership.

President John Larmer reported on a meeting that had been held with representatives of the NZ Society of Farm Management and the Property Management Institute where it had been decided that the proposed vote amongst the members of the three institutes for the formation of a combined institute would be postponed until February 1994.

This had become necessary as a result of some procedural difficulties involving one of the institutes. A Presidents letter would be sent to NZIV members prior to Christmas to explain progress in the discussions to date and Council endorsed discussions being continued in the interim.

Council agreed that the Chief Delegate, Alternative Chief-Delegate and the Chief Executive Officer be fully funded to attend the Pan Pacific Congress in *1994* at Yokohama, Japan because of the NZIV bid to be presented for the 2000 Pan Pacific Congress to be held in Auckland.

John Gibson, Chief Executive Officer advised Council that the NZIV holds a unique record of the Pan Pacific Congress and a brief history is being prepared by Mr S W A Ralston on behalf of the institute which will be used by the NZIV in the 2000 Pan Pacific Congress bid.

Vice President Bill Cleghorn advised Council that the Real Estate Educators Conference is proposed to be expanded to become Pacific Rim Real Estate Society and that the NZIV is offered institutional membership at a cost of A$200 or to become an institutional sponsor at a cost of A$ 1000. Council agreed to apply for institutional membership of Pacific Rim Real Estate Society at a cost of A$200.

Council agreed to make available a sum of $1000 to assist with the expense of the attendance of Dr Tom Whipple at the Real Estate Educators Conference at Auckland on the understanding that he will be available for a lecture tour following the conference.

Council agreed that only non-remunerated care-givers and exceptional cases at the discretion of Executive will qualify for Non-Active status membership of the NZI V .

Council approved the following membership subscriptions for 1994:

	Plus GST	Discount Prompt Payment + GST	NZVJ Journal Newsline
Registered Valuers	$350	$310	included
Non Registered Valuers	$192	$170	included
Overseas	$90	$80	additional cost
Retired- rule 14(1)	$ 90	$80	at $80
rule 14(2)	Free		at $80
Affiliates	$192	$170	included
IMPV levy	$ 60		
Non-Active non earning	$ 90	$80	at $80
- earning	$135	$120	at $80
Advancement /entry fees,	$ 30		
Life, Honary	Free		

Council confirmed Branch capitation would remain unchanged for 1993. A

Fourth Australasian Real Estate Educators' Conference

The University of Auckland

26th-28th January 1994

Meeting the challenge of a global property market

The theme of the Conference places the education of property professionals and the research carried out by those participating in the education process in the context of the global market.

Expressions of interest have been received from around the world including Singapore, Malaysia, England, Northern Ireland, South Africa, Hong Kong, Taiwan, United States, Kenya, Fiji, as well as the host countries of Australia and New Zealand. Over 80 papers have been accepted for presentation on a wide range of both domestic and international issues under the sub-themes of :

- Development/Land Economy
- Education/Training
- Investment/Finance
- Management
- Marketing
- Valuation/Appraisal

Registration forms are available from:

The Centre for Continuing Education
The University of Auckland
Private Bag 92019, Auckland.
Fax: (09) 3737419
Ph: (09) 3737599 Extn: 8904

Sponsored by the New Zealand Institute of Valuers

Introduction to Asset Valuation Standards

by G J Horsley

Graeme Horsley is National Director of Valuations in the rotporate advisory division of Ernst & Young at Wellington, He is a Fellow and a past president of the NZ!V and is the immediate past Chair of the International Asset Valuation Standards Committee (T1A VSt"). He is also an Associate member of the Chartered Institution ofArbitrators and a member of the Institute of Directors. Graeme Horsley has been involved in public valuation practice, more than 25 years and has undertaken valuation and property consultancy assignmentsfor highly specialised assets, central district portfolios and tourism properties throughout New Zealand, the Pacific Islands and in Australia

Rationale for Standards

In preparing this paper I went back to the objectives put forward in the late 1970's when the NZIV were first developing asset valuation standards to see how well they met the test of time. At the time senior valuers in the Institute were saying that standards should meet four key requirements.

- Firstly the standards should set out the principals governing the guidelines and the approach to valuation. For instance, the standards should lay down the correct treatment of valuations within company balance sheets.
- Secondly, the standards should cover ethical considerations. That is, they should define the best practice dealing with such matters as conflicts of interest and terms of engagements.
- Thirdly, standards should cover technical considerations including points such as the valuation of plant and machinery and the calculation of depreciated replacement costs.
- Fourthly, the mechanisms for proposing, formulating and modifying standards should be responsive to pressures and requirements.

Today I would endorse these four principles to be home in mind when compiling standards or guidance notes but I would sound a warning note. Standards should not attempt to fit reality to the norm but rather adapt the norm to reality.

Over the years there is one frequent complaint clients have made about professional advisors, a complaint that I have heard from people in the property industry almost ever since I joined it, though not because I joined it! They complain about off-the-rack approaches. Why, clients have asked, must valuations be supplied in only one common mode.

Why they have asked can't standards be tailored to take into account differences that arise in real life situations. In the early days of standards a basic type of report could be made to fit all circumstances with a little bit of manipulation here and there.

Today there is a need to demonstrate that standards have greater adaptability.

Making Standards Work in Practice

I also suggest that if we are to make standards effective we should ensure not only this adaptability but also that standards are effectively communicated, that they provide for accountability and that they are realistic.

Communicating with Users of Valuations

Valuers have to explain and exemplify their findings to those who will make use of valuations. I should say that what is obvious to those who are professionally engaged in the field is not necessarily understood or accepted by those who have to make judgements or decisions on the basis of the information supplied. What is self-evident to the professional may not be so to others. The self-evident gap needs to be bridged and standards will help in this process.

Equally, standards are a vital basis for communication between professionals. They can help to make sure that the valuer understands the requirements of accountants and bankers and the users of valuations and that they all understand what the valuer can offer. In company reporting and in investment appraisal there are similar needs to communicate with brokers and security analysts and with international standards we need to fill the communication and language gaps between countries.

Accountability

When preparing this paper I was reminded of the definition by Ambrose Bierce. He gave the meaning of "responsibility" as "a detachable burden easily shifted to the shoulders of God, fate, fortune, luck or ones neighbour". He went on to remark that "in the days of astrology it was customary to unload it upon a star".

In today's society we would find it difficult to unload professional responsibilities in these or other ways. We are in an era in which participation and accountability are more significant. There is evidence in our society that communities or groups of people who are affected by professional decisions are unwilling to take them on trust. The fire of enthusiasm for participation and involvement has to a degree been fanned by the media.What it means in practice is that more and more and people want to know the "ins" and "outs" of affairs, and if they are not satisfied they demand the power to change decisions.

Realism

In practice we also face the problems of the increasing complexity of business operations and enterprises. Managers are demanding fuller and more up-to-date information on which to make decisions. Valuation standards should ensure that those who use valuations are provided with fuller information in several respects. Specifically on the basis of valuation, on the criteria adopted and on the qualifications of the valuer. By such steps I believe the standards can help to ensure that decision-makers receive soundly based valuations. That is valuations that are suitable for comparative analysis and which are realistic.

Realism in valuation is best considered in terms of the uses to which a valuation will be put. It is not enough for the valuer to restrict his role just to the provision of a reasoned report and an appraisal figure.

This paper was presented at the NZIV Standards Seminar held at Auckland, Wellington and Christchurch on 15,16,17 February 1993.

The risk is that the figure alone is transferred to the balance sheet or forms part of a financial statement and that the rationale is somehow omitted or forgotten.

The valuation reportmatching the standards you or I might accept should actively encourage the users totakeadvantageof the information provided. The stimulus should be to make certain that the contribution of the assets to the enterprise or the institution is maximised. We can no longer follow the advice of the old valuer who remarked "I give them a number, I give them a date but Inevergive them both at the same time". To test whether or not a valuation is realistic you might ask yourselves several questions.

- Have the valuations been made in accordance with the best known practice?
- Is the valuation data suitable for comparative analysis?
- Can corporate executives or investment managers or their advisors effectively assess the performance and prospects of the property assets in the light of this information?
- Are these users of the valuation report actively encouraged by its content to re-examine the assetto reconsider their deployment and the returns they are producing?

Today I would make a further point about realism in a world where resources are increasingly scarce. It is vital for our survival that land is put to the most economically and socially acceptable use possible and it is our responsibility to do so for the benefit of the communities we serve and the environments in which we practice.

In our everyday life I believe that too often we seek to blame some-one or something for ourproblems. There is no shortage of candidates. Its crime, its drugs, its the Govemment, its the media. In short it is us. But if we are the problem we are also the solution. That brings me the full circle. It is a vision we can make happen starting with small steps with individual efforts, you,me, small businesses, large businesses, Government. This idea of individuals and families working together for the benefit of the community is hardly new. Indeed it originated, not surprisingly in ancient Athens, the birth place of democracy. Itis an idea we need to put into action.

At the root of decisions on the present economic and social environment is the process of valuation which will affect the deployment of real estate assets by a Government, by a commercial enterprise, by an investment institution, by individuals acting in their private capacities. Perhaps today there is a need for a "green standard" which will assist professional valuers to appraise assets in the context of ecological and environmental requirements. But, of course, not everyone is sensitive to his or her environment. I recall the story of the Valuer who went to Hell but didn't know it for six months.

Achievements To-Date

Looking back on our experience in New Zealand I believe that the work of the Asset Valuation Standards Committee has helped to restore order in an area of disorder.

The Committee in 1980 acted as a stabilizer in a stormy period of uncertainty. It laid down that users of valuations should be provided with fuller information and as a result there is a common basis of appraisal, a common approach, a common understanding applied in the valuation of properties for financial statements and for other purposes.

Thus the promulgation of standards has brought benefits. They have enforced and reinforced the publication and disclosure of information, they have helped to improve the presentation of full, clear and consistent information toshareholdersandbeneficiaries.

They have offered compatibility between sets of figures, they have helped to raise standards of prac lice and many a valuer has been able to make reference to the standards to counter brandishment of a client who has his own preferred methods of valuation.

Where standards have been employed, investment analysts have been given assurance that the performance of property assets in a portfolio of assets can be measured and analysed on a commonly agreed basis.

But now we are seeking changes to include for public sector assets, for infrastructural and community assets and intangible assets which are creating fresh opportunities and challenges for professional valuers. -

Public Sector Valuations

by K J Cooper

'clvin Cooper i3 Depwy Valuer General and is *primarily responsible for the rketingand finance functions of* Valuation *New Zealand from the Wellington head office.*

He is a *['ellow of* the *NZ* Institute *of Valuers* and is a *chartered accountant, and a member of the New Zealand Computer* Society. *Kelvin Cooper holds a Master of Public Policy degree and a Diploma of Public Adm.nistrotion from* Victoria *University. He has held senior positions in Blousing Corporation, Department* of Lands *and Survey and Tourist and publicity Department,*

This paper was presented at the NZIV Standards Seminar held at Auckland, Wellington and Christchurch on 15,16,17 February 1993.

1. International Background and Developments in Public Sector Accounting

Traditionally, government financial statements were prepared primarily to show compliance with authorised spending and financing limits. They were, therefore, quite different from the way accounting systems developed to reporton the trading outcome and financial position of commercial concerns by way of a Profit and Loss Account and Balance Sheet. Thus, while governments were expected to exercise wise financial judgment and good faith in the conduct of their affairs, these aspects of government accountability had little effect on "the form and content" of the accounts prepared by governments and many of their sub units.

With the rapid rise in the level of government expenditure in most Western countries in the decades following the Second World War, concern for prudent government management expanded and sharpened, Govemmentaccountability for performance is now generally held to include accountability for economy in obtaining resources, and efficiency and O12

effectiveness in using resources to achieve government objectives.

This led in the late 1970s to a growing debate within the accounting world as to the adequacy of cash-based accounting systems, the system used by governments and many public sector institutions, to adequately report the activities and state of affairs of much of the public sector in many countries.

Cash accounting systems do not provide measures of resource consumption, or cost, that are needed to assess the efficiency and cost-effectiveness of a government's use of resources.

Expense-based accounting methods (such as full accrual accounting) that set up an asset account when physical assets are acquired and depreciate them over their service life provide the measures of consumption needed to assess efficiency and cost-effectiveness as well as the information needed to demonstrate compliance with authority, whether granted on an expense, expenditure or cash basis.

In addition, expense-based accounting methods provide a measure of annual surplus or deficit essential for assessing intergenerational equity; that is, assessing whether current taxpayers or ratepayers are paying their fair share of the cost of government services or passing along a burden to future generations.

The primary objective of financial reporting should be to communicate reliable information which is relevant to the decision-making and accountability needs of users. In the case of government this would include communication of information about compliance with spending mandates, the financing of activities, financial position and performance. In practice this will mean that the basis of accounting that may be adopted by governments and their units will lie on the spectrum from the cash basis at one extreme to the full accrual basis at the other extreme. Four identifiable points on that spectrum can be summarised as:

Bases of Accounting

(1) cash;

(See Appendix 1 for a Glossary of Accounting Terms. Appendix 2 lists the Assets Reported by Different Bases of Accounting.)

The fundamental characteristics that all assets possess are:

(1) the existence of service potential or future economic benefit;
(2) the service potential or future economic benefit, which must arise from past transactions or events (that is, future assets can not be recognised); and
(3) the service potential and/or future economic benefit, which must be controlled by the reporting entity at the reporting date.

The notion of service potential is of particular relevance with respect to public sector entities. Service potential is the capacity of an asset, singly or in combination with other assets, to contribute directly or indirectly to service provision.

As public sector entities move along the spectrum from cash towards accrual accounting, the financial reports will normally evidence accountability for more of the assets they control. It is thus towards the accrual end of the spectrum that complex conceptual issues arise. For example, it raises issues such as whether infrastructure assets such as roads and water reticulation systems, or, parklands, libraries, monuments and other historical treasures should be recognised in financial statements.

Under the full accrual basis, all assets that meet the partic ular government' s definition of asset will be included as such in the financial accounts. The IASC definition of asset is "An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise."

Within the accrual system, there is debate on how assets should be valued for financial reporting purposes. Many authorities state that assets should be reported at their cost of acquisition (Historical Cost reporting) while others object that such costs are often irrelevant to the purpose of financial reporting.

A compromise position, called Modified Historical Cost reporting, accepts periodic revaluation of some or all noncurrent physical (fixed) assets. The valuation of some assets for recognition in public sector financial reports is a matter of emerging rather than agreed practice. Although methods of valuation of most assets exist, such methods have been developed to meet objectives other than those of public sector financial reporting. For example, it is the practice in private sector financial reporting to limit the revaluation amount of a reported asset in relation to that asset's contribution to the income of the reporting entity (the recoverable amount test). Such a limit is not relevant for not-for-profit entities, and therefore is not relevant to most public sector entities. Although valuation for financial reporting purposes is a key problem for financial reporting using the full accrual basis, valuation for other purposes is often performed for assets held by government entities using other accounting bases as, for example, when a public sector entity contemplates the sale of assets or prepares economic assessments for investment or disinvestment decisions. The full accrual basis accepts recognition and reporting of all assets that meet the generally accepted definition of an asset and the resulting accounting for depreciation and revaluation of such an asset. Thus, in addition to the financial assets recognised under the modified accrual basis, the financial reports will deal with physical assets and other assets in addition to the Realisable Assets included in the modified accrual basis. Growing demands on scarce resources have encouraged interest in full accrual accounting by a number of governments.

Unlike other bases of accounting where the items recognised as assets are generally accepted as such without debate, under the accrual basis there is a wide scope of items which could be regarded as assets, and such items require meticulous attention to recognition criteria and the fundamental asset definition adopted by the government in question. A national government has access to a very wide range of resources and items with service potential. Many, but not all, such resources may be assets as defined for financial reporting purposes.

In a significant number of cases, assets may exist but may not meet the criteria for recognition in financial reports.

Governments hold assets for the provision of services, and the generation of financial income from an asset is an intermediate, rather than a primary, operation. Given the sovereign power to requisition and to tax, governments have access and potential control over all assets in their jurisdiction. However, both the objective of financial reports in providing information useful to users and the reference to "past events" in commonly used asset definitions, restrict the scope of potential government assets.

Particular difficulties relate to the state's control over natural resources. A state-owned coal mine's coal reserves are unlikely to be disputed as an asset, but to what extent should the state's general rights over less clearly identified or defined minerals underground be regarded as an asset?

There are differing views as to whether such assets should be recognised in the financial reports or should be disclosed only by note, if at all. Areas of sea within the government's jurisdiction are similarly debated as to whether the economic benefits and service potential controlled in such assets ought to be included in asset values in the financial reports. Even those who support recognition of physical assets in general, ignore such assets unless specified service potential has been identified as being under direct government control (eg, offshore oil extraction operations, repurchased finishing rights, and marine national parks). Similar issues for debate arise over the recognition or non-recognition of government control over the radio spectrum as a financial asset.

Under the IASC framework, determining which items should be recognised in financial statements as assets and liabilities involves the following two steps:

(i) determining whether the item meets the definition of an asset or liability; and

(ii) determining whether the item satisfies the recognition criteria.

Assets and liabilities should be recognised when:

(i) It is probable that increases (assets) or decreases (liabilities) in economic benefits (or service potential) will occur; and

(ii) the amount of settlement of liabilities and the cost or other value of assets can be measured reliably.

The first half of the recognition criteria may be no more difficult to apply in public sector reporting than in the private sector. However, valuation standards or market values do not exist for many state assets that meet the definition of asset defined earlier. This absence of the means to measure value and hence to meet the second half of the recognition requirements poses questions as to the meaning of "to measure the value of assets reliably".

To distinguish between reliable and "not reliable" measurement is a judgment of quantitative characteristics of the information involved in relation to the needs of users of financial reports.

To communicate effectively, financial reports must reflect certain characteristics.

Qualitative characteristics define and describe the attributes of financial information and make it useful to users.

Conflict between qualitative characteristics is unavoidable and is a matter of professional judgment to assess which balance between competing characteristics best meets the needs of users of financial reports. In recognising and reporting public sector assets, such conflicts are common.

Two such qualitative characteristics are relevance and reliability. Reliability is achieved through representational faithfulness and verifiability. The financial report representation of an asset is verifiable if knowledgeable and independent observers would concur that it is in agreement with the underlying transaction or event with a reasonable degree of precision.

Verifiability focuses on the correct application of a particular basis of measurement rather than its appropriateness.

Governments seeking to move to an accrual basis of accounting will usually be unable to establish useful opening asset values based on cost of acquisition for many material classes of assets. This may be because the records do not exist or the cost of acquisition (if any) no longer has any relevance to users because of subsequent changes in values. Thus a valuation of such assets is often required, if only to establish an opening value for an accrual accounting basis to continue on historical cost lines for the future.

Currently those who have recognised major physical assets in government financial reports have stressed relevance over reliability in measurement and have accepted that the reasonable degree of precision" referred to earlier should be interpreted less stringently. Valuation of, say, infrastructure assets is difficult because there may be no market for such assets and because private sector valuation standards with their benchmarks or reference to cash inflows may not be appropriate fora non-profit situation. Atypical solution is to value such assets on a depreciated replacement value; however, such a valuation basis envisages replacement and where replacement is not envisaged, further modification of valuation standards is required.

In the absence of generally accepted valuation standards, it is necessary to ask if values can be established with sufficient reliability to justify recognition. The answer to this question lies in assessing the balance between the qualitative characteristics of relevance and reliability. The information on the extent of financial investment in, say, roads is highly relevant for users of financial reports and the search for relevance may justify some sacrifice of reliability. (Verifiability, the concept underlying reliability, could be achieved at some future time when and if generally accepted valuation standards for government assets are available.) In any sector, private or public, professional judgment must be exercised balancing relevance and reliability in relation to recognising any form of item for inclusion in financial reports. In the recognition of public sector assets, judgment must be exercised on whether an asset is to remain unrecognised (thereby avoiding misleading users with unreliable values) or to be recognised thereby informing users of the existence and probable value of significant assets).

Another item of much debate is the valuation of heritage assets. These are distinguished from other assets as being usually non-replaceable as well as often having no relevant market values. Their existence and maintenance is not primarily as a store of service potential, but is a service itself provided by a government to its citizens. Debate exists between those who argue for some valuation based on a quasi-market assessment of value and those who argue for recognition of a symbolic value of, say, $1.

In contrast to the advocates of the use of symbolic values, those who support the recognition of more "realistic" financial valuation of heritage assets argue that financial decisions are made in relation to the monetary value of such items as, for example, in allocating funds for preservation, in insuring such items, in expanding or contracting heritage collections. They argue that, in general, it is highly relevant to users of financial reports who wish to understand the often considerable periodic maintenance expenditure relating to heritage assets, to receive information about what is the value of the heritage asset itself in the view of knowledgeable and experienced experts. The practice of assigning token values, for example $1, to such assets serves to alert users to the difficulties of valuation, but only by providing irrelevant (and inaccurate) information.

In relation to valuation difficulties for public sector assets, it is necessary to point out that, despite such difficulties, it is possible to find examples of almost every kind of public asset where a government has been able to negotiate a sale of such an asset to private interests on a commercial basis. It is also possible to find, somewhere in the world, examples of almost every class of public sector asset where a similar service is provided commercially by private interests who account for identical classes of assets on an accrual basis.

In the late 1970s the British Conservative Government, led by Margaret 014

Thatcher, pursuing a policy of privatisation, began to sell a number of state-owned businesses in a series of public share issues. This process ofcorporatising (where not already corporatised), then privatising, a number of public sector activities continued as a major feature of British government policy over the next decade. It raised in a very public forum the issue of valuing many hitherto special purpose, public sector assets for sale. In many cases this highlighted the issue of appropriate valuing methodologies to determine the "real market value" of such assets. A list of the Major Privatisations in Britain since 1979 is contained in Appendix 3.

This process of corporatising, then privatising, public sector activities spread to other countries in the early 1980s and in the year 1990, the London-based company Privatisation International estimated that 25 Governments were involved with the sale of $US25 billion of global public sector assets to the private sector in that year.

2. The New Zealand Scene

With the election of the Fourth Labour Government in 1984, the troika of Finance Ministers (Messrs Roger Douglas, Richard Prebble and David Caygill), together with the Treasury, began a major reform of public sectorfinances. The major pieces of legislation to result from the general reforms that ensued were the State-Owned Enterprises Act, the State Sector Act 1988, the Public Finance Act 1989 and the Local Government Amendment Act (No 2) 1989. These latter two Acts introduced the requirement for full accrual accounting for central government by June1991, and later for local government.

Thus, in the New Zealand context the main reasons leading to the current interest in the valuation of public sector assets can be summarised as follows:

2.1 Public Sector Reform

2.1.1 Corporatisation of Public Sector Business Undertakings (eg Electricorp and NZ Post)

Here there is a sale of a business undertaking from a public sector institution to an acquiring board of directors, on behalf of the new company, and as part of this process, it is necessary to fix the sale price at which the business undertaking, and its assets, will be sold. In reaching this finalised price, both the "buyer" and the "seller" will, as part of the negotiating process, need to arrive at their own assessment of the value of each of the individual assets being included in the sale, as well as the value of the overall undertaking.

This sale process has required the development of new valuation techniques in the case of a number of public sector assets (eg, airports) as part of the process of arriving at sale prices.

2.1.2 Sale of Public Sector Business Undertakings and Assets to the Private Sector (eg, the Government Printing Office being sold to a private sector company, or the sale of timber cutting rights from State exotic forests).

Here again, both the buyer and the seller need to arrive at their own assessment of the value of the assets (and business as a whole, if appropriate) being sold.

2.1.3 Removal of Public Sector Monopolies (eg, a state-owned computer company or state-owned airline being fully opened up to private sector competition. For example, GCS Ltd and Air New Zealand).

In these situations, the assets of these businesses will assume the value that the private sector would ascribe to them.

2.1.4 A Requirement that Public Sector Institutions (such as Government Departments and Local Authority Administrative Units) Adopt Private Sector Business Practices.

This has particular application in personnel and financial matters such as: charging for services provided to other government institutions, and each organisation carrying its own insurance risk by taking out its own insurance cover.

2.1.5 A Requirement for Public Sector Institutions to Become More Accountable for their Roles and Activities by Requiring them to Report in a More Comprehensive Manner.

This involves the introduction of a regime which requires public sector institutions to prepare formal planning documents before the start of each financial year and then at the end of the year, to report actual performance against that planned in a comprehensive manner.

2.2 Reforms in Accounting

2.2.1 Accrual Accounting for the Public Sector

Over the past few years, there have been a number of significant accounting reforms which affect the way organisations report their annual financial results. In the public sector, none has had a greater impact than the requirement for all public sector organisations to prepare full accrual accounts in place of the widely used cash financial statements. Preparing accrual accounts requires that all assets and liabilities be included in a Statement of Financial Position. Establishing the value of various assets for inclusion in a Statement of Financial Position is usually a time-consuming exercise involving considerable effort.

2.2.2 Accounting Reforms Still Evolving

A number of significant public sector reforms are still evolving and have yet to be resolved. For example, is a capital charge to be made on infrastructural assets? Some of these yet-to- be-determined reforms are likely to have a significant effect on the value of some assets. Government decisions in areas such as resource rentals, pollution taxes or environment protection costs would clearly flow through and affect the value of many assets.

2.3 The Unique Character of some Public Sector Assets

In a number of areas of the economy, the public sector has undertaken activities which have been unique to the public sector; for example, managing national parks or operating the national railway. To carry out these functions, it has built a number of special-purpose assets of varying kinds which often have no comparable private sector equivalent.

With the current reforms in the public sector mentioned above and the need to arrive at values for specialist public sector property for purposes such as the sale price or the insurance value of the improvements, just what values should be assigned has become a significant issue. In most cases, there are no established markets for such property and issues such as obsolescence and future potential earning capacity are often difficult to assess.

Taxation

Traditionally, most public sector-owned and occupied property has been non-rateable, as far as local body rating has been concerned. Also, public sector activities have commonly not been subject to central government income tax; for example, harbour board operations. With public sector corporatisation and the sale of many public sector assets to the private sector, coupled with a narrowing of the classes of property that are now eligible for non-rateable status, many properties that have hitherto been non-rateable have changed their status to rateable. Similarly, with many public sector undertakings moving to company status, or with individual properties transferring to the private sector, the properties involved will now feature as a component in some organisation's income tax assessment.

As a result, the property values involved often now have.a real significance from a rating or income tax liability viewpoint.

As a further example of a shift from a non-rateable, non-income-tax status, public hospitals are to transfer to Crown Health Enterprises from 1 July 1993. From that date, area health board (soon to be CHE) properties will become rateable and their activities will become subject to income tax as in the case of a normal company.

2.5 Summary

In summary, it can be said that the valuation of various public sector assets has become of considerable professional interest because these assets are now being: bought and sold (with many of the industries being opened up to market competition); assigned values for financial reporting in Statements of Financial Position, or Balance Sheets; insured against loss; given values in order to determine the costs of producing various products and services; possibly used as security for raising debt; subject to significant value changes as a result of reforms in public policy and professional standards, and changes in the marketplace; and subject to taxation.

3. Purpose for Undertaking a Valuation

It is accepted valuation practice that the purpose of a valuation will determine the valuation approach and methods to be used in arriving at the valuation. If it is for a statutory purpose then the valuation must comply with the requirements of the legislation and be in accordance with relevant court precedents.

The purpose of a valuation is to express an opinion about value and this must be directly linked to the reason the valuation is being made.

The main reasons for undertaking property valuations are:

- renting or leasing;
- purchase of property;
- disposal of property;
- allocation of a purchase price or a sale price over a number of assets;
- a transfer of property between organisations;
- a merger between two organisations;
- compulsory acquisitions (Public Works Act);
- taxation, (local body rates, income tax, GST, fringe benefit tax, etc); financial reporting;
- pricing of products and services;
- establishing or renewing insurance policies (replacement or indemnity);
- insurance claims;
- lending (secured, 1st mortgage, 2nd mortgage etc, unregistered);
- management review;
- corporatisation/commercialisation/privatisation;
- raising finance from the public (preparation of a prospectus).

4. Methods of Arriving at the Value of Property

4.1 Three Main Methods of Valuation

As is widely known, there are three main methods of arriving at the value of property:

- depreciated replacement cost;
- comparable sales; or
- net income.

Where possible it is highly desirable to use more than one method (and preferably, all three) as each of the approaches provides additional insight into the assessment and understanding of the value of a property.

4.2 Further refinement of these three approaches

Each of these three main methods of valuing property has a number of refinements. For example, the replacement cost method can be further subdivided into Historical Cost, Indexed Historical Cost, Replacement Cost based on Modern Equivalent Asset, and Optimised Depreciated Replacement Cost. It is important that valuers are familiar with each of these more refined methodologies as there is growing sophistication both in the marketplace and the minds of clients. The object is to use the method or methods most appropriate in the circumstances, taking into account the purpose for which the valuation is being made.

4.3 Choice of Valuation Methodology/ Agreed Methodology for an Industry

The critical importance of valuation methodology and the assumptions built into it is graphically illustrated in a recent valuation assignment undertaken by the Ministry of Transport. Here the task was to assign a value to a statistical life in New Zealand in terms of a life saved on the roads for the purposes of improving the design of roads and bridges. As a result of adopting a new methodology the value of a life saved has been assessed at $2 million, as opposed to the existing figure of $235,000, a 750 per cent increase.

A good example of an industry addressing the issue of establishing the most appropriate methodology for valuing its assets is that of electricity supply organisations (power boards). In 1990, Electricorp Marketing hosted an Asset Valuation Seminar to provide electricity distributors with an opportunity to consider the most appropriate method of valuing electricity distribution assets (that is, power poles, lines, cables, switch gear, transformers, and the supply business itself etc). Until then, there had been little need for an accurate business valuation of all assets. With a deregulated environment, however, it was expected some electricity distributors might decide to amalgamate the distribution sides of their businesses which would require a consistent valuation approach. An accurate asset valuation would also impact directly on the pricing of distribution services and would ensure the depreciation amount adequately reflected the operating capacity used each year. Six different valuation methods were considered. The first three were "forward-looking" methodologies -methods which look forward in time by applying some form of discounting/capitalisation of net assets to derive a value. Forward- looking valuation methodologies are considered appropriate in the valuation of businesses that operate in contestable markets where external forces determine prices. The forward-looking methodologies considered were:

- discounting of future cash flows (DCF);
- capitalisation of future maintainable earnings; and
- dividend yield basis.

Each of these approaches involved an assessment of two factors to derive value: the future level of cash flow/maintainable earnings/ dividend to be generated by the business over its remaining life; and an appropriate discount rate/earnings multiple/dividend yield that reflected the market's required rate of return to invest in a business of this nature.

In a monopolistic business, where management retains significant dis-
116

cretion in determining its own price levels, the theoretical soundness of a forward-looking valuation approach is undermined.

Because of the high cost of duplicating distribution assets, it is anticipated that the distribution business will retain its monopoly status, to a large extent and therefore forward-looking valuation methods are not considered suitable.

At the seminar three backward-looking valuation methodologies were also examined, namely Historical Cost, Modified Historical Cost and Optimised Depreciated Replacement Cost (ODRC). Of these, ODRC was considered the most satisfactory method for these reasons:

- the method provides for the present business operation to be sustained without recourse to further capital inputs. Any expansion would require separate funding or the use of retained earnings
- if there was an efficient market for such assets, this method is likely to come closest to market values.
- this will put strong pressure on management to minimise costs in order to meet the return requirements of shareholders.

The industry found the exercise useful in that it established an agreed methodology for the valuation of distribution assets within the industry.

4.4 Existing Use/Alternative Use

Valuations for financial reporting are to be prepared on the basis on the Existing Use of properties.

This is set out in NZIV AVS Gn 3.4 which states as the basis of valuation must reflect the continuing use of the asset for the business of the undertaking, it is not appropriate, in the case of a property occupied by the undertaking, to value for some other use, whether resulting in a higher or lower value.

To value for a different use would contemplate the business giving up occupation of the property and would not accord with the concept on which financial statements are prepared. Market valuations of property owned and occupied by the undertaking should, therefore, carry the qualification "for existing use".

If the value of a property for an alternative use is substantially different from that of the existing use this information should be disclosed by way of a Note to the Accounts.

It would, of course, need to be material in terms of the total asset holding of the organisation to warrant specific disclosure (that is, it is an issue of materiality).

4.5 Specialised Use/Non-specialised Use

Specialist properties are considered to be those for which, because of their specialised nature, there is either a very limited or non-existent market in terms of their current use. This may arise from their construction, arrangement, size, location or a combination of these factors. There are many examples of these in the traditional public sector and would commonly include universities, schools, hospitals, libraries, water towers and town halls.

Such properties are usually valued on a depreciated replacement cost basis for financial reporting purposes, provided the existing use is likely to continue into the foreseeable future. In the current climate of the commercialisation of many public sector activities there may be some considerable doubt about the long term requirement for the property in its present use. This needs to be thoroughly investigated before values are finalised.

4.6 State of the Industry/Concept of "Modern Equivalent Asset"

With specialist properties it is important to assess what is happening within the particular industry. Is it expanding or contracting?

The introduction of shift work in the freezing industry means that fewer freezing works are needed. In this industry, there are also other substantial structural reforms that are resulting in a move away from very large freezing works at export ports to small works situated in areas where livestock is raised. This is being driven by the market requirement for lower processing charges.

Other examples include the possibility of fewer, larger shops being required as a result of longer shopping hours. Also, the adoption of a four-term year by universities would significantly increase the teaching capacity of universities and make better use of the capital invested in the premises.

Changes in the education industry are exemplified by what is currently happening at the Auckland Institute of Technology. It has recently become one of the biggest office-space tenants in Auckland's city centre after concluding a leasing deal in the State Insurance Building. The 15-storey State Insurance Building, now owned by Norwich Union, is virtually fully leased after completion of an agreement with AIT which will occupy the top 10 floors.

Other tenants in the building are the Department of Inland Revenue and State Insurance itself. Negotiations for the deal probably makes AIT Auckland's biggest office tenant-without making allowance for a rumoured sub-lease of part of Level 12 in Downtown House which will be used for a Marine School. Allowing for the various language schools and the private university in the former St Helen's Hospital, the education industry is now a major market for Auckland commercial office space. This situation would not have existed even 12 months ago.

When considering the value of specialist properties it is, therefore, always useful to look at the style and design of new developments taking place in the industry at the time. This should provide a good guide as to what the "Modern Equivalent Asset" is, and indicate the degree of obsolescence in the subject property. The concept of the Modern Equivalent Asset is a very important one in specialist property related to highly technological industries (for example, telecommunications, freezing works and even hospitals). In some circumstances, it may be necessary to get industry experts to determine what, in fact, is a Modem Equivalent Asset for the industry (for example, a two-storeyed telephone exchange of modest size compared with an existing six-storey major exchange building).

4.7 Certificate as to Asset Replacement

In the public sector, there are a number of assets which it will not be clear whether they would, in fact, be replaced. For example, there are two large breakwaters at the entrance to the Westport River, in the South Island, built in an era when the Port of Westport handled considerable shipping. They are large landmarks and would be extremely expensive to replace should they be lost for any reason. Today, the level of coastal traffic through that port would not justify the replacement of such major breakwaters. In this kind of situation, the valuer's job is made more difficult and it would be necessary for the valuer to consult the breakwater owner's engineer to determine the extent to which replacement breakwaters would be built in the event of loss based on projected future shipping traffic through the port.

Once this had been ascertained, a formal Note to the valuer in the form of a Certificate of Replacement issued by the owner's engineer (or whatever consultant is appropriate in the circumstances) and describing the probable replacement policy would be a wise procedure.

4.8 Issue of Double Valuing

Traditionally, valuers have been taught to avoid situations that involve double counting of values.

However, in doing valuations for financial reporting purposes and in particular, in valuing infrastructural assets, some degree of double counting of value is not only unavoidable but necessary in terms of the requirement of this type of assignment.

In a well debated Canadian example, a property developer built a major bridge and donated it to the local authority in order to profit by the increase in the value of land owned by the developer in what had hitherto been an inaccessible area. If the cost of building the bridge was $100 million, should the bridge be valued by the local body at the cost of construction ($100 million), or the cost of acquisition (nil)?

For the valuer, the argument is that some part or all of the bridge's value is included in the increase in land values following the opening of the bridge. However, this view may be further complicated by what may be indeterminable loss of land values in other areas as people move away to reside in the newly accessible areas.

The accountant's counter-response to the double-counting concern is that the objection is not relevant to the users of the financial reports of the local authority or of the developer. The local authority has an asset in the bridge; this may generate revenues by tolls or increased property taxes and will generate expense for maintenance and depreciation with a potential obligation for replacement. For the users of the financial reports of the authority, it is valuable to know the cost of the bridge and to recognise it in the Statement of Financial Position.

The developer had an asset at cost of $100 million which has been expensed in their accounts against recognisable land revaluations. Users of both sets of financial statements gain by the two recognitions of the value of the bridge. Only those who seek to consolidate the local authority accounts with the developer's accounts can possibly be misled by an amount of double valuation and this can be estimated to be a maximum of $100 million in this example.

In the general case, the possible double counting of values will not be more than the total of the infrastructural valuation included in the consolidation of public sector and private sector financial reports for a geographic area.

Infrastructural assets, of course, are always shown as a separate item from other assets of the local authority in the local authority's Statement of Financial Position. This means that they can always be isolated if necessary.

5. Valuing for Financial Reporting Purposes

5.1 SSAP-28 (Accounting for Fixed Assets), SSAP-17 (Accounting for Investment Properties and Properties Intended for Sale)

These are the two accounting standards that are particularly relevant to valuers who undertake valuations for financial reporting purposes.

There is an obligation on such valuers to be familiar with their contents).

5.2 NZIV Asset Valuation Standards

These standards have been prepared from the International Asset Valuation Standards after minor modifications by the NZIV to suit the New Zealand situation. They provide the guidelines on the methods to be used in preparing valuations for financial reporting purposes. The international standards have obviously been prepared in close association with the international accounting standard-setting body. NZIV registered valuers have an obligation to comply with the New Zealand standards.

5.3 Guidelines for Good Accounting Practice in Local Government (NZSLGM)

The need to value a new range of asset for financial purposes (for example, stop banks on rivers) for local and regional councils raises the issue of what valuation methodology should be used to undertake this task. The Guidelines for Good Accounting Practice in Local Government, prepared by the New Zealand Society of Local Government Managers addresses the valuation of this class of asset.The Guidelines illustrate the development of appropriate methodologies to meet the needs of varying valuing situations.

Appendix 1
Glossary of Accounting Terms

ACCOUNTABILITY
The obligation to answer for a responsibility that has been conferred. It presumes the existence of at least two parties: one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged.

ACCRUAL ACCOUNTING
A method of recording transactions by which revenues are reported in the period in which they are considered to have been earned or restrictions satisfied and expenditures are reported when incurred, whether or not the transactions have been finally settled by the receipt or payment of cash or its equivalent.

ASSET
An economic resource controlled by an entity as a result of past transactions or events and from which future economic benefits may be obtained.

BASIS OF ACCOUNTING
This refers to the body of accounting principles that determine when the effects of transactions or events should be recognised for financial reporting purposes. It relates to the timing of the measurements made, regardless of the nature of the measurement. Common bases of accounting are: the cash basis of accounting, and the accrual basis of accounting. There are many variations of both bases.

FINANCIAL REPORTING
This refers to the communication of financial information by an entity to interested parties. It encompasses all reports that contain financial information based on data generally found in the financial accounting and reporting system. It includes financial statements as well as financial information presented in budgets, fiscal plans and estimates of expenditure, or reports on the performance of individual programmes or activities.

INFRASTRUCTURE ASSETS
These assets are those stationary physical assets which form a network to facilitate the delivery of goods and services (The valuation methods for such assets are evolving). Such expenditures usually comprise sunk costs' which create an asset which cannot reasonably be expected to have any alternative uses other than the purpose for which it was created. Such assets are required generally to be maintained indefinitely. Notable examples of infrastructure assets are roads, sea defences, water reticulation systems, permanent ways, and bridges.

MANAGEMENT FOCUS
This refers to what messages and information are portrayed in the financial statements. A particular measurement focus is accomplished by considering not only when the effects of transactions and events involving those resources are recognised (ie: the basis of accounting) but ,18

also what resources are measured. For example, the financial statements of companies are designed to measure profit or loss and changes in shareholders' equity.

RENEWALS ACCOUNTING
A method of accounting for fixed assets that are intended to be maintained indefinitely whereby depreciation charges are replaced with charges in an amount that provides an allowance for renewals equal to the present value of the renewal expenditure needed over a reasonable planning period to bring the fixed asset up to a defined standard of service and repair to maintain it at that standard. The (single) annual expense figure for executing such a plan amalgamates the following transactions:

- the cost of repairs (maintenance expense).
- the loss of service potential in the asset as a result of time, wear and obsolescence,
- the restoration of service potential in the asset (capital expenditure).

SERVICE POTENTIAL
This refers to the capacity of an asset, singly or in combination with other assets to contribute directly to service provision. It is normally expressed by reference to attributes and as physical output capacity, associated operating costs, useful life and quality of output. A

APPENDIX 2

ASSETS REPORTED BY DIFFERENT BASES OF ACCOUNTING

Cash Basis	Modified Cash	Modified Accrual	Full Accrual
Cash Balances	Cash Balances	Cash Balances	Cash Balances
	Accounts receivable Within X days*	Financial Assets	Financial Assets
		+ Investments + Inventories for Sale + Loans Outstanding + Revenues Receivable + Other Receivables	+ Investments + Inventories for Sale + Loans Outstanding + Revenues Receivable + Other Receivables
			Physical Assets
			+ Inventories for Use + Plan Equipment
			Infrastructure Assets
			Other Assets

*The X will be extended as the basis adopted moves towards the modifed accrual-accruals basis

APPENDIX 3

MAJOR PRIVATISATIONS IN BRITAIN SINCE 1979

PRIVATISATION	YEAR
British Petroleum**	1979,83 and 87
British Aerospace	1981
Cable and Wireless	1981
Amersham International	1982
National Freight Consortium	1982
Britoil	1982
Associated British Ports	1883
Enterprise Oil	1984
Jaguar	1984
British Telecom	1984
British Gas	1986
British Airways	1987
Royal Ordnance	1987
BAA	1987
Rover Group**	1988
British Steel	1988
Water	1989
Electricity	1991

* * Private sector company

APPENDIX 4

PRIVATISATIONS AND PUBLIC SECTOR SALES IN NEW ZEALAND SINCE 1987

Air New Zealand

State Insurance Office

Postbank

Petrocorp

NZ Shipping Corporation

Rural Bank

Telecom

Government Printing Office

Infrastructural Asset Valuation

by E B Smithies

Brett Smithies is a *Director of Darroch & Company* and i v *theAuckland practice manager. He is an Associate of the New Zealand Institute of Valuers and joined the Institute as a student member in 1968.*

Brett Smithies specialises in valuations of major industrial and commercial properties and in national portfolio valuations. He is an experienced expert witness, arbitrator and umpire.

The purpose of this paper is to discuss the valuation of infrastructural assets. I begin with an attempt to define infrastructural and community assets. This is followed by a discussion of underlying land values, and valuation methodology. The need to discuss these valuation issues arises from the changes that have occurred within the public sector and a general recognition of the need for greater public accountability. Central to the discussion is that part of economic theory which deals with the way we measure things. We are continually asking the question of how we put a value on something. It will become evident as we progress that the concept of value means very little unless we are aware of the reason for which we need to know the value. There has been very little written about how we value our infrastructure, especially within the valuation profession. The topic is not simple and there are many issues with which we must deal. I am not so bold as to suggest that this paper will answer and resolve all the questions relating to this topic, rather much of the comment provided here is intended to stimulate discussion.

Definition of infrastructural or community assets

In order to develop a reasoned argument on the definition of infrastructural assets it is perhaps appropriate to reflect upon various definitions suggested to date.

Previous public sector accounting standards defined infrastructural or community assets in this way:

> *"4.15 Some ... assets are infrastructural assets which have no determinable useful life and provide a social service rather than a commercial service. These assets are frequently referred to as community assets. They are frequently large, not capable of subdivision for ready disposal, usually have no readily determinable market value and there may be constraints on the capacity of the reporting entity to dispose of such assets. "*

Paragraph 4.16 then went on to set out what one should have regard to in determining whether an asset is a community asset. Factors to be considered are:

- the period of use of the asset
- the degree to which there is a market in which the asset could be sold
- whether or not it is within the capacity of the reporting entity to dispose of the asset
- the purpose for which the asset is used

The SOLGM (Society of Local Government Managers) guidelines define infrastructure as "those assets which are the fixed utility systems providing an ongoing service to the community but are not generally regarded as tradeable". They also provide for another class of assets which "cannot be disposed of because of legal or other restrictions but provides a benefit or service to the community".

Crown accounting policy defines infrastructural assets as "those physical assets which form a network to facilitate delivery of goods and services".

Further, the New South Wales Treasury says that "the term infrastructure includes all non-current assets comprising the public facilities that provide essential services and enhance the productive capacity of the economy". They say that, assuming the status quo as to the social and political make-up of the community, this kind of asset will normally be replaced or the expectation is that it will be replaced. The NSW Treasury also recognises a broader category which includes infrastructure assets and any other asset, whether held by the public or private sector, which is subject to natural and legal restrictions on their use. The restrictions may arise out of limits inherent in the asset itself, limits imposed by government entities, limits imposed by a donor or grantor, or self imposed limits. Also recognised by the NSW Treasury are that class of assets which they define as "heritage assets". These are intended to be preserved indefinitely because of their unique historical, cultural or environmental attributes.

It is clear from looking at these competing definitions that it is not easy to define exactly what is meant by "infrastructural and community assets". Of the definitions presented above the narrowest with respect to the definition of the infrastructure is perhaps that put by the SOLGM. That definition suggests that the infrastructure comprises only those assets associated with utility services such as the roading network, sewage, drainage and energy provision. The NSW Treasury explicitly extend this to include assets such as courtrooms, police stations, schools, hospitals and other government buildings.

Although not necessarily labelled "infrastructure", each of the institutions mentioned above recognise in some way a broad class of asset which is held for the purpose of providing a public service of which the cost in financial terms is not necessarily fully recovered directly from the end user. The various definitions are attempts to focus on those assets which are perceived to have common attributes and classify them accordingly so that 020

This paper was presented at the NZIV Standards Seminar held at Auckland, Wellington and Christchurch on 15,16,17 February 1993.

an end purpose can be achieved. An understanding of the purpose for which a classification is made may allow the various definitions to be reconciled.

The end purpose of attempting to classify assets at all is in order to prepare meaningful financial reports which facilitate effective decision making. In particular, the purpose of the definition of community assets in SPSAC 1 was to identify those assets which were not to be recorded in the Statement of Financial Position at a dollar value. Assets which satisfied the paragraph 4.15 definition were to only be listed in a "Statement of Resources". This is not so true of the NSW Treasury definition. That definition was based on the use of the asset. These functional categories are then helpful in forming further categories which determine how a particular asset is to be treated in the financial reports.

This discussion reveals the difficulty in providing a comprehensive definition of infrastructural and community assets. It is not a meaningful exercise in itself to go to a definition such as that made in SPSAC 1 in order to answer the question: "What are infrastructural and community assets?" The question that is better answered by looking at paragraph 4.15 is one to the effect of "What sort of asset satisfies the category of assets created by paragraph 4.15?" - that is, an interpretation and application of that paragraph.

In the context of this paper it is necessary to say for what purpose we are attempting a definition of infrastructural and community assets. Perhaps in practical terms we are talking about those assets to which paragraph 4.15 applied and to which we are now attempting to apply the provisions of SSAP-28. It seems more legitimate though for us to be asking the question of

> *"Are there assets for which there might be significant debate about the application of traditional asset valuation principles in order to be able to prepare meaningful financial reports and to which we would like to apply the label of infrastructural and community assets, bearing in mind theirfunction?"*

Using something such as the above as a basis of discussion, the NSW Treasury functional category of infrastructural assets may be particularly useful in defining the boundaries of those assets which can sensibly be referred to as infrastructural or community assets, regardless of the methodology to be applied for their valuation. Typical examples of these assets would include roads, bridges, railroads, sewage systems, water supply systems and reservoirs, power generation plants and transmission lines, police stations, courthouses, schools, hospitals and other government buildings. The common attribute of these assets is that they provide a back bone of services around which the economy and the community operate. They are defined by the social and political environment of the time and in turn they create the environment in which the rest of the economy exists.

In the context of thispaper, this is as far as one needs to go with a definition of the infrastructure. The issue now turns to identifying those assets for which there might be significant debate over the valuation methodologies to be applied. The purpose of this seminar is to attempt to resolve that debate.

The approach should be to identify various classes of assets within the boundaries suggested, on the basis of attributes common to all assets within a particular class, those attributes being materially different from attributes shared by assets making up other classes. In determining whether an attribute is materially different from another, regard should be had to the purpose for which the classification is being made. In this instance, the purpose of classification is to ensure that assets are dealt with appropriately in the financial reports of a reporting entity so that decision makers and the public generally can make informed judgements about the asset in question and the operation of the reporting entity as a whole.

One of the essential purposes of preparing financial reports is to match income against expenses for the period in question. The amortisation of the cost of a fixed asset over its estimated useful life (depreciation) can be a significant part of the expenses incurred in earning the revenue to be allocated to a particular period. For this reason an estimate of the cost of a fixed asset is necessary in order to match it against an estimate of revenue.

With this purpose in mind one must attempt to identify attributes of an asset which might differentiate it from another as regards estimating its cost. Factors which may be relevant in deciding on an appropriate method of estimating that cost may include:

- the ability to estimate the useful life of the asset
- the capacity of the reporting entity to dispose of the asset
- the extent to which a market value can be determined
- the purpose for which the asset is used
- the extent to which the asset is utilised in achieving its purpose
- whether the asset is to be replaced once it has worn out

Underlying land values

The first question to address is whether the land occupied by infrastructural assets should be valued at all. In order to answer this question, one must recognise that land becomes an inherent part of the infrastructure once it has had an infrastructural asset built on it. It would therefore be sensible to consider the value of the land component of the infrastructure.

It might be argued that the only important consideration is the "capital value" of an asset, which is not necessarily determined by considering land and improvements separately but rather by considering the value of the asset as a whole. However, standard valuation practice requires an apportionment of the capital value between land and improvements. Moreover, knowledge of the value of the land component of an infrastructural asset can be of use when decisions are being made about the location of the asset, or the disposal of an asset. It is also important to know how much of an asset's total value is to be apportioned between land and improvements in order to charge depreciation accurately. It is quite likely that land will be depreciated at a different rate to its improvements.

The question now turns to how one might assess an underlying land value.

The statement of standard accounting practices relating to the valuation of fixed assets (that is SSAP-28) deserves reproduction in part.

> *"4.16 The revaluation to be recognised in the financial statements will be on an existing use basis. Where the difference between the value for existing use and the value for another use is material, and the valuer has reported the alternative use value, the alternative use value should normally be disclosed in the notes to the financial statements... "*

The prevailing interpretation of this paragraph is that fixed assets will simply be valued on an existing use basis unless an alternative use value which is provided for elsewhere in SSAP-28 is materially different. Such an alternative use may be provided for when an asset is earmarked for disposal within the next accounting period.

Following this reasoning, it appears that the required approach to valuing infrastructural land for accounting purposes is on an existing use basis. Paragraph 4.16 also requires that the valuation of a fixed asset "should normally be at net current value" and in any case value should not result in the net carrying amount being greater than the recoverable amount.

The "net carrying amount" is the gross carrying amount of a fixed asset less amounts written off to date. This is effectively either the initial cost or the revalued amount adjusted for additions, improvements and disposals, less any depreciation.

"Recoverable amount" is defined as the amount of the net cash flow expected to arise from the assets continued use and ultimate disposal (SSAP-28, para 3.9).

"Net current value" is defined as the price for which an asset might reasonably be expected to be sold at the operative date, less the costs of disposal that could reasonably be anticipated (SSAP-28, para 3.8).

If the net current value of infrastructural land is to be assessed on the basis of its existing use, it could be difficult to assess a value. The problem invariably arises because of the lack of a recognisable market and therefore market evidence. For example, it would be difficult to find sales relating to land used for roading. It might be less difficult to find sales evidence relating to land which has been purchased for the purpose of providing a road, or even land used for roading which has been purchased in order to be put to an alternative use. These types of sales though are not consistent with the existing use assumption.

The exact interpretation of the term "existing use" is also important. Take, for example, the land on which a courthouse is built. Is the land to be valued subject to its zoning restrictions which may provide for a certain kind of commercial use, with which the courthouse complies, or should it be valued on the rather more narrow assumption that the land can only be used for the purpose of containing a courthouse? The decision as to which of these alternatives is chosen might have a large impact on the net current value assessed.

If comparable sales evidence is difficult to obtain, it does not necessarily follow that there is no potential market value. The lack of comparable sales may arise from two sources: 1) lack of demand; 2) lack of supply. Lack of demand might mean that the net current value would be equal to zero, lack of supply might mean only that it is difficult to assess the net current value. It is possible that in many instances it is lack of supply that contributes mostly to lack of sales evidence. It is not often that infrastructural land is put on the market accompanied by such a restrictive use designation.

In some instances, it is possible that there would be no demand for some types of land even if they were put on the market. Generally though, it is conceivable that there would be some demand for infrastructural land subject to use restrictions. The difficulty comes in attempting to measure this potential demand in the hypothetical event of the land being offered for sale. Possible methods include predicting the cashflow that the asset could return to a potential buyer and capitalising this using some expected rate of return. Possible methods of generating the cashflow might for example, include placing a toll charge over a section of highway, or bridge.

If it is possible to assess a net current value, it should also be possible to assess the recoverable amount. In order to make the measurement of the recoverable amount sensible, one must be able to predict potential market returns from the asset, both with regard to its disposal and with regard to estimating net cash flows if the asset was to be operated in a commercial sense.

Further points concerning alternative bases of valuation that do not predict a market value for the asset will be discussed in depth in the section on Valuation Methodologies.

The discussion so farhas been in terms of valuing the land on an existing use basis. SSAP-28 itself provides for the possibility of deviating from this approach, particularly when an asset is earmarked for disposal. In this event it would be allowable to value the asset on the basis of its highest and best use. Furthermore, if one considers that the use of land for infrastructural purposes involves an opportunity cost to the community - that opportunity cost being an alternative use then there is scope for an argument that says that the basis of valuation should take into account this alternative use. The argument for alternative use assessment can also extend to include rationalisation studies and the like.

The rationale behind allowing an alternative use to be recognised in the event of planned disposal is that because the asset is about to be sold, the most sensible way in which to value it is on the basis of highest and best use to which it would be put by a reasonable purchaser. Sometimes that use will be the existing use - especially if there is still a need for the provision of the service, and it is commercially viable. Sometimes, though, that highest and best use will be something different especially if the very reason for disposal is that the service provision is no longer required.

It is also conceivable that the highest and best continuing use is something other than the existing use. This is a possibility which some of the literature appears to deny, as in the following statement.

> *"Implicitly, land devoted to roads or any other similar use may be inferred to be of greater value as a road, than in an adjacent or next best use. "*

To say that a present use is of greater value than a next best use is self evident. Further, to say that a present use is therefore the highest and best use assumes that those involved in the decision making process are always correct. The very point of undertaking a valuation of the assets is to provide information to assist the decision makers and to allow the public to evaluate their performance. Certainly in many cases, perhaps most, an accurate measurement of the cost of infrastructural land when measured against the benefits it returns to the community will show that best or most "profitable" use for the land is its existing use. However, there might be instances where this is not the case. Often, such an asset will be earmarked for disposal, but the valuation procedure enables an "uneconomic" use to be identified where previously the decision makers had not done so. Alternatively, the valuation could show the merit or otherwise of a decision to dispose of an asset, given the net return it yields to the community.

This discussion leads to the proposition that the concept of opportunity cost is central to this thesis. Opportunity cost has been used to substantiate arguments that infrastructural land should be valued in the first place. Indeed, immediately preceding the sentence quoted above, appears the following.

> *"An economic cost attaches to the use of land where its use for one purpose denies its use for another. Land used for roads will in a general way, be indicated by the market value of adjacent land".*

Whilst the existing use value is important, it is also important to recognise the highest and best use value so that obsolescence, functional or otherwise can be determined, and addressed if necessary. Recognition of both values, if they differ, would give a greater depth of meaning.

The first of these sentences encapsulates succinctly the concept of op- X22

portunity costs. The second sentence attempts to answer the question of how does one measure the magnitude of that cost? Unfortunately a potentially promising discussion is cut short by the assumption that the existing use is the highest and best use. The point is this; if there is an alternative use which would yield a higher return to the community, then it is the value of that alternative use which allows the existing use performance to be measured with some degree of accuracy.

As an illustration, take the following hypothetical example. There is a central city commercial site currently being used for a courthouse. If the property was to be redeveloped, it is likely that the development of a multi storeyed office block would be undertaken. If we were to undertake a valuation of the land assuming existing use and further assuming that the need for a courthouse still exists one could undertake a valuation for either government or private purchasers. In the case of a government purchase the price that the land could be expected to sell for might be based upon the expected benefit to the community measured in dollar terms. Private purchasers could base their purchasing decision upon similar criteria, that being some kind of charge that the community could be expected to pay for the courthouse's existence. The final value arrived at will include the worth of a courthouse to the community plus a premium paid for the advantage of having the courthouse in a central location.

The market value of the land unencumbered by the restricted use would be valued according to the potential income stream that could be generated by redevelopment, capitalised at an appropriate rate. This value may be higher than that arrived at based on the existing use assumption. The proposition is that the higher of these two values should be recorded in the financial report, since this represents fully the cost to the community of using the land for infrastructural purposes. The community may gain a net benefit from moving to a less central location and being compensated by a large sum of money paid to them for the property.

The argument for alternative use value can unfortunately be clouded under SSAP-28 for the sake of gaining consistency in the measurement of assets. SSAP-28 provides a framework in which a particular type of asset anywhere in the country will be valued according to its present use regardless of possible alternative uses for the land.

It is also necessary to consider whether valuing land under such assets such as roading should be valued as part of a network. It is probable that there will be a difference in value between a piece of land used for roading which is adjacent to other land used for roading, and a piece of land used for roading which is isolated from adjoining roads. An example of the former is any stretch of road within New Zealand's roading network. An example of the latter is a stretch of road in the middle of a paddock, unattached to any other road.

Considering that a road gains its use value by the fact that it leads somewhere that people want to go or gives access to other roads or property which people want to visit it appears that standing back and removing all the roads from the land (but leaving the land) would yield the same valuation result as taking each section (howsoever defined)ofroadingland separately and assessing its value assuming the existence of all other pieces of road.

This result arises because of the existence of all the property to which aroading network gives access. Valuing the network as a whole (or at least in substantial portions) is not the same as valuing each section separately without assuming the existence of the rest. To do it that way would deny the advantage a road gains from being connected to other roads. To value it as a network does not so deny this advantage.

Further, there is a potential use for land which comprises part of the roading network for the carrying of other networked assets such as cabling, gas lines etc. There is considerable value in the land being part of a network and this is also another reason why the land under infrastructural assets should be recognised.

A further issue with the valuation of land is whether there should be any depreciation charged to the land arising from its use for a particular purpose. Land is generally thought to have indestructible qualities. However, there are some instances in which one could perhaps argue that to amortise the cost of land is legitimate.

Examples given to support this argument have included quarries and oil fields where the resource is extracted and eventually used up so that the land diminishes in value. However, I would suggest that what is being used up in this example is the resource and one should consider the resource separate from the land itself.

Another example given is that of a cemetery. The argument is that as a cemetery fills up it would seem to have lost its utility for other uses. Theoretically, once leases of the plots have expired (usually after 66 years) the land could be used for anything. In fact the soil might be particularly fertile considering the rich source of fertilisers 6 feet below the surface. However, it is a cold hearted individual who would knowingly build over a grave site. It could be said that community attitudes might in general preclude the use of the land for any other purpose.

A similar example might be a site used for toxic waste disposal. Once the site has been filled to capacity it is of little use for anything unless large amounts of resources are used to "clean it up".

It might be said therefore, that both of these are examples in which land might be depreciated. However, there are certain difficulties associated with determining the period over which the asset should be depreciated. The cemetery example highlights this. Once a cemetery has been filled, has its worth therefore come to an end? If the purpose of a cemetery was merely to dispose of corpses, then the answer might be yes, except why not just keep digging it over after some of the bodies have rotted down? It seems that the worth attached to cemeteries is psychological and ongoing. A cemetery can continue to be of value to the community even after it can no longer accommodate any more dead citizens. It may no longer be of use for anything else, but it still has value to the community. This value is perhaps considerable. Perhaps, therefore, no depreciation should be charged against land used for cemeteries.

The toxic waste example is similar. Having poisonous materials stored in one place where it does not contaminate everything else can be an ongoing benefit, of considerable worth to the community. It should be recognised as such, and therefore no depreciation should be charged against the land.

It is obvious from the preceding discussion that the issue of underlying land values is a complex one. Clearly, land used for infrastructural purposes should be valued, but the further issue of how, will be dealt with in the next section on valuation methodology.

Valuation methodologies

We are breaking new ground in attempting to establish a valuation framework for infrastructural assets. The framework that is finally established must meet the requirements of SSAP-28. That standard requires a value to be placed upon the asset for the purposes of recording it in the financial reports. Following on from our discussion of underlying land values, I will begin with proposing a formula to determine the value of infrastructural land.

First, I deal with valuing on the basis of existing use. Where there is an observable market for land encumbered by a use restriction, it is possible to use the comparative sales approach to determine a value for the land. There would be no need to deviate from the generally accepted valuation practices that are used every day.

However, it generally will be the case that there will be no observable market for land used for most types of infrastructural purposes. In these instances it goes without saying that a comparable sales approach in its purest form will not be possible. The methodology which I suggest is the most appropriate for valuing infrastructural land on an existing use basis is a Greenfields approach which arrives at an average rate per square metre of infrastructural land by applying to it the average raw land value per square metre for the district.

The essence of aGreenfields approach is that raw land value represents the cost of providing the infrastructure through an area of undeveloped land. Increases in value to surrounding property arising from subdivision do not alter this cost and thus should not form part of the equation when calculating infrastructural land value.

The formula to calculate the average raw land value per square metre for the district I suggest should be as follows.

First, calculate the average land value per square metre for the district, as it is currently developed, by totalling the recognisable value of each site, then dividing by the total land area of these sites. This figure should then be adjusted to remove the value which has accrued to owners through subdivision costs and profit.

The adjustment should be made according to the scale of development within the district. One could take 25 per cent of the value of sites under 2,000 square metres, 50 per cent of the value of sites 2,000 square metres to one hectare and say 75 per cent of the value of sites over one hectare. In particular circumstances these percentages might need to be altered. For example, in rural areas where the land is generally in large blocks measuring thousands of hectares, 75 per cent might be considered too low. The point though, is that some attempt must be made to remove value arising out of subdivision from the value of land as it is currently developed in order to arrive at a notional raw land value.

The nature of this approach means that no account is taken of the location of the subject property within the defined geographical region. This has its theoretical legitimacy in the fact that when planning development of an area, the decision can be made to place the infrastructure anywhere within that area and in any quantity. Therefore no particular location is distinguished from another.

We recognise, however, that infrastructural land value will differ depending upon the extent to which it is efficiently utilised. For example, if a residential cul de sac needs only a two-lane carriageway, the value of the roading land will not double, on an existing use basis, if the road was unnecessarily widened to four lanes. In the latter situation the land would be significantly under utilised (or in other words "functionally obsolescent") and would therefore have a lower value per square metre in its existing use. Likewise, it is possible that a plot of infrastructural land is over utilised to an extent. Once again, using the example of a road, a main thoroughfare which should ideally be four lanes wide will not be only half the value because it is only two lanes wide. It is clear, therefore that the valuation methodology should incorporate a procedure for adjustment. This might involve the valuer liaising with the authorities controlling the assets in order to determine the degree of under or over utilisation.

The wording of SSAP-28, when it talks of "net current value" and "recoverable amount" leaves the impression that what is needed for valuation purposes is either a market or income based approach. The Greenfields method we have suggested is a cost based approach which is adjusted for optimality in the service provision. The average rates arrived at in the Greenfields method are "replacement cost" in the sense that the average rate for the district is the figure that one could generally expect to pay to "replace" the infrastructural land or add to it. It is an `optimised" replacement cost in the sense that adjustments are made in order to arrive at the cost of replacing the land needed to meet current service requirements.

Replacement Cost and Optimised Replacement Cost methods of valuation are widely accepted as appropriate alternatives to market and income approaches where there is no observable market on which to base such an approach. However, we note some developing techniques in the field of "non-market valuation", which if undertaken correctly, could provide an alternative to cost based methods and which has its genus in the market or income approaches preferred by SSAP-28. I have referred to this kind of approach earlier in the paper with regard to establishing a hypothetical market and conducting surveys of how much members of the community are prepared to pay for the provision of a particular service. These techniques, as they stand at present, still involve practical difficulties which may make their results unreliable. However, with more attention, these estimating techniques will undoubtedly improve. This is a field into which valuation professionals might wish to venture in the very near future.

The methodology proposed so far has been for the assessment of underlying land value. I suggest that an approach which is fundamentally similar should be taken for the valuation of infrastructural assets which are not land. The reasoning given already should apply so that where there is no recognisable market for an infrastructural asset, a valuation is undertaken using an Optimised Replacement Cost method. This is meaningful only if it is assumed that the asset would be replaced if somehow it disappeared or wore out. There is an element of this assumption inherent in the approach itself in that it values that which the asset would be replaced with to meet the required service potential. However, there may be instances where there is arequired service potential, but the asset, for one reason or another, is earmarked for disposal. Here, SSAP-28 provides for valuation on the basis of alternative use. I will discuss valuation on a basis other than existing use shortly, but ifrst let me highlight a possible difficulty with an approach based on Replacement Cost whether it be Optimised or not.

The definition of infrastructural or community assets is likely to include what have been referred to as "cultural or heritage assets".

These would include things such as historic buildings or National Gallery art collections etc. For these assets, there might be no determinable market value AND no determinable replacement cost. How is one to value in this situation? The first possibility is to simply leave this type of asset out of the equation. This seems to be shirking the point though. Secondly, one might wish to use some kind of indexed historical cost valuation, but this will not necessarily provide an accurate assessment of the worth of keeping 024

an historic building. A third possibility is to use some kind of non-market technique to estimate the value placed on the asset by the community. Perhaps this is more reason why valuers should be looking towards these techniques as legitimate methods of valuation for certain purposes.

As mentioned earlier, existing use is not the only basis on which to value the infrastructure. Valuing on the basis of highest and best use is the sensible method when an asset is earmarked for disposal. The highest and best use might be the existing use, or it might not. Of course, if the service provided by the existing use is no longer required, then the existing use cannot be the highest and best use. The point is, that when valuing an asset earmarked for disposal, one is attempting to predict the return the asset will yield to the reporting entity. This will invariably be what it can be sold for.

Furthermore, I believe it is always important to know the highest and best use as well as the existing use even if they are not one and the same. When attempting to determine whether there is a higher and better use than the existing one, one is asking whetherthere is any alternative use of the asset which could yield a higher return to the reporting entity. This, for example, might be the Optimised Replacement Cost of the land and improvements, plus the market value of any surplus land and building area. That market value would not, of course, assume existing use. Alternatively, the highest and best use value might be the market value of a property in an alternative use, such as for example, commercial office space. In another situation, the highest and best use value might be to turn part of a roadway into a scenic reserve. As mentioned earlier, knowledge of the highest and best use perhaps allows for the most effective decision making since it represents fully the opportunity cost of the asset to the community.

Depreciation

I have previously in this paper dealt with the issue of whether depreciation should be charged against land, even with an existing use assumption. The conclusion I reached was that it is difficult to conceive of a situation where it is legitimate to depreciate land. The difficulty is not just that the land may actually have a significant lasting value such as I suggested for the cemetery and toxic waste disposal examples. The difficulty also lies with the concept of depreciation itself. Depreciation is the amortising of the cost of a fixed asset over its estimated useful life. I suggest that this concept is inappropriate for land. What happens with land, if anything, is that there may be a diminution in value. This is different to amortising a cost. A diminution in value can be recorded as a write down, but it is not depreciation.

I now turn to issues raised by the depreciation of other components of the infrastructure.

It has been suggested that many infrastructural assets have no determinable useful life in the sense that with regular and appropriate maintenance, they are designed to last forever, or at least a very long time. If this is the case, then no depreciation should be charged, since the cost of using the asset is represented fully by the cost of maintenance. Any fixed asset will invariably incur maintenance costs. Moreover, any fixed asset which is not maintained properly will be likely to have a useful life which is shorter than would otherwise be the case. The real question, therefore, is how long is an asset likely to last, given regularandpropermaintenance? One should not hasten to answer that for assets such as roads, bridges, reticulation systems etc the answer is forever. One needs to consider exactly what is meant by maintenance and upkeep.

My first proposition is that some changes are expensed to maintenance when the true nature of the expenditure is not a maintenance expense but rather capital improvement. For example, work done on a road which does not merely provide upkeep of the existing structure, but actually goes to improving upon what was originally there, should not be charged to maintenance. This is an improvement which should be added to the value of the asset. It is therefore important, as an initial step, to distinguish between capital improvement and true maintenance expenses which last only one, or a small but defined number of accounting periods. Once this is done, one can gain a clearer picture of whether the usefulness of the asset is deteriorating.

My proposition is that perhaps, in some instances, an asset might last indefinitely if appropriately maintained. However, I would further say that an asset such as a road or bridge may consist of many different components, each of which have different lengths of useful life. To record depreciation accurately, some attempt should be made to distinguish these components, and ensure that the cost incurred by replacing any of these parts is amortised over the periods in which the replacement, or "repairs" or "maintenance" is estimated to have use.

There might, in the end, still be a residual which will never be depreciated, but at least this will hopefully have been accurately identified.

Concluding comments

Now, I wish to return to some of the characteristics of infrastructural assets which I suggested might be material when deciding upon an appropriate method of valuation. I set these out once again:

- the extent to which a market value can be determined
- the purpose for which the asset is used
- the extent to which the asset is utilised in achieving its purpose
- whether the asset is to be replaced once it has worn out

I will now explain how these characteristics are material to the methodology suggested in this paper.

The purpose for which the asset is used determines the existing use. This will have relevance when deciding whether a market value can be determined based on observable market prices. If a market value cannot easily be determined then the extent to which the asset is utilised will determine the adjustment to be made in the Greenfields or Optimised Replacement Cost method.

An estimation of the useful life of the asset is relevant when calculating depreciation. However, only if difficulty arises because of an extremely lengthy useful life should there be a nil depreciation charge to any component of the asset.

Whether or not the asset is to be replaced once it has worn out is perhaps not a relevant consideration in itself. What is relevant is the service potential required, although if an asset is earmarked for disposal within the next accounting period the valuer should determine an expected disposal value. The disposal value may or may not be based on existing use, depending upon whether the service provided by the asset is still required.

I do not consider that the capacity of the reporting entity to dispose of the asset is a validconsideration when determining value for the purpose of financial reporting. The asset should be recorded at a value which represents its worth to the community. This is not altered by legal restrictions pertaining to possible disposal.

In conclusion, I trust that my paper will stimulate discussion and assist in the formulation of sound valuation methodology for infrastructural assets. A

This paper was researched byBrent O'Callahan, Student of Law and Economics, University of Auckland, and prepared in conjunction with Brett Smithies.

The Valuer Witness in a VRB Inquiry

by H F McDonald

Appearing as a Valuer witness before the Valuers Registration Board (VRB) is not an area of activity that is well known to most valuers as they would prefer that it be left to others. Many books and papers have been written on the subject of *The Valuer as an Expert Witness* and I don't intend to re-visit these texts, only to remind you that the valuer should be familiar with what is expected of an expert in Court before learning the hard way at the hands of the Court and at the expense of a client or employer.

famish McDonald is Valuer General and is

I *the* Chairintm *of the NZ Valuers* Registration *Board, He has held both of these positions time* 1988.

Iiamish McDonald is a Fellow of the NZIV and has held offi iccee on the NZI V Council *and Executive Committee, lie has been in the.-. NZ Public Service for three years including 23 years* with *Valuation New Zealand in various locations and in appointments ranging fn! 1 District Valuer to Chief Valuer. lie currently lives in Wellington.*

The VRB Hearing

To appear before the Valuer's Registration Board is a daunting prospect both for those summoned to appear to answer charges and those asked to give evidence as witnesses.

The awe which an appearance before the VRB inspires is not without justification; at stake is a fellow practitioner's livelihood, professional status and future prosperity, and that dictates that the utmost care must be taken to ensure that justice is done.

The Investigation of Complaints

Complaints to the VRB are initially referred to the NZIV for consideration and in most cases are returned for investigation by the Valuer General in terms of the Valuers Act 1948. This frequently involves obtaining a valuation report relating to the same property as the report complained about. The valuer acting for the Valuer General is requested to prepare a valuation of the property to which the complaint relates using only the information which would have been available to the valuer being complained about. There are of course inherent difficulties in preparing such a report but the preparation of these reports requires particular care. The valuer preparing the valuation report may need to be cross-examined on the report at a later stage if the case goes to a formal hearing.

As Valuer General and in terms of the Act, my inquiries can cover a variety of matters to clarify allegations made. However, in the end I prepare an investigation report that goes to the Board for its consideration. The Board at this stage is required to decide whether or not to hold an Inquiry: The threshold at which the Board is required to hold an Inquiry is very low. Unless the Board is satisfied that there is no reasonable ground for the complaint it is obliged to hold an inquiry.

In the event that a decision is made to hold an Inquiry, the Valuer General in terms of the Act is in most cases responsible for the prosecution. Charges are formulated by the lawyer instructed to prosecute the complaint, and a date for a hearing is fixed by the Board.

The Inquiry

The Board of Inquiry consists of three VRB members. As Valuer General I am excluded from sitting as a member of the Board.

Under the provisions of the Valuers Act, the Board is entitled to set its own procedure and is not bound by the ordinary rules of evidence it may receive such evidence as it thinks fit. It is however bound to comply with what are called the rules of natural justice. Thus the procedure adopted by the Board is not dissimilar to that of a Court hearing. The prosecuting lawyer presents the evidence which the defending valuer or his/her counsel is entitled to cross-examine. Prosecuting counsel has a right of re-examination. The defence is then given an opportunity to open his/her case, and present his/her evidence. That evidence can be cross-examined and re-examined. At the completion of the evidence both the prosecution and the defence are given an opportunity to sum up.

The Board of Inquiry can also rule on evidence suppression, name suppression, exclusion of witnesses, evidence of various types and any other matters that may be raised by counsel during a hearing.

The majority of cases that come before the Board relate to the over-valuation of property although from time to time the Board is called upon to consider breaches of the Code of Ethics. For that reason the prosecution evidence really consists of one or two valuers who have previously been requested to prepare reports relating to the same property as the report complained about as previously mentioned.

The Valuer Witness

The valuer called as an expert witness in Valuers Registration Board hearings must be familiar with all facets of his/her report.

The Valuer will be cross-examined both by the lawyers representing the opposing parties and will also be questioned by the members of the Board. The members of the Board are all very experienced valuers. By the time it is their turn to ask questions they will have heard the valuer's evidence, heard the cross-examination and the re-examination and had ample time to pinpoint the weaknesses 0 26

This paper was presented at the NZIV Rotorua-Bay of Plenty Branch Seminar held at Rotorua on 15 October 1993

in the expert's case. It is sometimes said that valuation reports presented at these VRB hearings are prepared and presented with much greater attention to detail than a busy practitioner preparing a routine valuation is likely to give.

There are good reasons for this. Whilst at the end of the day valuation is a matter of opinion, those opinions must be substantiated by concrete evidence. A mere assertion that something is so because the valuer concerned says that in his/her experience it is so, is not sufficient. In a VRB hearing the Board wants to know what the concrete evidence is. It wants to know why, if areport has gone wrong, why it has gone wrong has the valuer used sales evidence that was not truly comparable when better evidence was available - how can the capitalisation rate he/she has used be justified, was there a check method of valuation available which should have alerted the valuer to the accuracy or otherwise of his/her primary result? The expert witnesses report will be analysed using the same criteria and the Board expects the witness to show how the sales evidence has been applied to arrive at the valuation.

What is at stake at the hearing is someone's livelihood and if there is an allegation that the valuer has got it wrong then the Board needs to have independent evidence that shows clearly why the report is wrong - or in the case of an expert witness for the defence, why it is right. This can only be done with carefully researched evidence that the witness is thoroughly familiar with giving him/her confidence that the opinions he or she has formed are correct. Refer to the Practise Note issued by the VRB in 1986 see Appendix 1.

It is also important to remind you that whether giving evidence for the Prosecution or the Defence, the valuer expert witness must not become an advocate or be aligned with a proposition which he/she does not really believe to be maintainable.

The Standard of Proof

Whilst at the threshold at which the Board is required to hold an Inquiry is very low, the standard of proof required by the Board to find a charge on a complaint proved is very high.

The Courts differentiate between the standard of proof required in criminal cases and the standard of proof required in civil cases. In criminal cases they require proof of all matters required to be proved beyond reasonable doubt. Thus it has been said that if there remains any reasonable view of the evidence which is inconsistent with guilt, the defendant is entitled to an acquittal. In all other cases the standard of proof required is "on the balance of probabilities". It is this civil standard that the case be proved "on the balance of probabilities" that applies in disciplinary hearings before the VRB but there is an additional gloss given in disciplinary proceedings.

J R S Forbes in his book on *"Disciplinary Tribunals"* at p 100 para 12.22 notes: "Reasonable Satisfaction is a variable standard which rises as the civil issue becomes more serious in its nature or consequences." It was explained in this way in a decision of the Valuers Board of Appeal, delivered by Judge Bathgate on 23.11.82:

> *"The standard of proof required is that commensurate with the gravity of the charge. A charge of unethical conduct against a registered valuer is a very serious charge. Accordingly proof of that charge requires a high degree or standard of proof before a member can be found guilty of professional misconduct. Various phrases have been used to describe the standard of proof. It is morethan theordinary standardofproof in a civil case, which is on a balance of probability, that is, something is more probable than not. The standard of proof is more akin to the criminal standard of proof which is proof beyond a reasonable doubt. If therefore there is a real, and reasonable doubt as to the guilt of a member in the evidence before the Registration Board on charge of professional misconduct the charge should be dismissed."*

Indeed the standard of proof in disciplinary proceedings will probably be slightly higher than in negligence proceedings concerning the same valuation report.

The standard of proof required in disciplinary proceedings is higher than in Land Valuation Tribunal hearings where again the ordinary civil standard of proof on the balance of probabilities applies.

The Land Valuation Tribunal

Despite the fact that Land Valuation Tribunal hearings are held in Courts and presided over by judges and bound by stricter rules of evidence, for many valuers appearing as expert witnesses in this forum the prospect is less daunting than appearing before the Valuers Registration Board. It may be that the cross-examination will be a little less searching and the consequences for a fellow valuer less significant.

Nevertheless evidence requires thorough preparation, and if the Land Valuation Tribunal fails to pick up that an opinion is unsupported by concrete evidence, that fact is unlikely to go unnoticed in the High Court on an appeal - where the evidence given at the Land Valuation Tribunal hearing is typed up and placed before the Court as a record of the evidence and the Court reconsiders the case from the beginning on the basis of that evidence rather than oral evidence. In that situation the apparent confidence or demeanour of the witness is not so apparent and the Court is looking solely at the facts, the concrete evidence which supports the opinions offered.

Conclusion

In this paper I have attempted to bring together material that I consider to be important for valuers appearing before the VRB. However, in general terms the points I have raised can easily apply to any Tribunal or Court hearing.

I have related the paper to the VRB and my reference to the standard of proof is most important, when valuers are preparing themselves for such hearings.

Finally, remember that at the VRB hearing a fellow practitioner's livelihood, professional status and future prosperity are at stake. It is therefore most important that care is taken to ensure that justice is done.

Appendix One

Valuers Registration Board Practise Note for Witnesses

The Board wishes to draw to the attention of Registered Valuers who may have the occasion to appear as expert witness at its inquiries, that there are certain standards which it wishes to maintain in the presentation of evidence before it.

In particular the Board has noted at recent inquiries that valuers giving evidence of the comparability of one property with others have frequently failed to reveal the depth and reliability of their own investigations of the data. Generally speaking the property which is the subject of the inquiry is described in detail and has obviously been closely examined by all concerned, but evidence concerning properties quoted as comparable sales is usually much less specific, and 027

Review of the Maori Reserved Land Act 1955

by J W Charters

Jack ('harpers is an Associate of the New Zealand tnsritate atValuers and is I)irec" torof I1 nels and Leisure varluatirrrr. ffor (.'olliers Jardine New Zeial:and l i.1 ntAuc•khtrul. Hehas *been a previous contributor to the New Zea-*land *Valuers' Journal and in 1988 Mr Char-*ters *presented a paper entitled "The Valuer's Role in Resolution of Native Land P, bients" to the Fourteenth Pan Pacific Congress held at Christchurch,*

In 1991 a Review Team was appointed by Government to consider all issues relating to Maori reserved land. The report of the review into leases under the Maori Reserved Land Act 1955 was received by Government in November 1991. In the months through August to October 1993, a Reserved Lands Panel, set up by Government, held public meetings throughout the country to discuss changes to the Maori Reserved Land Act.

This written submission to the Reserved Lands Panel was made at the behest of the Trustees of the Pukeroa Oruawhata Trust with the purpose of providing an alternative opinon as to the manner in which Maori reserved land should be owned and administered. Opinions given are those of the writer. The opinions embrace the concepts that any solutions to future ownership and administration of Maori reserved land should recognise the sanctity of existing lease contracts, the freedom of choice, a market orientation and ultimate finality. The writer considers that the proposals in the submission may prove to be less costly than the proposals being pursued by the Review Team and the Government.

This article was prepared from a written submission made by the writer in his capacity as a beneficiary under the Pukeroa Oruawhata Trust

Compensation

Aspects of compensation are based on the proposition of a new form of land tenure, being a terminating lease, for which compensation would be payable in respect of the conversion of pre-existing perpetually renewable leases.

Certain underlying issues which would need to be recognised in respect of the conversion of perpetually renewable leases and matters of compensation are as follows:

(i) The lessor would receive a superior interest in land.
Itis possible that some beneficial owners will be in the position where they may be required to pay betterment for the introduction of superior form of lease. A deferred payment licence being a lien on future ground rents may be a way to achieve this result.
Payment of betterment may be contingent upon and subject to an original lease being a lease prior to conversion to a perpetually renewable lease.

(ii) At all times and in any circumstance compensation would be based on a criteria of highest and best use. This criteria is to also recognise the highest and best use elements of rental value upon any subsequent conversion of lease.

(iii) Solatium payments will include allowances for intrinsic loss from whatever cause.

(iv) Whilst it is contemplated that compensation would be payable at a Right of Renewal date, in certain circumstances it may be necessary to effect the payment of compensation

028

little or no guidance is given to the Board as to the degree of investigation which has been undertaken.

For example it not infrequently appears that nothing more than a "front gate" inspection has been made, (usually for entirely valid reason), but witnesses often draw no distinction between such inspections and others which have been inspected in close detail. It will be apparent that a "front gate" inspection will often fail to reveal significant information which might affect the sale price and value of a property, and will not indicate that a house may or may not have been repiled, that the kitchen and bathroom services may or may not have been extensively modernised, or that the general standard of internal presentation is good or bad. All of these matters may have a direct bearing upon the sale and upon the degree of real comparability with the subject.

The Board very well understands that a detailed physical inspection of every property which a valuer wishes to use as a comparable may be difficult, and indeed is often impossible. The Board has no criticism of valuers who, after reasonable efforts, put before it the best data they have been able to obtain even if that data is limited in its quality. However, what the Board does need to understand clearly is the amount of weight which it can fairly place upon the comparability claimed for each example. Thus the Board expects the Valuers who appear before it to give evidence shall clearly distinguish the sources from which their data is obtained, for example by a detailed personal inspection, a general external view, a "front gate inspection", micro-fiche data only etc etc.

Inquiries at which witnesses may appear before the Board are often of such consequence as may affect the future livelihood, professional status and future career of another Registered Valuer, and the Board believes that it has an obligation to ensure that such an individual receives the fullest and fairest Hearing which is possible.

Accordingly it does not seem unreasonable that it should demand the highest professional standards from other Registered Valuers who may be called to give evidence before it, and it intends this Practise Note to assist such witnesses in their preparation of evidence i the future.

Valuers Registration Board
March 1986.

for the purposes of conversion at an earlier time.

(v) It is not considered expedient to have any form of compensation payment or process which is on a part compensation criteria awaiting certain future events.

(vi) Compensation would be paid on the basis of the difference in market value recognising the pre-existing perpetually renewable lease in relation to the proposed terminating lease.

(vii) Compensation will not relate to the total purchase and loss of a lessee's interest in land as a result of the process of lease conversion.

(viii) It will be necessary to consider some other payments (solatium) regarding the equity position of the lessee upon the creation of a new terminating lease and the implementation of an initial market rental for the first rent review period of the new lease.

(ix) General provisions of liberality to apply to the payment of compensation and betterment.

(x) Upon the creation of a new terminating lease the subsequent basis for the assessment of valuer is to be "Land Value" criteria.

(xi) Some form of equitable dispute resolution will be necessary under these provisions for compensation/betterment and rent determination.

(xii) Any compensation/betterment and rental determination to be assessed independent of the Crown or government agency/SOE/corporation.

(xiii) Any consideration of solatium in its widest sense should include cost recovery or strategic planning and resource management studies which would be a pre-requisite of any action. The advantage of the initial proposition (conversion to terminating leasehold tenure) is that there is an off-set of cost of purchase against an alternative form of tenure, which would necessitate less payment of compensation for the conversion of leases.

It is anticipated that the quality of a proposed terminating lease will be better than the original terminating land tenure hence, the argument for betterment if it arises in the present time.

It is perceived that six separate general issues arise for the purposes of implementing a general review of the Maori Reserved Land Act 1955 for the introduction of any new forms of terminating leasehold tenure.

The separate issues are addressed as follows:

(i) Issues for compensation in the event of a change of land tenure at a right of renewal date: conversion of perpetually renewable leases to terminating leasehold tenure.

1 Compensation for loss of Right of Renewal - land value or unimproved value circumstance.

2 Compensation for conversion to more frequent rent review periods and possible premium rental payments for an initial term of tenure.

3 Compensation for the loss of improvements value which would have been enhanced by the proper Right of Renewal factor.

4 Mortgagable value will change with the terminating interest as opposed to the perpetually renewable lease: with a greater perceived risk and probable shorter terms of mortgage advances. Loss of confidence in realisable value.

5 Solatium payment due to the inconvenience factor of implementing the public policy. The nature of the solatium payment may have to recognise allowances for all intrinsic matters including but not in particular the question of equity with respect to future reviews of ground rental. This solatium payment in aggregate may have to be detailed at a fairly realistic level, particularly with respect to properties whose interests are relatively low in value but have a high convenience factor in relation to the existing lessee of a perpetually renewable lease. Loss of mana to the lessee in occupation of the land.

6 Crown to pay for all costs associated with the conversion of the land interests.

7 Upon the implementation of a "policy-change" there could be a general diminishing of leasehold property values associated with those lands which would be required to have their interests converted upon the next Right of Renewal date.

Compensation for this general loss of value would have to be established.

No part payment of compensation should exist with respect to any future general criteria for determining compensation.

Procedural matters concerning timing of the event for the purposes of compensation may have to be considered.

8 Upon the passing of time to the next Right of Renewal date, at that particular time, and after the payment of compensation, there would be a reversion of the perpetually renewable lease to a terminating lease.

(ii) Alternative policies (voluntary action: at lessee and lessor discretion) where the incumbent lessee may not accept a form of terminating tenure. Invoke as at date of legislation..

(a) Conversion of all perpetually renewable leases to 25-year terms with five-yearly market rent reviews based on a land value criteria, providing a similar form of compensation as previously indicated under items I to 7.

(b) Lessee to buy out Lessor's interest. Purchase price to be based on existing use at date of purchase but in the event of a subsequent redevelopment (more intensive use) within a five-year period that a clawback provision exist for the higher price represented by the redevelopment. At the date of purchase a redevelopment and existing use value for purchase would be established and recorded in the transfer document for the purposes of invoking a future clawback provision. The lessee's purchase is an open market transaction.

(c) Complete buy-out of Lessee's Interest by open market purchase. Upon the purchase of the property by an open market transaction, the vacant possession of the property would transfer to the beneficiaries which would include an element of improvements associated with the land.

Contemporaneously a market rental would be fixed for the initial term of a new terminating lease.

(d) Under the provisions relating to alternative policy, no form of compulsion would exist with respect to the question of compensation when it arises which would be determined by an open market policy.

No form of dispute resolution should exist under this process as it may favour one party against the other with respect to the final determination of price and/or market rental value with respect to the initial rent review period of the new terminating lease. The ground rental to be fixed contemporaneously with compensation proceedings.

(e) With respect to this alternative form of policy, the public interest should be safeguarded by the crown's involvement to protect the interests of beneficial owners and lessees alike. The Crown's involvement should be limited to a prudential capacity.

(iii) Ground rental provisions: proposed terminating lease

When a lessee is compensated in a perpetually renewable lease, that lease would revert to a terminating lease. The payment of compensation and the determination of an initial rental are to be based on a highest and best use criteria. All value criteria for new leases to be on a "land value" basis.

All rental determinations to be at a market level at the date of commencement or review.

Upon the review and fixing of a new rental the land value is to be assessed on an unencumbered criteria, free of planning designations and reservations.

- The market rental would not be subject to a ratchet provision.
- The market rental should not be unduly influenced by the traditional prudent lessee arguments.

A mandatory provision for the approval of all changes of use and applications for building permit and other subsequent construction work are to have the prior approval of the beneficial owners.

It will be necessary to implement a modified rent review provision in the event of a change of use if this should arise during the currency of an existing rent review period. The implementation of a modified rent review provision should not interrupt the normal anniversary ofrentreviews which would coincide with the commencement date of the new terminating lease.

The difference between this form of terminating lease and other forms of lease would be that subsequentrentreviews would recognise the unexpired period of the lease rather than the total term of lease from the commencement day.

It would be anticipated that the lease would have a duration from the commencement date of 125 years (three economic periods plus five years) with five-yearly market rent reviews.

By invoking a rental based on the unexpired period of the lease it would help to compensate for lessee improvements throughout the duration of the lease.

Upon the termination of the lease all existing improvements would either be required to be demolished (at the lessor's discretion) or they would revert to the lessor without the payment of compensation.

All reviews and new rental assessments to be assessed independently of any Crown or government agency/SOE/corporation.

(iv) Discretionary purchase of lessee improvements

At any time throughout the leasehold tenure the lessor at the invitation of the lessee may elect to purchase any existing improvements which are then owned by the incumbent lessee in occupation of the land.

This right of the lessor to purchase lessee improvements on the land will not be a new lease under any circumstance. This opportunity, for the lessee and lessor, gives them a discretionary and voluntary point of view from which to consider a discontinuance of an existing use when circumstances have changed sufficiently from an economic point of view to mitigate the discontinuance of that use.

This discretionary provision could be mutually beneficial. If the lessor chose not to exercise aright of purchase (in relation to the improvements only) then the lessee would be unable to achieve any compensation excepting the outright sale of that interest. In the absence of any sale the lessee would be obliged to abandon the lease in an event of uneconomic circumstance.

Clearly this provision gives the opportunity for the lessor to occupy as a result of uneconomic circumstances.

It is not anticipated under this provision that the lessor would acquire the lessee's interest in land.

(v) Right of occupancy: new terminating lease

Where a lessee is in occupation of an existing terminating lease and 100 years will have expired on that lease, then at that point in time the ground lessee could at the lessor's discretion purchase a further right of occupation for another 125 years.

This right of occupation would require the assessment of a market price which the lessee in occupation of the land would pay to the beneficial owners who would in turn grant a further lease on new terms for a period of 125 years.

This market price (for the purchase of a subsequent right of occupation) could also be expressed as follows:

1. A market (base) rental for land (not subject to a ratchet provision).
2. A residual land rental sum being an annual payment (subject to ratchet provision upon rental review).
3. Payment for the unexhausted value of improvements available for purchase by either annual annuity under a ratchet provision or a lump sum payment.

The opportunity for a right to occupy by way of a payment to beneficial owners at intervals of 100 years will ensure the maintenance of capital invested in land for both the preservation of capital and adequacy of risk with respect to mortgage lending.

In the event that the beneficial owners did not wish to exercise a grant of a further right of occupation to an existing lessee, then the reversionary interest in the lease would occur after the original 125 years had expired.

However, a basic problem is the probable waste of capital investment over a long period of time when in the last 25 years no attempt is made to sustain the investment in land because of the reversion of the property to the beneficial owner at that or a subsequent time. After 125 years, the reversionary interest would pass to the beneficial owners free of mortgages or other charges on the land.

However, the discretionary option to purchase lessee improvements (iv) could apply.

(vi) Premature termination by lessee

In the circumstance of the lessor not granting a new lease (at 100 years) and in the event that a lessee in occupation of the land after the expiry of 100 years is unable to comply with their obligations under the terminating lease, the following procedures should apply.

In which event the beneficial owners may:

1 offer the lessee's interest to any mortgagee in possession;
2 require all mortgages and charges to be discharged
3 dispose of the lessee's interest in land for the balance of the term
4 sell the lessor's interest to the lessee in occupation
5 create a new terminating lease and sell the lessee's interest in the land and buildings on the open market to a subsequent occupier
6 become an occupier of the property as a beneficial owner.

At the end of the terminating lease after a period of 125 years the land could also be offered for public occupancy with the highest price paid giving the entitlement to a lessee occupation for 125 years with the provisions of paying ground rental at five-yearly intervals.

The alternative could be the reversion of the property to the beneficial owners or the possible sale of the lessor's interests to the former lessee in occupation of the land. A

Legal Decisions

Crown acquisition of land - Compensation claim for loss of land and gravel resource - Claimant involved in the gravel, transport and concrete industries - Appropriate method of valuation of land, the claimant's two businesses and the appropriate discount percentage to be applied - Whether there was a special value of the land to the owner - Type of material extracted Stockpiling Viability of a newgravel pit on the residual land in view of town planning, practical engineering and economic issues Public Works Act 1981, s 60, 62, 77, Part 5; Town and Country Planning Act 1977, ss 74, 90; Resource Management Act 1991; Health and Safety in Employment Act 1992, s 20,62.

IN THE HIGH COURT OF NEW ZEALAND
DUNEDIN REGISTRY

M 61//92

IN THE MATTER of the Public Works Act 1981 and the Land Valuation Proceedings Act 1948

AND

IN THE MATTER of a claim for compensation by Francis Michael McNulty in respect of all that land being Part Lot 8, Deposited Plan 2970 and being Section 1107R and Part Section 21, Block 111, Cromwell District described in Certificate of Title 3B/703 (Otago Registry) and containing an area of approximately 8.3972 hectares.

BETWEEN FRANCIS MICHAEL McNULTY, McNULTY'S TRANSPORT LIMITED, CROMWELL READY MIX SUPPLIES LTD, BRIAN FRANCIS McNULTY and ALAN JAMES McNULTY
Claimants

AND THE MINISTER OF SURVEY AND LAND INFORMATION
Respondent

Date of Hearing: 2,13,14,17,18,19, 20, 21, 24, and 25 May 1993
Date of Judgment: 9 July 1993

Counsel: L J Taylor and K J Phillips for the Claimants
DL Wood for the Crown.

BEFORE HANSEN J & I W LYALL

This was an application by the claimants, pursuant to s.60 of the Public Works Act, 1981. By a decision of Judge T. Everitt, dated the 28th May, 1992, the claim was removed from the Land Valuation Tribunal to the High Court.

All litigation is of importance to the parties, especially where there is a particularly personal interest in the outcome. Compensation claims, by their very nature, often carry an additional trauma when individuals or families are involved. This is something that can be easily lost sight of.

The McNulty family have been involved in the transport and gravel industries for three generations. Back in the time of Mr F. McNulty's father, gravel was taken by anyone desirous of doing so from this land now taken by the Crown. Ultimately, the family business commenced to take gravel from different land, and a royalty was paid. Due to difficulties with the owner of the land and an increase in royalties, Mr F.M. McNulty carried out inquiries which led to his purchasing the land, the subject of this application, in 1968. The family businesses worked the land until the 31st May, 1989, when their right to do so, pursuant to an agreement dated the 6th March, 1989, ceased.

CHRONOLOGY The relevant chronology is as follows:

11 May 1984 First Notice of Desire to Acquire Land.
14 September 1984 Letter from MOWD offering advance payment.
3 September 1985 Further Notice of Desire to Acquire land.
25 September 1986 NoticeofIntention to Take Land.
20 October 1986 Objection to taking of land filed with Registrar of Planning Tribunal
5 May 1987 Offer of compensation (together with revised plan showing reduced size of proposed taking).
October 1988 Claimants change solicitors.
16 November 1988 Letter from Department of Land re investigations of alternative properties.
30 November 1988 Request for further investigation of alternative property.
17 February 1989 Agreed that alternative property not suitable.
6 March 1989 Agreement on taking of the land reached.
7 March 1989 Objection to Planning Tribunal against taking of land withdrawn.
March 1989-16 Oct 91 Valuers instructed by claimants, various correspondence with Department of Survey and Land Information re progress of preparation of claim.
16 October 1991 Claim filed with Minister.
8 November 1991-to 25 March 1992 Various correspondence re extension of time for making of claim with formal extension of time dated 25 March 1992.
12 May 1992 Claim filed in District Court at Dunedin and application made by consent for transfer of claim to the High Court.
28 May 1992 Order made transferring hearing of claim to High Court.
July 1992 Settlement negotiations.
12 November 1992 Setting down fee of $500 paid.
9 February 1993 Application by consent to join McNulty TransportLimited, Cromwell Ready Mix Supplies Limited, Brian Francis McNulty and Alan James McNulty as Plaintiffs and application (by consent) for urgent hearing of claim.
12 May 1993 Order joining parties made by consent. Hearing commences.

This is not an exhaustive chronology, but it is sufficient to provide background for this judgment.

Background

As indicated earlier, MrMcNulty has been the registered owner of the land since 1968. At that time it was contained in

Certificate of Title 350/229. It was first alienated from the Crown in 1882, without reservation of mineral rights to the Crown at the time of the alienation. It is clear, therefore, that the freehold owner, Mr McNulty, is the owner of the minerals beneath the land.

It was purchased for use as a gravel pit. Mr McNulty is aged 67. All his working life he has been involved in the business of extraction and cartage of gravel and other general cartage work. His father was engaged in that business initially and he joined him. For a time he operated the business himself, but since has been joined by his sons, Brian and Alan. Apart from the period of Alan's apprenticeship, the whole family have spent their working lives involved in the same business.

McNulty's Transport is a company with Mr McNulty and Brian and Alan as shareholders. Its business was the digging out, screening, sale and cartage of gravel from the resource under the land, together with other types of general cartage work. It is clear that a considerable part of its business was inextricably linked to the gravel resource.

Cromwell Ready Mix Supplies Limited was engaged in the manufacture and sale of ready mix concrete. Initially, it was owned by a consortium of builders, plumbers, block layers and the McNulty family. It is now wholly owned by the McNulty family, although at the time of taking, there were still two outside shareholders.

It is the claimants' case that since 1968 when the land was purchased, the family have devoted themselves to the establishment and development of the family business, which has kept the family members in employment, and after payment of wages to family members, and on occasions, others, has produced modest profits. It was not a large business, but it clearly provided the whole family with work and income, and the size of the gravel resource was such that it would have continued to do so indefinitely.

Taking of the land

It was originally the Crown's intention to acquire 6.2ha of the 8.4ha owned by Mr McNulty. In 1987 it was indicated that they only wished to take 4.5ha, but the area of land eventually taken was 4.9104ha. The balance of the land remaining in Mr McNulty's name contains 3.5425ha.

An advance payment agreement was entered into on the 6th March, 1989. That enabled the Crown to take the land with an effective take over date of the 1st June, 1989. It was agreed in that that Mr McNulty would be paid a sum of $55,000 to cover the cost of his extracting and stockpiling approximately 27,500m3 on the residual land, plus a further $3000 to cover the cost of removal of debris and trees. This was without prejudice to the claimants' rights, pursuant to Parts V and VI of the Public Works Act, but the sum was to be taken into account in determining the amount of any such compensation. The parties also agreed to endeavour to negotiate settlement, which in the end result proved fruitless.

Quite clearly, the best solution would have been to find an alternative pit. But the best endeavours of both parties have failed to achieve this. The claimants' position is that the loss of the gravel resource was devastating for the family for the gravel resource was the core of all their business activities. Mr Taylor pointed out that they have faced uncertainty since 1984 from the pending loss of the land and the gravel resource beneath it, and still face an uncertain future once the stockpile has been used up.

The land and the working of the pit

The land was a small rural property on the outer limits of the then Cromwell Borough. It had been developed as a gravel pit, together with a concrete hatching plant and a site for gravel screening. It comprised two terraces separated by an escarpment. It dropped steeply on the north and north east boundaries. Heavy vehicle access was available to the gravel pit face, which was established some 8 to 10 metres below terrace levels.

It is common ground that there were three basic gravel materials found on the land. The top level consists of Shotover-derived alluvium of varying depths. The next level consists of Kawarau-derived alluvium, also of varying depths of up to 9 metres. The Kawarau material was in the main comprised of schist-derived material, with a small amount of greywacke. The bottom level consisted of Upper Clutha-derived alluvium, which consisted mainly of greywacke derived material. Throughout these various levels, sand and other fine material was present in varying amounts. At least in one place, there was pure sand found at an upper level, which was sold some years ago.

It seems to be common ground that prior to the taking of the land the areas worked by the McNulty family were where the amounts of Shotover and Kawarau material were least. It appears to be common ground that the residual land consists of a top level of Shotover-derived material and other fine material of approximately 2 metres. There is then approximately 9 metres of Kawarau-derived material, which contacted with Clutha derived material at approximately RL 197. Below that, for all relevant purposes, is Upper Clutha derived material.

Prior to the land being taken, the McNulty family had opened two pits at the eastern area, where Shotover and Kawarau-derived materials were at their lowest. Pit 1 was worked until late 1984, or early 1985. From then up until the land was taken, Pit 2 was worked. Both pits took advantage of the natural terrace face. Pit 1 was on the north side, and Pit 2 was on the east side. This physical advantage allowed for very simple extraction of material. An added advantage was the overburden could be easily pushed aside. The pits were worked by means of a front-end loader excavating material and placing it in a truck. On occasions, it was screened at the pit face level, and on other occasions was trucked to an upper level near the batching plant and screened. The pits were worked down to approximately RL 184 by this method. There is a dispute between the parties as to whether only Upper Clutha-derived material was extracted. However, it seems unarguable that the bulk of the material extracted was Upper Clutha-derived materials. At the relevant times this work was carried out by McNulty's Transport, who after screening sold the product as aggregate. In the past an area of sand had been sold, and it seems that a small amount of oversize material was sold for use in sumps and other similar uses in the area. Some of the aggregate was sold to Cromwell Ready Mix for the production of ready mix concrete. The plant consists of a single weigh hopper, which discharges by way of an incline conveyor to a mixer truck. Cement, aggregate and sand is placed in the weigh hopper by a front-end loader, and then into the mixer truck. The plant is fitted with a water gauge to record the amount of water added.

The claim for compensation

The claimants' position is that the resource used by them was Upper Clutha derived gravel. It is their case that they have lost this entirely, because on the remaining land, in real terms, there only remain 2 metres of that resource overlain by such an amount of Shotover and I

Kawarau material that the recovery of the upper Clutha gravel is economically out of the question. It is also the claimants' case that as well as the land owners loss of the upper Clutha resource, McNulty's Transport was dependent on the resource for amajority of its income, and Cromwell Ready Mix was totally dependent upon the resource for its income.

The claimants also allege that they only used Upper Clutha material in their business operations, and considered not only the Shotover, but also the Kawarau material as rubbish, and unfit for sale as aggregate or for the manufacture of concrete. The claimants' position is that as a result of the loss of the bulk of their land, and the impossibility of using the Upper Clutha resource on the balance of the land, they have lost the ability to economically work the remaining resource, they have lost a large part of the income of McNulty's Transport, and all of the income of Cromwell Ready Mix in the future.

It is to be noted that both the latter businesses have been operating by using the stockpile built up before the land was taken on the 31st May, 1989. They allege that because of the limited nature of that stockpile, they have had to husband it with great care and have not been in a position to freely develop their business.

The Crown's position is that the McNultys always used a mix of both Upper Clutha and Kawarau-derived materials for aggregate and concrete manufacture. It is also the Crown's case that there is nothing to prevent the McNultys developing a gravel pit on the residual land, and compensation for the land taken should be based on that proposition being accepted.

The Crown also alleges that they had offered the McNultys the right to stockpile 62,500m3, which would have enabled the business to operate for eight or nine years. It is alleged that because the McNultys failed to take up this offer, they should only be entitled to compensation for that limited period. The Crown further alleges that the McNultys could provide aggregate and concrete of the same standard as provided previously, by utilising the basically Kawarau derived material on the residual land. The Crown also claims that McNulty's Transport was a business in decline, and challenged the income figures relied on by the claimant, both in relation to that company and Cromwell Ready Mix. There is also a dispute between the experts called by both parties as to the appropriate methods of valuation of the land, the two businesses and as to the appropriate discount percentage to be applied.

What resource was used previously? Both Mr McNulty Senior, and Alan and Brian were adamant that they had always used Upper Clutha materi al for aggregate and in the manufacture of concrete. It appears a great deal of the difficulty that has arisen in this case has occurred because of confusion relating to the derivation of the material on the land and what was actually used by the McNultys. Initially, Mr Thomson, a geologist, carried out a survey, and it was suggested that apart from a thin veneer of fines and Shotover-derived material, all of the gravel resource on the land was Upper Clutha-based. It seems difficulties in approach and attitude have been created by this, which is now acknowledged as totally mistaken. As described earlier, the land consists of a thin overlay of Shotover derived material, then with a varying depth of Kawarau-derived material, followed by Upper Clutha derived-material from approximately RL197 downwards.

All along, the McNultys have been consistent in their approach that they only used Upper Clutha material in their businesses. They say that both pits were developed in areas where the overlay of Shotover and Kawarau material was at its thinnest. They have also been consistent in describing these upper level materials as rubbish and as overburden, and despite some alleged confusion by Crown witnesses, we are quite satisfied that it is clear when the McNultys are referring to overburden they are referring to Shotover and Kawarau material on top of what they consider to be the good gravel, i.e. Upper Clutha material.

The McNultys' evidence is that they first worked Pit 1, which continued up until late 1984 or early 1985. In Pit 1, between the Kawarau and Shotover materials and the Upper Clutha gravels was a seam of sand which was sold for plastering and block laying. The McNulty's evidence is that the overburden of Kawarau material was only ever used for fill. The attraction of the resource was that it was so easy to obtain the good quality Upper Clutha gravels without the necessity of major complicated stripping of overburden. Pit 1 apparently had been used for a number of years before Mr McNulty bought the land. The evidence is that pit one was benched and the topography of the land meant that extraction was cheap and simple. There was also evidence that a haulage road was allowed to be run down through the area of Pit 1, and the contractors involved pushed all sorts of rubbish and debris down over the pit face into the fan area at the bottom of the pit.

The McNultys' evidence in relation to Pit 2 is that it was worked from approximately late 1984 or early 1985 and that they used only Upper Clutha material for aggregate and concrete manufacture. They also say that all of the material stockpiled between the 6th March and the 31st May 1989 came from Pit 2. It was suggested by Crown witnesses that it was taken from some completely different area altogether, but there is simply no evidence to support this suggestion. We are quite satisfied that the stockpile material came from Pit 2, and was all Upper Clutha material.

The Crown witnesses' allegation of the McNultys using a mix of Kawarau and Upper Clutha material seems to be based on assumptions drawn from various references to RL levels, rather than from any hard evidence. Mr Thomson did say that he was told that a mix of materials was an essential component of the aggregate produced, but this is quite contrary to what the McNultys say. We accept the McNultys' evidence in this regard. Indeed, Mr Thomson conceded there was scope for misunderstanding. We are quite satisfied that the evidence given by the McNultys is correct. It may be, as Mr Lukas suggested, very small amounts of Kawarau-derived material may have cascaded down the slope into the fan at the bottom of the pit face being worked, and on occasion these small amounts may have been used.

However, we are quite satisfied that such amounts would be very small and would be insignificant in the overall mix, and would only occur occasionally. We are satisfied that the McNultys were well aware of the difference between Upper Clutha, Kawarau and Shotover materials. Despite the allegations from the Crown witnesses, we hold that the McNultys utilised virtually wholly Upper Clutha materials in the extraction, and production of aggregate and concrete,

Stockpile

The agreement between Mr McNulty and the Crown, dated 6th March, 1989, recorded that the McNultys had stockpiled 7,500m' on the residual land, and reserved the right to take a further 20,000m3 before the 31st May, 1989. Any right to take gravel ceased on that date. For this they were paid $55,000, which must ultimately be reflected in the overall figure for compensation. An additional $3000 was allowed for allied work which must also be allowed for.

At an earlier stage, by way of a letter dated 17th February, 1989, it was suggested that stockpiling of 62,500m3 take place. It was never suggested at the time of the agreement that the McNultys were in any way unreasonable in not accepting the offer.

Agreement was reached, withoutprejudice to the McNultys' rights, on the basis of 27,000m3. However, in the course of cross examination, this matter was raised, probably for the first time since the letter of the 17th February, 1989, and certainly for the first time since the agreement was entered into on the 6th March of that year. In essence, through cross examination and submissions, counsel for the Crown, Mr Wood, was stating that the McNultys were unreasonable not to take the larger amount.

It is unnecessary to address the cross examination in detail. Although Mr McNulty did not have clear recall of the letter, it is clear a figure of 62,500m3 as a stockpile was considered by the McNultys and referred to Mr Lukas, who was in Singapore at the time. Mr Lukas apparently indicated to the McNultys that even for 46,000 to 47,000m3 an area of one hectare piled to a depth of six metres would be required for such a stockpile. It is also clear that the McNultys had available to them a very limited period in which to excavate and stockpile material. Although they managed to stockpile at least 27,500m3, we are satisfied that that required a tremendous amount of time and effort on their part.

The Crown has adduced no evidence to show that the McNultys could have stockpiled the additional amount in the time available.

Taking into account the time available, the large area required for such a stockpile, and its impact on the residual land, we are satisfied that there was nothing unreasonable in the McNultys rejecting that offer .

Finally, in relation to the stockpile, it appears that the McNultys may have stockpiled something in excess of 27,500m3. Figures in the area of 30,000 to 33,000m3 were mentioned. It is unclear if this was an in-situ amount, or whether it was occasioned by bulking, that being a phenomena of gravel upon excavation occupying a greater cubic area than when it is in-situ.

Upper Clutha-derived material vs Kawarau-derived material

In an earlier report, the McNultys' valuer, Mr A P Laing, described the resource on the land that was taken as unique. Their other expert, Mr Lukas, in his brief of evidence described as probably the best gravel available in the area.

Perhaps the use of the term "unique" by Mr Laing was unfortunate, because the Crown witnesses have interpreted the term in a literal dictionary sense as meaning "of which there is only one". Mr Laing himself accepted this. (See the Shorter Oxford English Dictionary 3rd Ed.). A great deal of evidence was put forward by the Crown to show that the resource was not unique. However, when one considers factors beyond the actual gravel resource on the land, and includes consideration of simplicity, ease and inexpensiveness of working the Upper Clutha resource, there is probably nothing objectionable in Mr Laing's use of the term. Although Upper Clutha materials are worked in pits in the Clutha Valley by Fulton & Hogan and Bitumix, there is nothing in the evidence to suggest that the deposits were so situated that they could be worked in such a simple and inexpensive manner. There was also evidence from Mr Lukas to suggest that those resources lacked a required percentage of sand. It is also clear that despite extensive investigations by both the McNultys, representatives of the Crown, and Crown witnesses, no similar site could be found. From the McNulty's point of view, and for their purposes and those of their family businesses, we are satisfied that the land taken, and not just the gravel itself, represented a unique resource from the McNultys' point of view.

The expert witnesses for the Crown in this area were Dr Proffitt and Mr Justice. The expert for the McNultys was Mr Lukas.

Part of the Crown case was founded upon the assumption that the McNultys always used a mix of Upper Clutha and Kawarau material for aggregate and concrete. We have already found to the contrary. In the course of investigation a number of Caldwell shafts were excavated in the residual land. On the basis of material derived from those shafts, the Crown went to considerable lengths to establish that the grading of that material was no different from the material graded from the pits previously operated by the McNultys.

Dr Proffitt, in particular, put evidence before the Court, illustrated by graphs, comparing the gradings of the material derived from the Caldwell shafts with material obtained from, in particular, Loburn and the Fulton & Hogan resource at Parkburn. He sought to establish on this basis, as did Mr Thomson, the geologist, that the gravel resource on the McNultys' land was not unique. Without doubt, from that narrow view point, that is correct. No doubt there are many areas that contain Shotover, Kawarau and Upper Clutha-derived material. But the uniqueness of the McNultys' land, as we have already pointed out, cannot be so limited.

The Crown witnesses, by way of evidence and further graphs, also sought to establish that the material on the McNultys site obtained from the Caldwell shafts did not fit within the envelope required by the relevant NZSS 3108. Nor, Dr Proffitt claimed, did it fit within the envelope specified for the Clyde Dam aggregate. However, Dr. Proffitt's investigation ignored one obviously critical factor. The Caldwell shafts did not penetrate far into the Upper Clutha material, which, in general, is below RL 197. This means a preponderance of the material relied on for these tests was Kawarau-derived, and as we have already found, the McNultys used Upper Cluthamaterial, not Kawarau.

Cross examination was telling. But because of our finding that the McNultys used virtually only Upper Clutha material, it is not necessary to deal with this in detail. In figs. 3 and 4, relied on by Dr. Proffitt, he accepted in cross examination by Mr Taylor that if a mean grading was used from RL184 to 194.5 in Upper Clutha material it fitted within the envelope. He accepted that that was consistent with what the McNultys had said all along that they could obtain good quality aggregate from a simple screening operation.

Dr Proffitt also presented strength tests of concrete to show that the concrete manufactured in the past by the McNultys did not meet the required NZSS standard. These tests covered aperiod up until 1986. He did not refer to tests after that date, and again in cross examination accepted that the tests were, therefore, not as representative as they could be. There was also evidence that test 4899 had to be repeated. In relation to test 6338, core testing carried out later showed the concrete was up to strength. Dr. Proffitt said there was a degree of uncertainty about core testing, but we are satisfied that there is sufficient in the course of that cross examination to show that there were other tests and 0 doubts in relation to some of them. We are also satisfied on the evidence of Brian and Alan that they had never had concrete rejected, including structural concrete for the various projects, such as the Roaring Meg, abridge proj ect, the Cromwell Dump and others they mentioned. Dr Proffitt suggested that he had heard concrete had been rejected, but this evidence was clearly hearsay, and inadmissible. We are satisfied that the McNultys, even if their plant was considered rudimentary by more sophisticated engineers, such as Mr Justice and Dr Proffitt, were capable, by the use of Upper Clutha derived material, of producing concrete that met with New Zealand standards, and was capable of meeting specifications for structural concrete as well.

Dr Proffitt suggested that the McNulty s could make concrete of the same strength using a mix that would be approximately four parts Kawarau and one part Clutha, which would be the situation if the new pit was developed as suggested by the Crown witnesses. He accepted that the use of Kawarau material would require double screening, and he also accepted that it was much softer than Upper Clutha material. Tests put before the Court show that Upper Clutha obtained 200-230kn while Kawarau was 130kn. Mr Taylor cross examined Dr Proffitt extensively as to whether or not the use of Kawarau aggregate would allow the McNultys to comply with N2SS 3108 and 3121. He referred him to s.8 of NZSS 3111, which required an aggregate of 200kn, but Dr Proffitt said this related only to controlling a variable in the course of testing sand. He accepted, however, that to meet the standard the McNultys would have to comply both in relation to sand and aggregate. He accepted if the test under 3121 was not passed, then there would not be compliance with 3108, which would limit the McNulty's market significantly. He accepted that if the McNultys used only Upper Clutha gravels that would be a problem they would not have. He accepted there was an inherent value, therefore, in having ready access to the high quality Upper Clutha material.

In our view this particular debate is resolved by reference to commercial reality. Evidence was given by Mr Caithness, who is the operations manager for Firth Industries Limited, a company involved in the ready mix concrete industry throughout New Zealand. He was familiar with both Kawarau and Upper Clutha materials.

His evidence is also relevant in relation to the amount of business available to McNulty's Transport. It was his evidence that Firth's operation in Queenstown involved carting Upper Clutha gravels from the Cromwell area. He said there were large deposits of Shotover and Kawarau gravels in and around the Queenstown area, and that such gravels were not suitable for medium or high quality concrete. He said there was a large proportion of flat schist, which made the concrete difficult to work. His evidence was that Firths had recently purchased ready mix concrete operations in Queenstown and Wanaka. In Wanaka they terminated the use of local gravels immediately, to purchase Upper Clutha gravels from Fulton & Hogan. In relation to Queenstown, he said they used only a very small amount of Kawarau material to conceal the actual volume of concrete they were using from their gravel supplier, once again Fulton & Hogan. He said they used a very small amount of Kawarau gravel for concrete manufacture in Queenstown for very low grade concrete, and concrete that does not have to be guaranteed. He said of the total amount of aggregate they used only 10% would be Kawarau material. It was his evidence that if the McNultys had unlimited supplies of Upper Clutha material available, all their purchases would come from them.

We also have the McNulty's evidence that they would not consider making concrete from Kawarau material because they consider it to be rubbish. In fact Mr McNulty said he would not make concrete for his worst enemy with Kawarau material.

We are satisfied, on the evidence before us, that the Upper Clutha material is very much superior to the Kawarau material for the manufacture of concrete. This relates both to its strength and to its shape. We are satisfied that the McNultys, under their previous operation, were able to produce top quality Upper Clutha aggregate from a simple screening process. We are also satisfied from Mr Caithness' evidence that the commercial reality is that the market requires Upper Clutha-based aggregate for concrete. If the Kawarau material was as good as Dr Proffitt would have the Court believe, it is inconceivable that Firths would be carting Upper Clutha material from the Cromwell region to Queenstown. We are satisfied that the McNultys used only Upper Clutha material, (subject to our small earlier qualification) and it would not be commercially viable for them to rely on the lower strength Kawarau material. We are also in doubt whether the use of such materials would allow them to comply with the various New Zealand standards. Finally, it was suggested by both Dr Proffitt and Mr Justice that the aggregate used in the Clyde Dam contained Kawarau-derived material. However, they could not tell the Court the percentage of Kawarau material, and without such information that evidence was of no assistance to the Court.

Can a new pit be reasonably established on the residual land?

As with most of the topics already addressed, this subject does not need to be addressed at the length it was in evidence in chief and cross examination. This is because of telling concessions made by both Mr Justice and Dr Proffitt, the chief expert witnesses for the Crown. Both of those witnesses eventually conceded that because of the large number of uncertainties involved, it would be unreasonable to expect the McNultys to run the risk of establishing a gravel pit on the residual land. Indeed, Mr Justice accepted that it would be unreasonable for the McNultys or anyone else. We are satisfied that the effect of that concession makes it clear that it is not appropriate to consider assessing compensation on the basis that the McNultys could work a gravel pit on the residual land. However, despite those concessions by the Crown's experts, this proposition was persisted with in submissions. Because of that, and because of the vast amount of work carried out by the various experts on this topic, it is only fair that we deal with it. Because of the concessions, however, we propose to deal with it quite briefly. We will deal with it on the basis of the various uncertainties raised by the evidence and cross examination.

In our view, it is unnecessary to finally determine which expert view is correct. What it is necessary for the Court to determine is whether or not, given the uncertainties and the divergence between experts, it is reasonable to expect the McNultys, or anyone else in their position, to develop a new gravel pit on the residual land. It is to be remembered that the compensation that the McNultys are entitled to is the one opportunity they have to secure their future.

Even without the concessions of Dr Proffitt and Mr Justice, we are satisfied that it is unreasonable to base compensation on the proposition that a gravel pit can be established on the residual land. Whilst we have not reached final conclusion in any of the areas where evidence was adduced we prefer the evidence in this regard adduced by the claimants to that of the Crown. In our view, it is highly improbable that anyone in the circumstances would take the commercial risk of developing a gravel pit on the residual land, based primarily on a Kawarau-derived resource. The eventual concessions of Dr Proffitt and Mr Justice, in our view, merely highlights the inevitability of such a finding.

We consider this position should have been apparent for some considerable time.

Planning

The expert for the McNultys was Mr Hovell, and for the Crown Mr Whitney. We accept they both have considerable experience in this area. We also accept that at the time of the taking by the crown existing use rights existed for the winning of metal aggregate and sand; screening of the same; the batching of concrete aggregate; and the sale and cartage of the same to the public. Quite clearly, one important aspect of those uses did not continue after the 31st May, 1989. Since that date the winning of metal aggregate and sand has ceased.

When the District Scheme became operative on the 1st October, 1984, the McNulty property was designated for two purposes, the generation of electricity and recreation (pastime). The generation of electricity designation still applies, which means that no new use and no excavation could be undertaken without consent. We accept the Crown evidence that this is something that could be readily removed, but the reality is at the time of the hearing it still applied to the land.

The underlying zoning of the McNulty land is rural. Mr Hovell said that in the zone statement this is, "to provide a visual buffer between the residential areas and the state highway, and achieve a gradual transition from rural to urban development." As part of the explanation to the zone statement, it is stated "It is proposed that the uses permitted in this rural zone will be quite limited, and it is not intended to permit activities which have noxious connotations".

The dominant uses in the zone include farming (qualified)), motor camps halls and buildings and with indoor and outdoor recreation. No conditional uses are provided for in the zone, and none of the activities undertaken by the McNultys are provided for in a rural zone. (Those comments apply to the area designated electricity generation). For the area designated recreation, the zone statement provides:

" The zone is intended to accommodate recreation facilities provided by the persons or organisations other than the council but over which the council wishes to retain full planning control. "

A number of uses are provide for, but none of the activities undertaken by the McNultys are provided for. On the 16th December, 1985, scheme change no. I was released, and Mr McNulty objected to the scheme change and sought a Rural S zoning over that part of his land designated. The recreation designation was also opposed. As a result, the zoning was altered to Rural S.

The zone statement gives the purpose of Rural S as:

"To provide for an alternative form of development to that provided in other parts of the borough. "

Clearly the intention of the zone is to provide for hobby farms, or what some people call "rural residential lots". None of the activities undertaken by the McNultys are provided for in the Rural S zone. As a result of all of this, the residue of the McNulty land is partly designated "generation of electricity, partly zoned "Rural", and partly zoned "`Rural S". All of the activities of the McNultys are nonconforming in terms of the Town and Country Planning Act, and also in terms of the Resource Management Act.

It is also clear from the scheme that the activities undertaken by the McNultys are deemed noxious under the provisions of appendix 3, and are provided for within the industrial zone, subject to planning approval. Furthermore, the policy at page 63 states that:

"It is council policy to control the maintenance of land to ensure that the district provides a pleasant, harmonious and attractive working and living environment for its inhabitants and visitors... "

This is enforced through ordinance 3.01.02, which states:

"No structure, sign, excavation or other work shall be made or finished so that it would, in the opinion of the council be visually inappropriate to the neighbourhood or would otherwise detract from the amenities of the neighbourhood or would tend to depreciate public or private values therein. "

Under the Town and Country Planning Act, 1977, because none of the uses undertaken were provided for in the zone as predominant uses, or conditional uses, the development of the pit on the residual land could only proceed if existing use rights were enforced, or the uses were approved by way of a specified departure application under s.74 of the Town and Country Planning Act.

Section 90 of the Act deals with specified departures, and following the 1980 amendment reads:

"Existing use may continue (1) Any *land or building may be used in a manner that is not in conformity with the district scheme or any part or provision of it as in force for the time being if*

(a) The use of that or building

(i) Was lawfully established before the district scheme or the relevant part or provision of it became operative; and (ii) is of the same character, intensity and scale, as or of a similar character, intensity, and scale to, thatforwhich it was *last lawfully used before the date on which the district scheme or the relevant part or provision of it became operative...; or*

(b) In the case *or a new building; or*

(c) The use is pursuant to an application granted under this Actor the Town and Country Planning Act 1953 either before or after the date on which the district scheme or the relevant part or provision of it became operative. "

We have already indicated that we are satisfied that existing use rights were established prior to the district scheme being released in 1980. Such uses could be relocated upon the property, provided that the manner in which the use was being undertaken and the use itself is "of the same character, intensity and scale as, or of a similar character, intensity and scale to that" which previously operated. Mr Hovell takes the view that taking into account the definition of "character and amenities" in the Act, and considering cases such as *Hill* vs *Wellington City*(1971) NZTPA 29 and *Papatoetoe City* v *Wedding & Sons Limited* (1983) 9 NZTPA 430, that the McNultys could not rely upon the provisions of s.90(1)(a)(2) and existing use rights would not enable such a change to take place as of right.

Mr Whitney, on the other hand, looks at the use on the basis of a composite use. He said one has to consider the whole process from extraction at the pit face, through screening to concrete batching. He said even though the extraction of metal had ceased, the continuation of screening and batching means that ex- 0 isting use rights would be protected. With respect, we consider that highly unlikely. Previously, the McNultys excavated from a face situated in an existing terrace face. They only kept relatively small stockpiles of material on hand. The new proposal would require the excavation of a pit some 30 metres by 30 metres, and some 20 to 30 metres deep. It would also involve the stockpiling of 46,000m3on site, which we know from Mr Lukas' evidence would cover at least 1 ha to a height of approximately 6 or 7 metres. Firstly, we are of the view that the cessation of gravel excavation cannot be ignored, and there is a strong argument that this would lead to the loss of existing use rights. Secondly, we are satisfied that there is an extremely strong argument to say that the new gravel extraction method proposed by the Crown is not of the same or similar character as before. The method, scale and intensity of the operation, in our view, changes quite dramatically. Either overburden would have to be stored on site, or it would involve a considerable amount of traffic carting it away for dumping. That in itself raises anotherproblem, because the dumping of waste material is not an activity provided for anywhere within the relevant district scheme, and further planning consent would be required.

Furthermore, as pointed out earlier, it is our view that there is a strong argument that the existing use has ceased. If an existing use does cease, it must be recommenced within six months. Where the cessation lasts longer than six months, the council may authorise an extension of that period, provided an application is made to the council within the 12 months of the use ceasing.

In our view, Mr Hovell's view that the winning of metal has ceased and that existing use has lapsed is to be preferred to Mr Whitney's composite use approach. Whichever view is accepted, it is clear that there is no certainty whatsoever that existing use rights continue.

The next question to consider is whether or not a specified departure application could succeed under s.74 of the Town and Country Planning Act.Section 74

(2) reads:

"Subject to s. 3 of this Act, the Council may consent to such a specified departure only if la) the effect of the departure will not be contrary to the public interest and will have little town and country planning significance beyond the immediate vicinity of the land concerned, and the provisions of the scheme can remain without change or variation. "

Again, there was a dispute between the experts. Mr Hovell considered a specified departure application would have no chance of success, Mr Whitney thought that such an application could succeed, but did accept that there was uncertainty in relation to this. Again, we prefer the evidence of Mr Hovel].

In relation to public interest, it is of relevance that the use is a conditional use in the Industrial Zone. The residual land is partially zoned Rural and partially Rural S. The establishment of a quarry operation is, in our view, contrary to the provisions of that scheme. It is also contrary to the policy found in 2.3.02, and ordinance 3.01.02 of the District Scheme. There is a strong argument that the proposal would be deemed contrary to the public interest.

There is also town planning significance, because a quarry within a Rural S zone could impact upon the use and enjoyment of that land for rural residential purposes, by visual impact, noise and dust effects. It could also impact upon the recreational activities it is envisaged will be undertaken on the margins of Lake Dunstan. In our view, it is strongly arguable that the application would have planning significance beyond the site on both counts.

Finally, one must consider whether the scheme could remain without change. Again, it is strongly arguable, in our view, that the pit development envisaged by the Crown witnesses, if established on this site would be clearly contrary to the provisions of the Rural and Rural S zones.

All three limbs of 74(2)(a) have to be considered. In our view it is unlikely that they could be met so as to satisfy the council a specified departure should be allowed. This particular aspect of this matter could perhaps best be summarised by considering the evidence put to Mr Whitney in cross examination. It appears just recently a Rural S sub-division has been approved, which commences only 120 metres from the McNultys' boundary. This is a lake front sub-division with obvious high appeal. We think it highly improbable that the local authority would approve a development that will lead to a 30 x 30 metre pit excavated to a depth of up to 30 metres with a stockpile of gravel covering a minimum area of 1 ha to a depth of six or more metres. Certainly, it is almost inevitable that there would be strong objections from the subdivider if such an application was made.

Suggestions were made that an application could be made for a scheme change, but in our view such an application would inevitably face many of the problems we have just outlined.It is also necessary to consider the Resource Management Act, 1991. The McNultys' use, as has been pointed out, is not a permitted activity in either Rural or Rural S zones. Any application under the Resource Management Act would have to be notified and would be considered as an non-complying activity. Under that Act the council is required not to grant consent unless it is satisfied that the effects on the environment will be minor, or that granting of consent will not be contrary to the objectives and policies of the district plan. On the facts before the Court we think it impossible to say the effects on the environment of the scheme envisaged by the Crown witnesses would be minor. For the reasons already covered, we also consider that the proposal is contrary to the objectives and policies of the district plan.

We are, therefore, of the opinion that the McNultys would face considerable town planning problems in obtaining permission to develop a gravel pit on the residual land. Even the Crown planning expert, Mr Whitney, accepted that there must be uncertainties in this regard. We think that is putting it at its lowest, and we consider the McNultys would face very real difficulties in establishing an existing use, obtaining a specified departure or a scheme change. For the reasons already given, we think it highly improbable that the local authority would grant the McNultys consent to develop a gravel pit in the manner outlined by the Crown witnesses.

Economic Viability

This is dependant upon two connecting factors. The first is the cost of development, and the second is the value of the gravel resource.No detailed evidence was addressed to us in relation to the first factor.

However, it is clear that the method of development envisaged by the Crown experts is more complicated and more expensive than what was undertaken in the past by the McNultys. In the past they were able to excavate from the natural terrace face merely by using a front end loader associated with trucks. They could obtain quality Upper Clutha aggregate by a simple screening process. The new method envisages the excavation of a large and deep pit with very substantial stockpiles on the land. It is apparent that more sophisticated and expensive equipment would be required. We had evidence from Mr Laing in that regard. It is also apparent from Dr Proffitt's evidence that if the Kawarau resource were to be utilised double processing would be inevitable.

Even more telling, is the reality of the value of the remaining resource. The whole of the Crown's viability theory is based on the utilisation of both Kawarau and Upper Clutha material. We have already found that the McNultys have only relied upon Upper Clutha material in the past. We have also found that the Upper Clutha material is far superior to the Kawarau, and the commercial reality clearly is that the McNultys would have to produce aggregate or concrete based on Upper Clutha materials to successfully market their products.

In our view it is self evident that it would not be economically viable to develop the new pit for the benefit of the approximately two metres of Upper Clutha material available. That could possibly be slightly more if the pit was excavated below lake level, which we will address later. Even if that is the case, it is inconceivable that it would be economically viable to remove the Shotover material, plus 8-10 metres of Kawarau material to obtain two metres or so of Upper Clutha material. In addition, if this was the case, a significantly greater amount of overburden would have to be removed. The Kawarau material is too great in volume to be able to be stored at the site, and no reasonable or sensible evidence has been adduced by the Crown as to the disposal of it. It would also significantly add to the cost of the development of the residual land.

Even if the Crown's scenario was accepted, and the Kawarau material, as well as the Upper Clutha material was worked, (which we reject) at the very least there is great uncertainty as to the marketability of the aggregate, or concrete, thus produced. We have formed the view, on the basis of Mr Caithness' evidence, that the McNultys could not market a 4-1 Kawarau/Upper Clutha material. Putting the best possible interpretation on the Crown's case, there must be, at the very least, considerable uncertainty as to the viability of marketing such aggregate or concrete produced from it.

We are satisfied that under either count, the new pit would not be economically viable. At the very least, it is highly questionable.

Practical Development

We imagine in a strict engineering sense, the residual land could be developed, as described by Mr Justice. However, ignoring the planning and economic factors we have mentioned above, and ignoring the fact that only the Upper Clutha material was sought earlier, and is the only resource saleable, there are still very real practical difficulties.

Mr Justice's proposal is outlined in his report dated the 9th July, 1992. This is appended to his brief of evidence at pages 101 to 111. The development proposal can be found at page 105. His scheme involved relocating the access to the area and roading within it to the north boundary. A dump area was to be prepared at the western end of the property. Existing waste piles of over-size material were to be removed to that area. The Shotover-derived material was to be stripped as overburden with an assumed stripping of 1.5 metres. The total to go to this area would be 24,000m3. The second stage involved excavating the Shotover material from an area known as A2 on his plan to the dump. A new pit, approximately 30 metres by 30 metres is to be evacuated, with the access road being formed as excavation proceeds. This will lead to a further 14,000m3going to the dump area, giving a total of 33,000m3. We note a corrected figure of 32000m3 in his supplementary brief. Assuming 30 degree batter slopes, this will give a height above original ground level of approximately 7 metres. Area A2 is then excavated to RL 196. This will create approximately 30,000m3, which will, again, be stockpiled with a height of 7 metres. That is the third stage, and the fourth stage requires the production of gravel from the pit by working area A2 towards the west. Stripped and reject materials can be dumped in the excavated area . This continues until the top of the work face reaches the material stockpiled in area Al. This is the 30,000m3 excavated under stage 3. At this stage the batching plant is relocated and excavation continues, utilising a full face extending from RL196 to the top of the gravel stockpile. This creates problems. It was pointed out in cross examination by Mr Taylor that the Quarry regulations require approval for the working of any face higher than 3.5 metres. Mr Justice was confident that this could be obtained, but it is clear he had taken no steps to check this. Certainly, it would mean the excavation of a face which is topped by a large loose gravel stockpile. Mr Justice talks of compacting this stockpile, but it is evident it would not be as consolidated as in situ gravel material, We consider it self evident that problems and possible danger exists from this. No doubt these could be overcome, but no evidence is advanced as to how such problems could be overcome or their cost.

We note, however, that s.62(3) of the Health and Safety In Employment Act 1992 repealed the Quarries Regulations 1983. S.20 of that Act allows for codes of practice to be put in place in relation to quarries' use. We understand this has not been done. However, we are satisfied that there are still uncertainties because of this.

The crown experts also consider that it would be a simple matter to continue extracting Upper Clutha material below RL195. It is to be noted the lake level of Lake Dunstan is RL195.1. They suggest this could be easily done by use of a back hoe; Mr Lukas disagrees, and considers that any excavation below lake level will be inherently difficult. Mr Justice cited other such examples, such as the Waimakariri River gravel recover operation, But it is clear that this is a completely different type of operation from what is perceived here.

It is also interesting to note that in the mining licences issued to Fulton & Hogan, mining operations below RL195 are subject to approval by the Inspector of Mines after consultation with the Electricity Division. The same requirement applies to the Bitumix licence. This would seem to highlight the possibility of problems associated with excavation below that level. Although it is not clear from the evidence before the Court, there is at least a possibility that water rights may be required if the extraction of gravel is to be carried out on a regular basis below the lake level.

Mr Lukas, in disagreement with Mr Justice, also considers there are otherproblems with extraction below lake level. The first is that a considerable area of pit lfoor must be kept clear to allow for working space required for the excavator, truck turning and access. This would mean that overburden and other unsuitable material that was suggested could be stockpiled in the excavation would have to be taken out and removed later. He also considers there are problems to excavate gravel in the wet to a depth of four metres, because gravel would slump due to bucket wash and machine vibration, giving an unstable surface. It would also include the purchase of a back hoe. It was his opinion that a considerable degree of double han- 0 dling, or processing, would be required for gravel excavated below lake level. Overall he said it was a much costlier and more difficult operation than occurred before the taking of the land.

We also accept Mr Lukas' evidence that there are so many uncertainties and problems associated with all of this, that it is impossible to make accurate assessments of costings.

There is also evidence from Mr Thomson in analysis of the Caldwell shafts of the presence of soil carbonates and plant roots. The extent of this problem is unclear, but, again, it is an uncertainty. It could possibly have been an uncertainty in the original pits, but there is no evidence to suggest the McNultys confronted these problems when they worked the pits previously.

Overall, even without the concessions of Dr Proffitt and Mr Justice, we are satisfied that it is unreasonable to expect the McNultys, or any other owner of this land, to take the risks of developing the new pit. We have highlighted the uncertainties inherent from planning problems. We have highlighted the problem that there is little Upper Clutha material available in the residual resource because of the lake level, and we consider that it would be impossible to effectively utilise that resource, given that Kawarau and Shotover material would have to be stripped off. We do not accept evidence that the Kawarau material is suitable. Not only would there be a cost problem, there is a sheer logistical problem that makes it quite out of the question. Even if a 4-1 Kawarau/Upper Clutha mixture was saleable, there are problems under the Quarries Regulations and their replacement, and with excavation below water level. We accept if this was carried out the ratio of Kawarau to Upper Clutha material could change. Importantly, we also have the evidence of Mr McNulty, who has worked this area for many years. He first worked it in the late 1930's and 1940's, returning to it in 1968. We place considerable weight on his practical experience and knowledge. He and his sons both clearly know the difference between Kawarau and Upper Clutha gravels. They know their market well, and have created an excellent small scale business dependent on the Upper Clutha resource. Mr McNulty, more than anybody, should be able to appreciate the practicality, or otherwise, of redeveloping the residual resource as a gravel pit.

We are quite satisfied that the uncertainties inherent in the development of this new pit are of a very considerable magnitude and are very real in nature, They are such that we consider Mr Lukas' comment that "no one in their right mind would even consider it", is almost certainly correct.

We consider, therefore, that compensation must be assessed on the basis that the residual land cannot be developed.

Evidence Generally

We must express some concern with the expert Crown evidence. Many days were taken up in evidence seeking to establish that the McNultys previously used a mix of Kawarau and Upper Clutha material; that Kawarau gravel could produce a concrete of a similar quality to that previously produced by the McNultys from Upper Clutha material; and that the development of the residual land was a feasible proposition. All the Crown experts were cross examined at some length by Mr Taylor, with Mr Whitney being cross examined by Mr Phillips. We consider that cross examination effectively showed the flaws in their evidence. They did not seem to approach their evidence in an impartial manner, but rather set out to prove a point. Both Dr Proffitt and Mr Justice in parts of their evidence and reports referred to Mr McNulty's "mind set". We are of the view that the only mind set was that of Dr Proffitt and Mr Justice relating to the development of a new pit on the residual land. We are satisfied that their theories have been effectively disposed of in the course of cross examination. We prefer the evidence of the claimants' experts as opposed to those of the Crown.

This fact was highlighted by the eventual concessions made by Mr Justice and Dr Proffitt we have already referred to. Given those concessions, which were, in our view, inevitable, we are at a loss to know why the Crown continued to advance its case on the basis of developing a new pit on the residual land.

Valuation Evidence

Valuation evidence was adduced for the claimants from Mr A P. Laing. He is both a registered valuer and an accountant. For this reason he was able to give evidence relating to the value of the land and also of McNulty's Transport and Cromwell Ready Mix Concrete Ltd. For the Crown a registered valuer, Mr J Sheppard gave evidence relating to the value of the land, and a chartered accountant, Mr A W Baylis, gave evidence relating to the valuation of the two businesses. Mr Justice also gave what purported to be accounting and valuation evidence. He accepted he was not qualified as an expert in these areas and that he was giving evidence as an expert engineer. In our view, that is ground enough to ignore his evidence in these areas. We are unsure why he was purporting to give what on the surface appeared to be expert evidence outside his area of expertise. Furthermore, we do not accept his evidence in these areas and accept Mr Laing's. Overall, before addressing this evidence, we are satisfied that the methodology adopted by Mr Laing is correct, and we accept his evidence in preference to that adduced by the Crown. As will be apparent later, we disagree with him in relation to some relatively small areas.

Land

Mr Laing assessed the value on the basis of the market value in its condition before the taking, and the market value of the land after the taking. He isolated out the special value of the land to the owner, arising from the impact of the taking on the two family businesses and dealt with it in that sensible manner. He considered the gravel output over a number of years, and estimated that constant future sustainable annual sales without growth would total 3,45Om3 of screened gravel and 300m3 of large screenings. He said that at a yield of 70 per cent, which was Mr McNulty's evidence, 4,930m3 of gravel would have to be extracted to provide this. (We note that Mr Justice suggested that the yield was nearer 80 per cent, but consider that over the obviously long life of this pit with the upper Clutha material available, the actual yield makes an insignificant difference.)

Mr Laing also took into account possible increases in gravel sales, on the assumption that with an unrestricted resource the business could be further developed. For the purposes of his valuation, he assessed additional prospects at 2,448m' per year, which left total screened gravel sales of 5,898m3. He said that this output had been achieved in 1982/83, and was within the capacity of the McNultys. He also gave evidence that taking into account market growth, he considered that to be a conservative estimate. In view of the evidence of Mr Caithness, we are satisfied that the additional prospects used by Mr Laing are indeed conservative. That evidence satisfies us that future sustainable annual sales of screened gravel can realistically be placed at 5898m3 per annum. It is clear from this evidence that the increased sales used by Mr Laing could readily be attained. Although not as strong as Mr Caithness's evidence, the general evidence from Mr Laing relating to the Otago Central construction cycle also supports such a view.

Based on a 70 per cent yield, and also the evidence that the remaining resource was estimated to be 1,430,000m3, at an annual requirement of total extraction of 8425m3 the remaining gravel would last 170 years.

Mr Laing valued the gravel resource by assessing income on the basis of a notional market royalty. Although prices received at the pit face or the stock pile range from $13.50 to $14m3, Mr Laing adopted a figure of $11 m3. He also excluded the profit from the extraction operation as it was part of the McNulty's transport business, and he did not wish that to affect the royalty that could be expected from the resource. He gave evidence that royalties for pit run gravel for which crushing is required ranged from 20 cents to 50 cents/m3.

He considered a royalty rate of $3m3 was appropriate for the screened gravel, and large screenings were assessed at 50 cents per cubic metre. Overthe total amount extracted, this led to aroyalty rate of$2.25m' assuming 50cents/m3 for all oversized. He said the royalty rate was influenced by factors including the nature of the resource, its location in relation to markets and annual requirements. He referred to a subsequent sale near Invercargill of a similar resource, which required top down excavation and washing for an output of 37,500m3 annually, which was based on a royalty of $2m3. He said this confirmed his view of a royalty rate of $2.25m3 adopted in his valuation.

He also considered the appropriate discount rate was 9%. He said due to the fact that a very small range of business investment opportunities was available in Cromwell, the most realistic alternative and safe investment available was Government Stock. He said in real terms the yield at the date of taking was the government stock rate of 13.20%, less the inflation rate of 4.04%, giving a real interest rate of 9.16% For that reason, for a non-inflationary model he adopted 9%. Accordingly, his assessment was calculated as follows:

Estimated future annual rate of extraction		8425m3
Royalty rate-screened	5898m3	$3.00/m3
Large screenings	2527m3	$0.5/m3
Life of resource	170 years	
Discount rate	9%	
Annual income (notional royalty)		$18,957
Valuation (net present value of the annual income for 170 years at 9%)		$210,633
	say	$210,600

He assessed the value of the land on a before basis at $40,000, and improvements for the building at $5000. In relation to these two figures, he and Mr Sheppard were not far apart. Accordingly, his assessment of the value on a before basis was:

Improvements buildings		5,000.00
Land Value site value	$40,000.00	
Gravel resource	$210,600.00	
		$250,600.00
TOTAL		$255,600.00

His assessment of the value on an after basis did not take into account any value for the residual gravel resource. This was on the basis that it was not practical to develop a new pit on the site. For reasons we have already given, we consider that this is the correct position. Accordingly, he valued it on the basis of improvements of $5000, and a land value of $30,000, being a capital value of $35,000.

Accordingly, Mr Laing assessed compensation for the land taken as follows:

Valuation before the land is taken	$255,600.00
Valuation after the land is taken	$ 35,000.00
Compensation for the land taken	$220,600.00

Mr Sheppard reached a much lower figure. His assessment was based on a royalty rate of $1.50/m3. He also did a comparison with the Cromwell Transport site adjoining the McNultys where compensation was paid, the Fulton and Hogan pit at Parkburn, and a Bitumix pit in the same area. However, his assessment seems to have been carried out on the basis of a new pit being developed on the residual land, which we have already rejected. As indicated earlier, there was little difference between Mr Laing and Mr Sheppard as to the before and after land value. Mr Laing valued the before figure at $5000 higher. Mr Sheppard also referred to comparable sales analysis of Perriam to Fulton & Hogan and Dunstan Mohair to Bitumix, which are two gravel pits that have since been developed in the area. With respect to Mr Sheppard, we do not consider those sales of any assistance, as they are in no way comparable. It ignores a most fundamental difference between the two resources. In the case of the Fulton & Hogan pit at Parkburn, and in the case of the Bitumix pit, the mineral resource is owned by the Crown. In one case there is a 21 - year mining licence; in the other a 20-year mining licence. It also ignores the fact that the McNultys had a high guality material that could be extracted in a simple and inexpensive manner. His calculations also ignore the fact that Fulton & Hogan and Bitumix were faced with the problem of undertaking the costs of opening their respective gravel pits. We do not find Mr Sheppard's evidence of great assistance. In our view it is fundamentally flawed because of its failure to recognise that Mr McNulty owned the gravel resource under the surface of his land.

For that reason, that property did not directly compare with sales quoted by Mr Sheppard where the purchasers could do no more than acquire the surface land to the proposed gravel pit, and then acquire the limited right to win metal from the Crown on the basis of a royalty payment. It is further fundamentally flawed, because of the failure to recognise the ease with which the McNultys could extract a high quality resource, and the fact they were not faced with the costs of opening up a pit, as were Fulton & Hogan and Bitumix. Finally, we note that after extensive cross examination Mr Sheppard conceded that someone like Firths would pay more than the $1.50 royalty rate he used. He was asked:

> *"If they are in that position where they have good quality gravel, simple easy extraction and screening in a pit already developed fully doesn't it suggest that Firths who want long term supply of gravel is going to pay a lot more than $1.50/m3 for it? Yes. "*

Subject to comments we make later in relation to the sale of oversize material, we accept the methodology adopted by Mr Laing and the royalty rate used by him in his assessments.

We also accept his discount figure of 9%. Ultimately, in cross examination, Mr Sheppard accepted that if Mr Laing's methodology was correct, the nine per cent figure was correct. He did qualify this by agreeing with an earlier qualification by Mr Baylis relating to the desire for the safest possible investment.

McNulty Transport Ltd

Again we consider Mr Laing's methodology is correct. He assessed the value of both this company and Cromwell Ready Mix on the basis of the special value of the land to MrMcNulty, arising from the 0 impact of the taking of the family businesses, which relied on the land resource.

In relation to McNulty's Transport, he did this by way of assessing the effect of the reduction in business resulting from the loss of the supply of gravel, and cartage and other related services expressed as a loss of goodwill to the owner of the business. To do this he surveyed the trading results of McNulty's Transport from the period 1978 to 1990. Over the four years prior to taking, the sales and trading profits before interest have been:

	Sales	Trading Profit (before Interest)
1986	$332,764	$39,803
1987	$267,707	$19,893
1988	$335,145	$ 64,888
1989	$268,210	$ 17,334
Average	$300,956	$ 35,479

It is to be noted that these sales figures were gross sales of McNulty's Transport and not just the gravel sales.

For the purposes of his assessment, Mr Laing adopted a sale price at the stockpile of $11/m3.

He considered that compared with the actual prices mentioned earlier, this was a conservative estimate. We accept this. At a loss of the annual output of 3, 450m3 at $11m3, gross sales loss would be reduced by $37,950.

There would also be an impact from the loss of gravel sales on ancillary services, including the freight of the gravel, freight and sales of cement to the Ready Mix plant, which would substantially impact on the business. He considered the effect of the loss of gravel sales and ancillary service to McNulty's Transport to be such that the family would have to accept reduced wages to maintain the business at a break-even level.

Furthermore, he considered the loss of the gravel resource had an adverse effect on the business to the extent that opportunities to expand the sales of gravel have not been pursued.

He took that into account in assessing the compensation claim. For reasons given earlier, we consider the increased sales assessment to be conservative, and we accept it.

He assessed likely future profit at $6m3 after allowing $5m3 for mining and screening costs. He said there would be additional profit to the company from the transport of the gravel from the stockpile to the customers.

He considered that while this would incur costs, the net profit gain was estimated to be an additional $5m3. He said additional sales could be expected to yield profit of $11/m3.

His summary of the situation was as follows:

Sale Price of Gravel at Stock Pile	$11.00m3
Mining and Screening Charges	5.00m3
Profit to Stock Pile	$6.00m3
Transport Profit	$5.00m3
Profit at Delivery	$11.00r+n

For compensation for the reduction in business, the value of a business as a going concern was assessed, and from that Mr Laing deducted the salvage value of the assets, which would remain in the owner's possession. In other words, following the loss of the gravel resource, McNulty's Transport would still have plant and equipment. His valuation as a going concern was as follows:.

Maintainable Profits (4yr average)	$35,500
Additional Sales 2, 448m3 @$11 m3	26,928
Future Maintainable Profits	$62,428

Again, he considered the capitalisation rate of 9% was appropriate. He also considered that to avoid double accounting, it was necessary to deduct the notional royalty adopted to value the gravel deposit from the future maintainable profits. We accept that as clearly correct. This gave a figure as follows:

Future Maintainable Profits	$62,428
Less Notional Royalty	18,957
Adjusted Profit	$43,471
say	$43,500

Applying to that, the capitalisation rate of 9% led to a figure of $483,330. From this it is necessary to deduct the open market value of the tangible assets of $160,400, which left a compensation figure he assessed of $322,930. It is necessary to point out that this figure ignores the fact that McNulty's Transport also carried out business that was not related to the gravel resource.

Mr Baylis, in his evidence, reached the conclusion that notwithstanding the loss of the gravel resource, the family business suffered no loss. With respect, we do not accept that. Mr Baylis approached the matter on the basis of an open market willing buyer, willing seller of the business. We do not consider that to be the correct approach. Mr Laing's assessment was not based on that, but was an assessment of the impact of the taking of the land on the profitability of the businesses flowing from the loss of the gravel resource. In other words, the loss of income or profits which flowed from the loss of the gravel resource indicates the special value of the land to the owner.

Even from the point of view of an open market, willing buyer, willing seller, we do not accept Mr Baylis's approach. He characterised the business as one in decline, which completely ignores the fact that the McNultys knew for some considerable time that they would be losing the land and resource. It also ignores the fact that from the 31st May 1989 onwards, they were left with a limited stockpiled resource, which, clearly they needed to husband. The assessment of pre-tax future maintainable profits between Mr Baylis and Mr Laing were quite close. However, Mr Baylis capitalised at 26%, which valued the transport business at $81,000. This was about half the value of the tangible assets at $160,400. In our view, a willing seller would not accept half the market value of tangible assets for a business rather than sell the assets separately. That, in our view, is simply not commercial reality. Expressing Mr Baylis's future maintainable profits as a percentage of tangible assets reduces the return to some 13%, which is more akin to commercial reality. This, in our view, establishes that after allowing for a business risk reduction flowing on from the tied gravel resource enjoyed by the McNultys, Mr Laing's 9% is realistic. Even MrBaylis accepted that if Mr Laing's methodology and approach was correct, the 9% figure was appropriate, accepting that the McNultys wished for the safest investment.

Mr Baylis's criticism of Mr Laing's mode of valuation for both McNulty's Transport and Cromwell Ready Mix seems to overlook the basis of those calculations. Mr Laing set out to evaluate what in his opinion the value of those businesses were to the McNulty family by assessing the loss of profits, then capitalising those, so that the capital sums invested without risk would produce continued income to replace the lost income . Mr Laing's approach was that the profit and continuing income that flowed to the family from the gravel resource had to be replaced by the safest means possible. Clearly, the McNultys as a family relied wholly upon that gravel resource, and the two businesses based upon that resource. Once the stockpile was used, there was no sensible way, in our view, the businesses could continue to operate to support Mr McNulty and his sons.

However, we consider Mr Baylis was on strong ground in one regard, when he pointed out that McNultys Transport was not wholly reliant upon the gravel resource for business. There was also other general transport work in that regard, which Mr Laing does not seem to have taken into account in his assessment. In relation to that, we accept the evidence of Mr Brian McNulty that gravel resource business constituted two thirds of the total turnoverof McNulty's Transport, and non-gravel resource business constituted one third. We consider that is a factor that Mr Laing should have taken into account in his calculations. We turn to the impact this has upon the compensation figure in due course.

Cromwell Ready Mix Concrete Limited

As pointed out earlier, this small business clearly relied totally on the gravel resource. We note that some 70% of this business was owned by the McNultys at the date of taking .

Mr Laing's evidence was that the viability of this business was totally dependent on the gravel resource, and the only practical course would be to close it when the stock pile resource runs out.

Mr Laing gave comparative evidence between the cost of aggregate supplied by McNultys and Fulton & Hogan. He also calculated the cost of opening a new pit and the cost per cubic metre this would lead to. He compared this to the cost of purchasing from Fulton & Hogan.

We do not need to consider this evidence in detail for it clearly establishes that once the stockpiled gravel resource has run out, Cromwell Ready Mix is no longer a viable business.

Mr Laing referred to the sales and trading profits for Cromwell Ready Mix over the four year period, 1986 to 1989. The trading profits showed a very large variation, but 1989 revealed a more positive trend.

He also gave evidence that the profit of the 1990 year was $7,894, which provided an average of $10,788 for the 1989 and 1990 years.

For this reason, he used a future maintainable profits figure of $10,000 per annum. Again, applying a 9% capitalisetion rate, he calculated a going concern basis for Cromwell Ready Mix at $111,110. From this was to be deducted the value of tangible assets of $43,150. This led to Mr Laing to a compensation figure for loss of viability of $67,960.

Mr Laing also carried out calculations of a further option of relocating the business and purchasing gravel on the open market . We are satisfied that that evidence makes it clear that without the McNulty gravel resource, Cromwell Ready Mix is not viable and we need not consider that further.

Again, we consider the methodology and approach of Mr Laing is appropriate. However, for reasons pointed out by Mr Baylis, we do not consider the $10,000 per annum is a correct figure for future maintainable profits.

One reason for this is the fact that in the year of the highest profit, 1989, the wages figure is lower than any other year. No satisfactory evidence has been given as to why the wages drawn in that year were much lower. We believe the figure of $ 10,000 adopted by Mr Laing is unduly optimistic and a lower figure is more appropriate. We also note that Mr Baylis seemed to consider that there was undue depreciation allowed for two major plant items that had recently been acquired by McNulty's Transport.

However, annexed to one of Mr Laing's reports was expert evidence from a valuer employed by Ernst and Young. No evidence to counter that has been called, and Mr Baylis accepted he was not an expert in that field .

In relation to both businesses, we do not accept Mr Baylis's evidence that no loss has been suffered by McNulty Transport and Cromwell Ready Mix, because in our view the weight of the evidence is otherwise. In our view, this was borne out by Mr Taylor's cross examination of Mr Baylis.

Impact on family remuneration

This claim effectively related to wages paid to the sons.

It was Mr Laing's evidence that following the downgrading of the businesses when the stockpile is exhausted, it is almost certain the business would be unable to sustain current wage levels paid to Alan and Brian McNulty.

It was also Mr Laing's view that there are limited employment opportunities available in Cromwell, although they would be able to continue to operate the transport business at a reduced level. Mr Laing then assessed a lump sum to compensate for this.

He accepted that in small family-operated companies wages are a flexible cost with bonuses being paid in profitable years, and wages being reduced in years of low profit. Using the years 1986 to 1989 Mr Laing estimated the contribution gravel and current sales made to the profit of McNulty's Transport. These calculations he assessed as laid out below

	1986	1987	1988	1989
Net;Profit utter interest	04,927	$'17,515	$59,681 `	10,426
Gravel sales W.				
CRK.11 11	2,899	1,365	1881	907
Other	468	1,347	1,259 `	.2,458
Total	3 3674	3,112m?	314100	33651v
Profit on Sale of gravel				
CRM *46 (41.2}	17,394	10,590	11,268	5,442
Others 19 $1 (41.2)	5.148	14,817	13,849	27,U38
Total	$22,542	25407	:25117:	UAW:
Loss of cement				
Sales mark;rp				
.Actual 25%				
Allow 12.50;				
Mark-Up	4031.1	16 558	11,044	8763
Profit Reduction	35,945	36,365	36,161	41,243
Difference'	($1,018)	'($18,850)	($22,920)	($30,817)

This led Mr Laing to conclude that over the period reviewed if gravel and cement contributions were removed, the profit would have been reduced to a loss of $6,942 on average for the four years. He considered that in a business of this nature, such a loss would be absorbed by reducing wages, and he adopted this as a basis for defining the loss of family remuneration. In relation to Cromwell Ready Mix supplies there was a difference in that that company was totally dependent on the low cost gravel resource. In that regard he considered it appropriate to allow for average wages over the four previous years.

He accepted that he was unable to calculate the impact to any degree of accuracy, but based on his calculations in 5.3 he considered that an appropriate figure was:

(1) FM&NMMcNulty

Profit shortfall average for last 4 yrs excluding gravel and cement sales	$6,942
(2) C.R.M.S.	
Average wages for last 4 years	$18, 864
	$25,806
say	$25,000

To compensate for this loss of income he assessed a lump sum of $97,240 as follows:

Annual Reduction in family remuneration	$25,000
Period required to "re-establish"	5 years
Present Value (PV) of the remuneration reduction for 5 years @ 9% discount rate	$97,240

This figure, and assessments were not challenged by Crown witnesses.

The legal position

The starting provision is s.60 of the Public Works Act, 1981, which reads:

"60. Basic entitlement to compensation (1) Where under this Act any land

(a) Is acquired or taken for any *public work;*

or

(b) Suffers any injurious affection resulting from the acquisition or taking of any other land of the owner for any public work; or

(c) Suffers any damage from the exercise (whether proper or improper and whether normal or excessive) of

(i) Any power under this Act; or

(ii) Any power which relates to a public work and is contained in any other Act and no other provision is made under this or any *other Act for compensation for that acquisition, taking, injurious affection, or damage, the owner of that land shall be entitled to full compensation from the Crown (acting through the Minister) or local authority,* as *the case may be, for such acquisition, taking, injurious affection, or damage.*

(2) Where any compensation is payable under subsection (1) of this section to any person who is the lessee under any lease granted by the Crown or the local authority that acquired or took any land that is subject to the lease, that person shall not be entitled to any damages arising from the breach of any express or implied

(a) covenantfor quiet enjoyment; or

(b) Covenant not to derogate from the grant contained in that lease. "

Section 62 provides that the amount of compensation payable shall be assessed in accordance with that section, which reads:

"Assessment of compensation - (1) The amount of compensation payable under this Act, whether for land taken, land injuriously affected, or otherwise, shall be assessed in accordance with the following provisions:

(a) Subject to the provisions of sections 72 and 76 ofthisAct, no allowance shall be made on account of the taking of any land being compulsory

(b) The value of the land shall, except as otherwise provided, be taken to be that amount which the land if sold in the open market by a willing seller to a willing buyer on the specified date might be expected to realise, unless

(i) The assessment of compensation relates to any matter which is *not directly based on the value of land and in respect of which a right to compensation is conferred under this or any other Act; or*

(ii) Only part of the land ofan owner is *taken or acquired under this Act and that part is ofa size, shape, ornature for which there is no general demand or market, in which case the compensation for such land and the injurious affection caused by such taking or acquisition may be* assessed by *determining the market value of the whole of the owner's land and deducting from it the market value of the balance of the owner's land afterthe taking oracquisition:*

(c) Where the value of the land taken for any public work has, on or before the specified date, been increased or reduced by the work or the prospect of work, the amount of that increase or reduction shall not be taken into account:

(d) The special suitability or adaptability of the land, or of any natural material acquired or taken under section 27 of this Act, for any purpose shall not be taken into account if that purpose is a purpose to which it could be applied only pursuant to statutory powers, or a purpose for which there is no market apart from the special needs of a particular purchaser or the requirements of any Government department or of any local authority;

(e) The Tribunal shall take into account by way of deduction from that part of the total amount of compensation that would otherwise be awarded on any claim in respect of a public work that comprises the market value of the land taken and any injurious affection to land arising out of the taking, any increase in the value of any land of the claimant that is injuriously affected, or in the value of any other land in which the claimant has an interest caused before the specified date or likely to be caused after that date by the work or the prospect of the work:

(f) The Tribunal shall take into account, by *way of deduction from the total amount of compensation that would otherwise be awarded, any increase in the value of the parcel of land in respect of which compensation is claimed that has occurred as a result of the exercise by Transit New Zealand or any power under section 91 of the Transit New Zealand Act 1989.*

(2) In this section, the term "specified date" means:

(a) In the case of any claim in respect of land of the claimant which has been taken pursuant to section 26 of this Act, the date on which the land became vested in the Crown or in the local authority, as the case may be:

(b) Where compensation is claimed under section 80 of this Act and the Minister or the local authority has (before the issue *of the Proclamation) notified the Tribunal what land he or it proposes to take:*

(i) The date of that notification; or
(ii)The date of the first entry upon the land for construction purposes; or
(iii)The date on which the land is ifrst injuriously affected by the work; or
(iv)The dateofany agreementmade under section 80(1)(c) of this Actor any date specified in such an agreement whichever is the earliest:

(c) In the case of any claim in respect of land of the claimant which has been or is proposed to be taken for any work, the date on which the land became by Proclamation or declaration vested in the Crown or in the local authority, as the case may be, or the date on which the land was first entered upon for the purpose of the construction or the carrying out of the work, whichever is the earliest:

(d) In the case of any claim in respect of any workforwhich no land of the claimant has been taken and no land of the claimant is proposed to be taken, the date of the commencement of the execution of the portion of the work that causes damage to or injuriously affects the land of the claimant:

(e) In the case of a claim under section 99 of the Transit New Zealand Act 1989, *the date of the exercise of the power under section 88 of the Transit New Zealand Act 1989.*

(3) Where any lessor's or lessee's estate or interest in any land is taken or acquired under this Act, such estate or interest may, if required by its owner, for the purpose of assessing compensation under this Act, be valued separatelyfrom the freehold.

Of particular significance in the context of this case are the provisions of s.61(1)(d).

The Court of Appeal in *Drower v the Ministry of Works* [1984] 1 NZLR, considered the meaning of the words "full compensation" under s.60. At page 29 Woodhouse P. and Roper J. stated:

" In the ordinary use of language the nature of compensation involves rendering something equal to what has been lost. It is the provision of recompense. And the word "full" has the added purpose of emphasising that a claimant is entitled to receive the complete equivalent of that which has been taken away *from him. It implies a direction that the entitlement must not be whittled down in any respect. "*

More recently Eichelbaum J. (as he then was) in *MOW v David Reid Electronics* (High Court) Ad.Div. (Dunedin M91/89 18/12/89) cited the above passage, and continued at page 2:

" As good a general statement of principle as any is that of Dixon J.in Commissioner of Succession Duties v Executors Trustee & Agency Co of South Australia Ltd *(1947) 74 CLR 358, 373 :*

...the purpose is *to ensure that the person to be compensated is given a full money equivalent of his loss..... "*

In *Russell v Minister of Lands* (1898) 17 NZLR 241 Pennefather J. delivering the judgment of a full Court said at page 253:

"if compensation is to be a reality, the Court must take into consideration all the circumstances, and see what sum of money will place the dispossessed man in a position as nearly similar as possible to that he was in before. This, *will notinclude whatmay be called sentimental losses, such as personal attachmenttoaparticularspot; orcompensation for money which had been expended on the land but which could bring no return, such* as *money spent in boring for coal which had been proved not to exist, but only such a sum* as *will place* him *in a similar position financially. "*

It is also important to view a compensation claim against the background of decisions such as *Tawharanui Farm Limited v Auckland Regional Authority* [1976] 2 NZLR 230, where it was held that in assessing the value for compensation, doubts are resolved in favour of a more liberal estimate than in revenue cases.

In this particular case, Mr Laing concludes that there is a special value of the land to the owner, and those interested in the land, that is much greater than the combined value of the land and royalty value of the minerals contained in it. He has assessed the effect of the taking of the land on McNultys Transport and Cromwell Ready Mix. On this basis, Mr Laing assessed the impact of the taking of the land the loss of the gravel resource on the profits generated by the family businesses, and in the likely reduction in wages which Alan and Brian are likely to face. Mr Taylor submitted that they were factors creating a special value to the owner of the land, and the Court is entitled to take it into account when assessing full compensation under the Act. We accept that submission. In *Wellington City Corporation v Berger Paints NZ Ltd* [1975]1 NZLR 184, Richmond J. stated at 205 the task for the Court is:

"(1) To decide what element or elements of the claim are directly based on the value of the land.......

(2) To decide what part of the claim is not directly based on the value of the land but which isnevertheless loss which is directly consequent on the taking of the land and is not too remote. This loss will be assessed in accordance with the general principles governing the assessment of compensatory damages for ifnancial loss.

The amounts determined under (1) and (2) are then added together. "

In relation "special value" a most useful decision is that cited by Mr Taylor *Commissioner of Highways v Tynan* (1982) 53 LGRA 1 where at page 9 it is stated:

"It seems to me that the principles to be applied where special value is in issue are virtually the same as those laid down in Spencer's *case, though extended and qualified slightly, to accord with the changed inquiry. What the court is being asked to determine is the price at which a person in exactly the same position as the claimant would* "come together" *with a hypothetical person on the point of dispossessing him, in circumstance in which the claimant would, in order to retain the land under threat, pay a sum representing the market value of the land, together with the value of all its special advantages to him, but would not, in addition to the market value, pay more than the provable commercial value to him of those special advantages. As before, the hypothetical expropriator would be willing, but not anxious, to allow the other party to pay what the land is fairly worth to him.*

The role of the value in such a case is very much as it was in Spencer's *case. The expert valuer, in addition to performing the sort of tasks above described, will be astute to identify the financial or economic advantages that the retention of the subject land would confer upon the original land holding and the corresponding loss of profits or other pecuniary gain, and increase* 0 *of burden or other outgoings, that will be directly caused by the removal of the acquired landfrom its established structure, in use and occupation, in conjunction and interdependence with the retained land. Once again, the* assumption *that neither of the negotiators in the imaginary situation would overlook* any *ordinary business consideration, points the way to the sort of information that is to be expected from the valuer. He will suggest ways and means of evaluating the probable losses and burdens identifed by him. In doing so, he will marshall the same sort of commercial considerations and relevant circumstances mutatis mutandis as were referred to by Isaacs J in the passage cited above. In the expression of his opinions, his understanding of the attitudes, the knowledge, the experience and the skills, of the informed owner placed in the position of the claimant with respect to the land market, and vested with his interests and prospects, will play a prominent part. As in the case of simple market value, so in the case of special value to the claimant, the court, in the final analysis, must, by its own judicial act, founded on all relevant information placed before it, apply the principles enunciated in* Spencer's *case, but qualif ed by the need to render them applicable to questions of special value. In all cases, it is the court which fixes the compensation; it is not relegated to the position where it must choose between the valuations tendered by the parties, and be bound by the one it selects. "*

Mr Taylor accepted that where there were conflicting valuations, the duty of the Court was to assess the compensation due upon the whole of the evidence, giving such weight to the opinion of the valuers as is justified by the evidence as a whole. He submitted, however, that in this particular case, the task was more straightforward than many, because the Crown case had proceeded on a fundamental misconception. He said this related both to the allegation that the residual land could be developed as a gravel pit, and to the method of valuation which is appropriate to a case of this sort. We agree that the Crown case has proceeded on a misconception that the residual land can be developed as a gravel pit. It is unnecessary to repeat any of those reasons, which have been already set out at length.

Mr Taylor then submitted that only Mr Justice, of the Crown witnesses, came close to recognising the special value of the resource to the McNulty family.

We are of the opinion that Mr Sheppard's approach was of little assistance. The comparable sales he relied on were in no way comparable to the situation the McNulty family faced. He referred to a compensation settlement with Cromwell TransportLtd, but that does not assist us. *Celtic Agencies Pty Ltd v South Australian Land Commission* [1978] 20 SASR 176, held that a figure arrived at by way of compromise in the course of litigation must be viewed with caution, because extraneous factors to the value may enter into the compromise. That is relevant here. Such a comparison must also be against the background of the evidence of Mr McNulty, that Cromwell Transport were extracting finer material at a much higher level than the McNultys' operation. Furthermore, there was his evidence that McNultys would have sold more in a week than Cromwell Transport sold in a year. That was not challenged.

Special value must be viewed against the classic statement of principle by the Privy Council in *Pastoral Finance Association Ltd v The Minister* [19141 AC 1083. At page 1087 Moulton LJ, in delivering the judgment of the Court, stated:

"The appellants were clearly entitled to receive compensation based on the value of the land to them. This proposition could not be contested. The land was their property, and on being dispossessed of it, the appellants were entitled to receive as compensation the value of the land to them whatever that might be. "

Further at page 1088:

"That which the appellants were entitled to receive was compensation not for the business profits or saving which they expected to make from the use of the land, but for the value of the land to them. No doubt the suitability of the land for the purpose of their special business affected the value of the land to them, and the prospective savings and additional profits which it could be shown would probably attend the use of the land in their business furnished material for estimating what was the real value of the land to them. But that is a very different thing from saying that they were entitled to have the capitalised value of these savings and additionalprofits added to the market value of the land in estimating their compensation. They were only entitled to have them taken into consideration so far as they might fairly be said to increase the value of the land. Probably the most practical form in which the matter can be put is that they were entitled to that which a prudent man in their position would have been willing to give for the land sooner than fail to obtain it. Now it is evident that no man would pay for land in addition to its market value the capitalised value of the savings and additional profits which he would hope to make by the use of it. He would no doubt reckon out these savings and additional profits as *indicating the elements of value of the land to him, and they would guide him in arriving at the price which he would be willing to pay for the land, but certainly if he were a business man that price would not be calculated by adding the capitalised savings and additional profits to the market value. "*

It is clear, therefore, that the special value to the owner of the land should properly be taken into account in assessing compensation. The decision is also authority for the necessary avoidance of double taxation. In this particularcase, we are satisfied that the method of assessment of value of the land and businesses by Mr Laing avoids any possibility of double accounting.

It was Mr Taylor's submission that because it was for the Court to assess the value of the land, and the special value attaching to it, in the circumstances of this case, the Court could adopt a discount rate of 5.5 per cent, or 7 per cent, as mentioned by Mr Justice. He submitted further that it was not open for the Court, on the basis of the evidence, to adopt a higher discount rate, because Mr Baylis accepted in his evidence that if the approach to compensation adopted by the claimants was correct, Mr Laing's discount rate would be appropriate. Mr Sheppard also accepted in that case Mr Laing's discount rate of 9% would be appropriate.

For reasons given earlier, under the valuation section of this judgment, we are satisfied, however, the appropriate rate is 9%, especially given that the matter must be assessed at the time of taking.

It was submitted by Mr Wood, on behalf of the Crown, that only Mr McNulty, as owner of the land, was entitled to any compensation. We cannot accept that approach. Owner is defined under part 5 of the Public Works Act, 1981, as follows:-

"Owner" - In relation to any land, includes any *person who is in occupa-*

tion of the land under any lease, sublease, or licence, or any renewal of it, granted by the owner of the fee simple, or the lessee, of the land (other than a weekly or monthly tenancy agreement); and also includes a tenant for some of the land and a beneficial owner of the land. "

On the basis of that definition, Mr Wood submitted that Mr F M McNulty was the owner, and, therefore, the only person entitled to compensation. He referred to the use of that term in s.60,66 and 77 of the Act. He accepted there was evidence that Mr McNulty, under an oral agreement, permitted McNulty Transport Limited to take gravel from the land. He said this made it clear that McNulty transport had no lease or tenancy of the land. That, however, overlooks the use of the term "licence" in the definition. We are of the opinion that quite clearly Mr McNulty had granted McNulty Transport a licence to extract gravel from the pits.

Furthermore, even if that is not accepted, we consider the decision of the English Court of Appeal in *D. H. N. Food DistributorsLtd v TowerHamlets London Borough Council* (1976) WLR 852 is applicable. In that case, the claimants for compensation were a group of three limited companies associated in a wholesale grocery business. In 1963 the parent company, D.H.N., agreed with a bank that the bank would provide 115,000 to purchase properties from which D.H.N. could carry on their existing business. The freehold title was conveyed to a company called Bronze Limited, which at that stage was a wholly-owned subsidiary of the bank. Bronze contracted to sell the properties for 120,000 to D.H.N. within a year of completion. D.H.N. entered into occupation and traded from the premises. It negotiated a mortgage advance from a finance company, but in February, 1966, the plan was varied by a further agreement by which all the shares in Bronze were sold to D.H.N. As a result, thereafter, Bronze was the wholly-owned subsidiary of D.H.N. It had the same directors and its only asset was the freehold property. In 1968 the third claimant company was registered, and all its shares were owned by D.H.N. with common directors. Its only assets were the vehicles used in the grocery trade. The question before the Court was whether D.H.N. and the transport company were entitled to compensation for disturbance, given that Bronze was the owner of the freehold. A strong Court, comprising Lord Denning MR, Goff and Shaw L.JJ, held that they were. The Court first held that where the question at issue was the entitlement of the owner of a business to be compensated for its extinguishment and on the facts, the trading company was in a position to control the subsidiary companies in every respect, the Court could lift the corporate veil, which regarded limited companies as separate legal entities, and treat the group as a single economic entity for the purpose of awarding compensation for disturbance. At page 859 Lord Denning MR stated:-

"Now I am prepared to allow that D.H.N. were licensees of Bronze. Mr Eyre suggested that they were bare licensees, but I do not think so. Bronze was *a whollyownedsubsidiary ofD.H.N. Both companies had common directors running the companies. It is plain tome that thereafter Bronze could not determine the licence* so as *to ruin D.H.N. The directors of Bronze could not turn out themselves as directors of DHN. They would be in breach of their duties to both companies if they did so: see* Scottish cooperative Wholesale Society Ltd v Meyer *[1959]* AC *324, 366-367. In the circumstances, I think the licence was virtually an irrevocable licence. D.H.N. was the parent company holding all the shares in Bronze. In these circumstances D.H.N. were in a position to carry on their business on these premises unless and until, in their own interests, the company no longer wished to continue to stay there. It was equivalent to a contract between the two companies whereby Bronze granted an irrevocable licence to D. H.N. to carry on their business on the premises. "*

It seems to me that position is even stronger in the circumstances of a family company. The McNultys were in the third generation of this family business. The evidence is such that it is quite clear that Mr McNulty had reached the stage where he was only carrying out odd simple duties, and the actual running of the businesses were left to the two sons. We are quite satisfied that given the family nature of McNulty Transport, and given the land was owned by Mr McNulty, who clearly allowed the extraction of gravel for processing and sale by McNultys Transport, they should be treated as a single economic entity for the purposes of awarding compensation in line with the decision in *D.H.N.* Furthermore, the Court of Appeal in *D.H.N.* also held that if the companies had to be treated as separate entities, there was the necessary implication from the business association between the trading company and the legal owners that D.H.N. had by an agreement an irrevocable licence to occupy and remain in the premises for as long as they wished to remain. The Court held that gave D.H.N. a sufficient interest in the land to justify payment of compensation. Again, we consider this has application in the instant case. Even without the evidence of an oral agreement between Mr F M McNulty and McNulty Transport, we consider the circumstances of this family relationship are such that it is a necessary implication that McNulty Transport held an irrevocable licence to extract and process gravel. To hold otherwise would seem to fly in the face of not only the evidence, but the family and the commercial reality of the circumstances of this particular case. At page 867 Shaw LJ said:

"Why then should this relationship be ignored in a situation in which to do so does not prevent abuse *but would on the contrary result in what appears to be a denial of justice? If the strict legal differentiation between the two entities of parent and subsidiary must, even on the special facts of this case, be observed, the common factors in their identities must at the lowest demonstrate that the occupation of D.H.N. would and could never be determined withoutthe consent of D.H.N. itself. If it* was a *licence at will, it was at the will of the licensee, D.H.N, that the licence subsisted. Accordingly, it could have gone on for* an *indeterminate time; that is to say, so long as the relationship of parent and subsidiary continued, which means for practical purposes for as long as D.H.N. wished to remain in the property for the purposes of its business. "*

Again, we are satisfied, in the circumstances of this family business, those words apply even more strongly. There is nothing to suggest other than Mr McNulty would continue to allow McNulty's Transport Limited to take gravel.

In relation to McNulty's Transport, we are satisfied, firstly, that a licence had in fact been granted by Mr F M McNulty. Secondly, we are equally satisfied that if this had not taken place on the principles enunciated in D.H.N. the claimants should be compensated for the loss to McNulty's transport occasioned by the loss of the resource. 0

It is clear that Cromwell Ready Mix was totally dependant upon supply of Upper Clutha material from the land for its business. At the date of taking, there were two other shareholders, who have subsequently had their shares purchased by family interests. We accept that this is one step removed from the situation applying to McNulty's Transport, and there is no direct evidence of a licence arrangement. Equally clearly, however, the McNultys totally controlled Cromwell Ready Mix (subject to minority protection afforded by the Companies Act), and in those circumstances we see no reason why the *D.H.N.* principles should not apply. Therefore, we are also satisfied that any loss occasioned to Cromwell Ready Mix from the loss of the gravel resource should properly be compensated.

A claim was also made for the loss of remuneration. This claim was for a period of five years to allow them to find alternative employment. With respect, we consider this claim is too remote to be allowed. Furthermore, the very purpose of the compensation payable to the McNultys will be to enable to them to be in a financial position as if the land had not been taken. We can see nothing in the principles of the cases cited to us by Mr Taylor to suggest that this is a proper claim.

We accept Mr Taylor's submission that the appropriate way to approach the matter in this case is to consider the claim from the point of view of Mr McNulty, as registered proprietor, and ask whether he would pay the amount claimed in order to purchase the land, which would place him and the family business interests in the same position as they were prior to the taking. We have no doubt that this is an appropriate approach. Having, observed the family witnesses, we can say with certainty that these must be treated as family businesses inextricably linked to the Upper Clutha gravel resource, We also have no doubt whatsoever that even if Mr McNulty were the only person to receive compensation, he would without question take those family business interests into account in assessing the special value of the land to him.

Mr Wood submitted that the approach was not simply a matter of loss of profits and the value of the land. He also submitted that it was not open to value the land and the minerals separately. Mr Taylor's response was that this was half right. He submitted that it was clear from *Pastoral Finance* and the cases flowing from it, that the Courts are saying firstly that loss of profits are a guide to the Court to ascertain what the special value to the owner is and, secondly, in arriving at that value, the Courts must be careful to avoid double accounting. That is *Pastoral* says, it is wrong to pay both market value and the special value.

We accept the thrust of what the Courts are saying in the various cases cited is that in calculating a loss of profits, that will be a good guide as to what the special value of the land is to the owner.

These factors will give a guide to the valuation of what the value of the land to the owner truly is. As Mr Taylor pointed out, this is summed up by the passages in the cases that state the test is what the owner would pay for the land rather than lose it. (See *Pastoral Finance, Commissioner of Highways v Tynan* and the *Dangerfield* case.) He submitted that this was the very question that Mr Laing posed for himself and answered very carefully. This we accept.

Mr Wood also referred to *Vile v Manawatu Company* [1959] NZLR 337, as authority for the proposition that metal deposits underlying land must not be valued separately for the land itself. Mr Taylor accepted in principle that was probably correct, but submitted it was of little assistance to the present case. We agree. *Vile* was a case where there was farmed land with an underlying gravel resource. But that gravel resource had not been developed and used in any way. That was of no assistance in this case. Furthermore, it is clear from *Vile* due weight must be given to the potential value of the underlying mineral.

Mr Wood also submitted that Mr Laing erred by referring to the sale of over-size screened gravel, when there was no evidence to support that.

In fact, Mr Wood was in error, because there was evidence from the McNultys that some of this was sold for sumps and other things in the area.

Mr Wood was also critical of the Firth agreement. He said, firstly, the owner of the land was not a party to the agreement, but that is a point we have already dealt with. He also said that the relevant date was the date of the taking of the land, and the Firth agreement was not in existence at that time. We consider that he has misconstrued the purpose and effect of this evidence. It is our view this evidence was adduced by the claimants to show that Mr Laing's assessment of future maintainable aggregate sales were soundly based, and, if anything, was conservative. We are satisfied that that evidence establishes exactly that.

Assessment of compensation

We must now turn to consider our assessment of compensation against the background of those legal principles and the evidence we have accepted. We have already indicated that we consider Mr Laing has adopted the correct methodology in relation to his calculations.Indeed, it seems to us that his calculations have applied the appropriate statutory requirements, and the legal principles we have just set out. By and large, we are in agreement with many of the conclusions he has reached, but there are small variations.

Land

As indicated earlier, we are in agreement with Mr Laing, both in relation to maintainable annual sales, and in relation to the prospect of increased sales. However, we do not agree that all oversized material would be sold or would attract the 50 cent royalty figure. We consider the correct approach to proceed upon is on the evidence before us that the McNultys sold some 300m3 of oversize compared with 3,450m3 of screened gravel. On that basis, and applying the same increase to oversize sales as to screened aggregate, we consider the appropriate figure to use is 527m3rather than the total figure used by Mr Laing. No evidence was given to suggest that over-size material that was simply extracted and left on the quarry floor would attract a royalty figure. Accordingly, we consider the correct calculation for a notional royalty to be as follows:

Screened gravel 5898m3 @ $3 =	$17.694
oversize royalty 527m3 @ 50c =	263
	$17,957

This leaves approximately 2000m3 of over-size unsold a year, which is the same as applied previously, allowing for the increased sales that we accept. There was evidence to suggest that the McNultys may have been hopeful in promoting the sale of oversize, but it does not satisfy us that they would have increased sales in this particular area at a greater rate than the sale of aggregate. The past indicates otherwise. As indicated earlier, we accept for the reasons given by Mr Laing that the 9% capitalisation figure is correct. We consider, having considered the evidence of the McNultys, and observing them in the witness box, that they would have been concerned to obtain the safest return on moneys available to them for compensation. This we consider is a proper figure for a valuer to apply. Accordingly, our calculation for the assessment for compensation for the loss of the land is as follows:

Royalty $17,957 Capitalisation rate 9% =	$199,500
Add before value of Building and Site	45,000
	$244,500
Less value of Building and site after taking	35,000
TOTAL	$209.500

McNultys Transport

Again, we are in agreement with the general methodology used by Mr Laing. Reasons have been given earlier why we prefer his evidence to that of Mr Baylis. However, Mr Laing failed to take into account the fact that not all of the business was gravel resource based.

We have already indicated that we accept Mr Brian McNulty's evidence that approximately two thirds of the business was gravel based and one third was unrelated. It is our view, therefore, that the future maintainable profit figure that should be correctly applied is that relating to the gravel resource related part of the business.

Accordingly, whilst accepting Mr Laing's future maintainable profit level of $35,500, we consider this should be reduced by one third to allow for this factor. Accordingly, we assess the value of McNulty's Transport as follows:

Future Maintainable Profit	$35,500
Less non-gravel based business (one third)	11,800
	$23.700
Add Prospective Sales of 2448m3 @ $11	$26,928
Add Large screenings sold to 227m3 @ $2.50	567
Future Maintainable Profits	51,195
Less Notional Royalty	17,957
Adjusted annual maintainable profit	$33,238
Capitalisation Rate 9%	
TOTAL	$369,300
Less Plant and Realty	$160,400
	$208.900

Again, we have allowed for the increased sales assessed by Mr Laing for the reasons given earlier.

Cromwell Ready Mix

We have already indicated that we find it difficult to accept a maintainable future profit level of $10,000. If one applied the average wage to total sales ratio over the six years of figures available to us, the high profit figureof$13,683 in 1989 would reduce to $8,297. Accepting that attachment "A" to Mr Laing's supplementary brief confirms the positive trend, the average over those three years is still considerably less than Mr Laing's figure of $10,000. This is more especially so if one applies the average wage figure to the 1989 year. If one does that, the average figure for the three years is closer to $8000 than $10,000. However, we accept that the McNultys were faced with husbanding a resource, and we consider the appropriate figure to be applied is $9,000. Accordingly, our compensation figure is as follows:

Future maintainable Profit	$9,000
Capitalisation rate 9%	$100,000
Less Plant and machinery	$ 43,150
	$56.850

It was suggested by Mr Wood that it was also necessary to take into account the shares not owned by the McNulty family at the date of taking. We do not consider this to be so, Cromwell Ready Mix is the claimant and for reasons given earlier, its essential link to the gravel resource entitles compensation by way of special value.

Loss of family remuneration

This has already been dealt with in the legal section, and we consider this too remote to be allowed.

Cost and expenses

At Schedule D of his evidence Mr Laing detailed the costs of the claim up until approximately the time when preparation for hearing commenced.

Mr Taylor submitted that these were properly recoverable as part of the compensation claim. He relied on the authority of *Harvey v Crawley Development Corporation* [1957] 1 All ER 504; *London County Council v Tobin* [1959] 1 All ERR 649; *Hull & Humber Investments Co Ltd v Hull Corporation* [1967] 1 All ER 429; and *Minister of Transport v Lee* [1965] 2 All ER 956. He submitted such costs could be distinguished from costs of the hearing, which are dealt with under s.90 of the Public Works Act, 1981. Such an approach is confirmed by the High Court decision in *Chamberlain v The Minister of Land and Minister of Conservation* (High Court, Whangarei,, AP17/89) unreported decision of Chilwell J. and Mr I.W. Lyall, of 20/12/90, at pages 54 and 55.

In relation to these items, Mr Wood made no submissions. We consider the approach by the claimants is confirmed by the authorities cited. No challenge has been made to the item set out in Schedule D of Mr Laing's evidence, and should be allowed.

Interest

In relation to interest, Mr Wood's only submission was that interest should not be allowed from the date of the taking of the land, because of the claimants' delay in making its claim. We do not consider in all the complex and difficult circumstances of this case, especially those confronting the McNultys, that it is appropriate to place the blame for any delay at their door. There is nothing in the evidence to suggest to us that there is any basis to depart from the normal law that interest is awarded from the date of the taking of the land.

Indeed, the evidence of Mr Wheelans points the other way. He was the property manager with Works Consultants, and was, in effect, responsible for this case. He was questioned about this allegation of delay, and the question and answer read:

> *"Q. Presumably it would not be your recommendation to him that the crown attempt to cut back on interest because of unacceptable delays on the part of the McNultys?*
>
> *A. No the Crown would be relying on the fact they have provided material to the McNultys to enable them to carry on with business.*
>
> *Q. The only ground we are talking about?*
>
> *A. Basically yes. "*

We are not therefore, prepared to hold that there has been any disentitling delay on the part of the McNultys in relation to interest.

Mr Laing had prepared a revised interest calculation, which was based on the actual overdraft interest paid by the $

McNultys, together the interest they would be entitled to on the balance of compensation money, We accept, on the basis of *Ministerof Works & Developmenty David Reid Electronics Limited* (supra) and *Chamberlain v The Minister of Land and Minister of Conservation* (supra), this is the correct approach.

There was some discussion as to how the overdraft increased, but we are satisfied that this was an inevitable consequence of the mammoth costs and associated financial matters the McNultys have had to incur in relation to this claim.

Costs

Finally, both counsel were in agreement, for possibly the first time in the course of this hearing. Both accepted that costs of the hearing should be reserved, but for very different reasons. Mr Taylor wished to reserve his position to make submissions that in the peculiar circumstances of this case it was appropriate to award solicitor and own client costs. We make no ifnding in that regard at this juncture, but we do accept that it is appropriate to reserve costs.

Summary

We are satisfied that this land has attached to it a special value for the claimants, because of the inextricable link of the family businesses with the Upper Clutha gravel resource.

In the case of McNulty's Transport it does have other sources of income, and it is accepted without the gravel it could continue to be a viable business, but at vastly reduced levels of income and profit. We consider it was necessary to take into account the residual value of that property.

The evidence satisfies us overwhelmingly that it is quite unreasonable to contemplate a gravel pit development on the residual land. That is aproposition that we reject totally as a basis for compensation. The reasons for the values of the land and various businesses, as a guide to special value, have been set out earlier. We have also set out reasons for the discount rate we arrive at.

Allowance must be made to allow for the fact that the two businesses dependent on the gravel resource can carry on for 3.3 years based on the use of the stockpile. Again, the 9% capitalisation figure is appropriate.

Accordingly, we award compensation as follows:

For the loss of land		$209.500
For Special Value of the land Arising from the Impact of Taking		
McNulty's Transport	$208,900	
Cromwell Ready Mix	$ 56,850	
	$265.750	
Present Value 9% for 3.3 years		$199,970
		$409..470
Fees and Expenses		$106,835
Interest Paid on Overdraft		$110,874
Total		$627.179

Clearly, the in light of our finding as to interest, the claimants are entitled to be compensated for interest foregone. We accept Mr Laing's method, but it will have to be recalculated on the basis of the assessments we have made above. our brief calculations indicate it to be in the region of $145,000.

If the parties are unable to agree what is now a straightforward arithmetic exercise, additional memoranda may be filed within 21 days.

We were not invited to split the award between the various claimants and nor do we think it appropriate to do so. The award includes the special value of the land to the owner.

Memorandum as to costs are to be filed within 21 days of the handing of this judgment.

Solicitors for claimants: Bell Gully Buddle Weir, Wellington.

Solicitors for the Respondent: W J Wright, Crown Solicitors, Dunedin.

Q

Addendum

Since completing this judgment, I realise I have overlooked Mr Taylor's submission relating to GST. This was because there was uncertainty as to whether the compensation is subject to GST. It may require an Inland Revenue Department ruling.

Because of that uncertainty, the wording of the compensation is to be "plus GST, if any, payable."

Professional Directory

New Zealand Institute of Valuers

NORTHLAND

COUTTS MILBURN -
REGISTERED VALUERS & PROPERTY CONSULTANTS
16 Central Avenue, P O Box 223, Whangarei.
Phone (09) 438-4367, 438-4655. Facsimile (09) 438-4655
W A F Burgess, Dip V.F.M., A.N.Z.I.V.
L G Fraser, Dip V.F.M., A.N.Z.I.V., M.Z.S.F.M.
R G Clark, Dip V.F.M., A.N.Z.I. V.

LANDCORP PROPERTY LIMITED
REGISTERED VALUERS & PROPERTY CONSULTANTS
First Floor, National Mutual Building, 30 Rathbone St,
P O Box 1444, Whangarei.
Phone (09) 438-3400. Facsimile (09) 438-0330
Andrew P Wiseman, B.Com (Ag)., A.N.Z.I.V.
Vance M Winiata, B Corn. (VPM), A.N.Z.LV.
Merv Matthews, A.N.Z.I.V., A.R.E.I.N.Z.

MOIR ASSOCIATES
REGISTERED VALUERS
Kerikeri Office, P O Box 254, Kerikeri.
Phone (09) 407-8500 Facsimile (09) 407-7366.
Principal
G H Moir, A.N.Z.I.V., Reg. Valuer.

STEVE MCNALLY
REGISTERED VALUER
PO Box 647, Kaikohe, Bay of Islands
Phone (09) 405-9766. Facsimile (09) 405-9766. Mobile (025) 978-633 S
R McNally, B.Ag Sci., A.N.Z.I.V.

ROBISONS
REGISTERED VALUERS
17 Hatea Drive, P O Box 1093, Whangarei
Phone (09) 438-8443, 438-9599. Facsimile (09) 438-6662 J
F Hudson, V.P.U., F.N.Z.I.V. M.P.M.I.
A C Nicholls, Di .V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.
T S Baker, V.P.U., A.N.Z.I.V.
G S Algie, Dip.Urb. Val., A.N.Z.I.V.
R R Potts, B.Com, VPM (Urban & Rural)
M J Nyssen, B.Com, VPM (Urban)

AUCKLAND

BARKER & MORSE LTD
REGISTERED VALUERS
1st Floor, Westpac Plaza, Moana Avenue,
P O Box 15, Orewa.
Phone (09) 426-5062 Facsimile (09) 426-5082
Lloyd W Barker, Dip.Urb.Val., A.N.Z.I.V.
Mike P Morse, B.Ag.Com., A.N.Z.I. V.
David J Grubb, B.Com.(V.P.M.), A.N.Z.I.V.

BARRATT-BOYES, JEFFERIES LTD-
REGISTERED VALUERS & PROPERTY CONSULTANTS
Pearson House, 10 Titoki Street, Pamell, Auckland. P
O Box 6193, Wellesley Street, Auckland.
Phone (09) 377-3045, 379-7781 Facsimile 379-7782
D B C Barratt-Boyes, B.A.(Hons), F.N.Z.I.V. R L
Jefferies, Dip.Urb.Val., B.C.A., F.N.Z.I.V., F.P.M.I. R W
Laing, A.N.Z.I.V., A.R.E.I.N.Z.
M A Norton, Dip.Urb.Val.(Hons), A.N.Z.I.V.
S R Marshall, Dip.Urb.Val.(Hons),A.N.Z.I.V.
D N Symes, Dip.Urb.Val., A.N.Z.I.V.

BAYLEYS VALUATIONS
PROPERTY CONSULTANTS, ANALYSTS
& REGISTERED VALUERS
Level 27, ASB Bank Centre, 135 Albert Street, Auckland
P O Box 8923, Symonds Street, Auckland 1, DX 2671
Phone (09) 309-6020 Facsimile (09) 377-6450
Kerry A F Coleman, A.N.Z.I.V., M.P.M.I.
John G Dalzell, B.P.A., A.N.Z.I.V.
Peter P Precey, B.P.A.
Alan J Davies, Dip Urb Val., A.N.Z.I.V
Philip E Brown, Dip.Urb.Val., A.N.Z.I.V

C.F. BENNETT (VALUATIONS) LIMITED
PROPERTY VALUERS
AND CONSULTANTS
9th Floor, Countrywide Bank Centre,
280 Queen Street, P O Box 5000, Auckland 1.
DX 1083 Auckland Central
Phone (09) 379-9591 309-5463 Facsimile (09) 373-2367.
R M McGough, Dip.Urb.Val.,F.N.Z.I.V.,(Life) M.P.M.I.
A G Hilton, M.D.A., Val Prof (Rural & Urb), A.N.Z.I.V.
R M Ganley, Dip Val., A.N.Z.I.V.

D E BOWER & ASSOCIATES LTD
REGISTERED VALUERS AND
PROPERTY CONSULTANTS
First Floor, Windsor Castle Tavern, Cnr Parnell Rd & Windsor St P
O Box 37-622, Auckland DX 5230
Phone (09) 309-0130. Facsimile (09) 309-0556
David E Bower, Dip.UrbVal., A.N.Z.I.V., A.R.E.I.N.Z., A.N.Z.I.M.
M.P.M.I.

BROCK & COMPANY VALUATIONS LTD
REGISTERED VALUERS AND
PROPERTY CONSULTANTS
15 Anzac Street, P O Box 33-796, Takapuna.
Phone (09) 489-9277 Facsimile (09) 489-7191
Rosedale Road, Albany.
Phone (09) 415-9194
C E Brock, A.N.Z.I.V., A.R.E.I.N.Z., A.N.Z.I.M.

COLLIERS JARDINE NEW ZEALAND LTD
VALUERS, LICENSED REAL ESTATE AGENTS,
AUCTIONEERS, PROJECT AND PROPERTY MANAGERS
Level 23,151 Queen Street, Auckland 1.
P O Box 1631, Auckland 1. DX 7
Phone (09) 358-1888. Facsimile (09) 358-1999
Russell Eyles, V.P. Urb, F.N.Z.I.V.
John W Charters, V.P.(Urb & Rural), A.N.Z.I.V. S
Nigel Dean, Dip Urb Val., F.N.Z.I. V.
Perry G Heavey, V.P.Urb., A.N.Z.I.V.
Alan D Roberts, Dip.Val, A.N.Z.I.V.,M.P.M.I.
Bruce H Waite, B.Com (VPM)
Patrick J Daly, B.P.A.
Aran J Senojak, B.P.A., N.C.B., A.N.Z.I.V
Mark A Farrands, B.P.A.
Ross F Blackmore, B.B.S., A.N.Z.I.V.,M.P.M.I., A.R.I.C.S.

DARROCH VALUATIONS
CONSULTANTS & VALUERS IN PROPERTY,
PLANT & MACHINERY
1 Shea Terrace, P O Box 33-227, Takapuna, Auckland 9.
Phone (09) 486-1677. Facsimile (09) 486-3246
N K Darroch, F.N.Z.I.V., Dip.V.F.M.,Val.ProfUrb.,M.P.M.I.
A.C.R.Arb.
W D Godkin, A.N.Z.I.V.
S B Molloy, F.N.Z.I.V., Dip.Urb.Val.
E B Smithies, A.N.Z.I.V.
J D Darroch, A.N.Z.I.V., B.Com.(Ag.) V.F.M.,Dip.V.P.M.
W W Kerr, A.N.Z.I.V., Dip.V.F.M.
G Cheyne, A.N.Z.I.V., B.Com,. Dip Urb Val.(Hons)
L.M.Parlane, A.N.Z.I.V.,B.B.S
D M Koomen, B.B.S.
P D Turley, B.B.S. (V.P.M.)
M Fowler, B.C.A., B.P.A.
A A Alexander M.I.P.M.V.
C Scoullar M.I.P.M.V.
S Bent, B.P.A.
A Selby, B.B.S. (V.P.M.)

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

EDWARD RUSHTON NEW ZEALAND LIMITED
VALUERS & CONSULTANTS,
PROPERTY, PLANT & MACHINERY
451, Mt Eden Road, Mount Eden, Auckland.
P O Box 26-023, DX6910 Epsom.
Phone (09) 630-9595, Facsimile (09) 630-4606
W J Carlton, Dip.Ag., Dip. V.F.M., A.N.Z.LV.
L M Gunn, A.N.Z.I.V., A.R.E.I.N.Z.
R D Lawton, Dip.Urb.Val.(IIon.), A.N.Z.I.V.
M L Thomas, Dip.Urb.Val., A.N.Z.I.V.
S H Abbott, A.N.Z.I.V., F.R.E.I.N.Z. (Consultant) H
F G Beeson, Dip.Urb.Val., A.N.Z.I.V., F.H.K.I.S. D A
Culav, Dip.Urb. Val., A.N.Z.I.V.
T J Sandall, M.I.P.M.V.,
E Gill, Reg. Eng. M.I. Mech E., M.L Prod E.
JR Birtles, Dip.CH.E, M.N.Z.I. Mech. E.

HOLLIS & SCHOLEFIELD
REGISTERED VALUERS AND
PROPERTY CONSULTANTS
Queen Street. P O Box 165, Warkworth.
Phone (09) 425-8810. Facsimile (09) 425-7727
Station Road, P O Box 121, Wellsford.
Phone (09) 423-8847. Facsimile (09)423- 8846
R G Hollis, Dip. V.F.M., F.N.Z.S.F.M., A.N.Z.I.V.
G W H Scholelield, Dip.V.F.M., F.N.Z.I.V.

JENSEN & CO LTD
PROPERTY CONSULTANTS, MANAGERS &
REGISTERED VALUERS
190 Great South Road, Remuera, Auckland. P
O Box 28-642, Remuera,
Auckland 5, DX 5303.
Phone (09) 524-6011, 520-2729, Facsimile (09) 520-4700.
Rex H Jensen, Dip.Urb.Val., F.N.Z.I.V. M.P.M.I.
Ian R Armitage, V.P.Urb., A.N.Z.I.V.

JONES LANG WOOTTON LIMITED
VALUERS, INTERNATIONAL PROPERTY CONSULTANTS
AND MANAGERS, LICENSED REAL ESTATE AGENTS
ASB Bank Centre, 135 Albert St, Auckland.
PO Box 165, Auckland.
Phone (09) 366-1666. Facsimile (09) 309-7628.
J R Cameron, F.R.I.C.S.,F.S.V.A.,A.R.E.I.N.Z., M.P.M.I.
P G Say, A.R.E.I., A.V.LE. (Val & Econ).
R R Cross, Dip Bus (Val).
J P Dunn, Dip.Urb.Val., A.N.Z.I.V., A.R.E.I.N.Z., F.P.M.I.
R W Macdonald, F.R.I.C.S.,A.F.I.V., M.P.M.I.
D R Jans, Dip.Urb.Val., A.N.Z.I.V.
S F B Corbett, Dip Urb Val., A.N.Z.I.V., M.P.M.I., C.P.M. J
E Good, B.P.A.
N R Hargreaves, B.Com, (V.P.M.), A.N.Z.I.V., A.R.E.I.N.Z.
A J Harris, B.Sc., B.P.A., Dip. Man., Dip.Bus.,(Finance).
N Lamb, B.B.S., (V.P.M.)
J G Brooke, B.B.S., (V.P.M.)
A V Pittar, B.Com. Ag. (V.F.,M.) A.N.Z.I.V, M.P.M.I.,
C.P.M. (Bome-Aust)
P J Coman, B.A., B.P.A.,
D Garlick, B.P.A.
T D Grove, B.P.A.
M J Pleciak, B.Com. (V.P.M.)

LANDCORP
REGISTERED VALUERS, REAL ESTATE AGENTS &
PROPERTY CONSULTANTS
69 Symonds Street, Private Bag 92079, Auckland.
Phone (09) 307-7882, Facsimile (09) 307-7888
Robert A Clark, Dip.Urb.Val., A.N.Z.I.V. M.P.M.I.M.N.A.R. (USA)
Phillip J Evans, Dip Val. (Hons), A.N.Z.I.V.
Steven Mclsaac, B.Com. (V.P.M.)
James A Hart, A.R.I.C.S., M.P.M.I.
Mark Hickmott, B.B.S., (V.P.M.).
Mark Irwin, P.G., Dip.Com. (V.P.M.).
Murray Jordon, M.P.A.
Nigel Mayson, Dip. Val., A.N.Z.I.V., M.P.M.I., A.N.Z.I.M.
Lindsay Williams, B.Com. (V.P.M.)

MAHONEY GARDNER CHURTON LTD
REGISTERED VALUERS
7th floor, Wyndham Towers, cnr Wyndham & Albert Sts,
Auckland. P.O. Box 105-250 Auckland Central
Phone (09) 373-4990, Facsimile (09) 303-3937.
Peter J Mahoney, Dip.Urb. Val., F.N.Z.I.V., M.P.M.I.
A R (Tony) Gardner, Dip.Urb. Val., F.N.Z.I.V.
John A Churlon, Dip.Urb.Val., A.N.Z.I.V.

MITCHELL HICKEY & Co
REGISTERED VALUERS AND PROPERTY CONSULTANTS
153 Lake Road, P O Box 33-676, Takapuna, Auckland 9.
DX 3037 Takapuna.
Phone (09) 445-6212. Facsimile (09) 445-2792 J
B Mitchell, Val.Prof., A.N.Z.I.V.
J A Hickey, Dip.Urb.Val., A.N.Z.I. V.
C M Keeling, B.P.A.,A.N.Z.I.V.

R A PURDY & CO LTD-
REGISTERED VALUERS & PROPERTY CONSULTANTS
34, O'Rorke Road, Penrose, Auckland
P O Box 87-222, Meadowbank, Auckland 5. DX 7201
Phone (09) 525-3043. Facsimile (09) 579-2678
Richard A Purdy, Val Prof.Urb., A.N.Z.I.V.
Dana A McAuliffe, Val.Prof.Urb., A.N.Z.I.V.

RICHARD ELLIS LIMITED
VALUERS, INTERNATIONAL PROPERTY CONSULTANTS &
MANAGERS, LICENCED REAL ESTATE AGENTS
Level 32, Coopers & Lybrand Tower,
23-29 Albert Street, Auckland
P O Box 2723, Auckland
Phone (09) 377-0645, Facsimile (09) 377-0779
M J Steur, Dip.Val., A.N.Z.I.V., M.P.M.I.
C J Redman, B.B.S., Dip B.S., A.Arb., I.N.Z., A.N.Z.I.V.
B R Catley, B.P.A.
A H Evans, B.B.S.

ROBERTSON, YOUNG, TELFER (NORTHERN)LTD
PROPERTY INVESTMENT CONSULTANTS, ANALYSTS &
REGISTERED VALUERS
7th Floor, 350 Queen St, Cur Queen & Rutland Streets, Auckland. P O
Box 5533, Auckland. DX 1063
Phone (09) 379-8956. Facsimile (09) 309-5443.
R Peter Young, BCom., Dip.Urb.Val., F.N.Z.I.V., (Life) M.P.M.I.
M Evan Gamby, Dip.Urb.Val., F.N.Z.I.V., M.P.M.I.
Bruce A Cork, Dip.Urb.Val., A.N.Z.I.V., F.H.K.I.S., A.R.E.I.N.Z.
T Lewis Esplin, Dip.Urb.Val., A.N.Z.I.V.
Ross H Hendry, Dip.Urb.Val., A.N.Z.I.V.
Trevor M Walker, Dip.Vat., A.N.Z.I.V.
lain W Gribble, Dip.Urb.Val., F.N.Z.I.V.
Keith G McKeown, Dip.Val. A.N.Z.I.V.
Gerald A Rundle, B. Com, B.P.A.
Consultant: David H Baker, F.N.Z.I.V.

ROLLE ASSOCIATES LTD
INTERNATIONAL PROPERTY AND PLANT & MACHINERY
VALUERS AND PROPERTY CONSULTANTS
77 Grafton Road, Auckland. PO Box 8685 Auckland.
Phone (09) 3097-867. Facsimile (09) 3097-925
A D Beagley, B.Ag. Sc.
C Cleverley, Dip Urb.Val.(Hons) A.N.Z.I.V.
M T Sprague, Dip Urb Val., A.N.Z.I.V.
P R Hollings, B.P.A.
C J Pouw, M.I.P.M.V.
J G Lewis, M.I.P.M.V.
S Philp, F.R.I.C.S., A.C.I.A.R.B., M.P.M.I.
B Coleman, B.P.A.

ROPE & CANTY VALUATIONS LIMITED
REGISTERED VALUERS
1 Nile Road, PO Box 33-1222, Takapuna.
Phone (09) 486-4134,DX 3034. Facsimile (09)410-2906
R Warwick Rope, B.B.S., N.Z.C.L.S., A.N.Z.I.V.
Trevor D Canty, Dip Urb.Val.(Hons), B.Com., A.N.Z.I.V

Direct all correspondence for Professional Directory to General Secretary,NZ Institute of Valuers, PO Box 27-146. Wellington.

SEAGAR & PARTNERS
PROPERTY CONSULTANTS & REGISTERED VALUERS
City Office: Lufthansa House. 36 Kitchener Street, Auckland
Phone (09) 309-2116 Facsimile (09) 309-2471
Manukau office: Ernst & Young Building, Amersham Way, Manukau P O Box 76-251, Manukau City
Phone (09) 262-4060. Facsimile (09) 262-4061
Howick office: 22 Picton Street, P O Box 38-051, Howick.
Phone (09) 535-4550. Facsimile (09) 535-5206
C N Seagar, Dip.Urb. Val., A.N.Z.I.V., M.P.M.I.
M A Clark, Dip.Va1., A.N.Z.I.V.
A J Gillard, Dip.Urb.Val., A.N.Z.I.V.
A Appleton, Dip.Urb.Val., A.N.Z.I.V.
W G Priest, B.Ag Corn., A.N.Z.I.V.
I R McGowan, B Com.,(V.P.M.) A.N.Z.I.V.
0 Westerlund, B.P.A., A.N.Z.I.V. I
R Colcord, B.P.A.,
M G Tooman, B.B.S.
S S Bishop, B.B.S.
P D Foote, B.P.A.

SHELDON & PARTNERS LTD
REGISTERED VALUERS, PROPERTY CONSULTANTS
GRE Building, Ground Floor, 12-14 Northcroft St., Takapuna.
P O Box 33-136, Takapuna. I
Phone (09) 486-166 Facsimile (09) 489-5610
R M H Sheldon, A.N *.Z.I.V., N.Z.T.C.
A S McEwan, Dip.Urb.Val., A.N.Z.I.V.
B R Stafford-Bush, B.Sc., Dip.B.I.A., A.N.Z.I.V.
J B Rhodes, A.N.Z.I.V.
G W Brunsdon, Dip.Val. A.N.Z.I.V.
T McCabe, B.P.A.
H Robson, Dip. Val.

SIMON G THOMPSON & ASSOCIATES
REGISTERED VALUERS & PROPERTY CONSULTANTS
Ist Floor, 1 Elizabeth Street (opp. Courthouse)
P O Box 99, Warkworth.
Phone (09) 425- 7453. Facsimile (09)425-7502
Simon G Thompson, Dip.Urb. Val, A.N.Z.I.V.

SOMERVILLES
REGISTERED VALUERS & PROPERTY CONSULTANTS
Office Park, 218 Lake Road, Northcote, Auckland
P O Box 36-030, Auckland 9. DX 3970
Phone (09) 480-2330. Facsimile (09)480-2331
Bruce W Somerville, Dip.Urb.Val, A.N.Z.I.V.,M.P.M.I. A.R.E.I.N.Z.

TSE GROUP LTD
REGISTERED VALUERS & PROPERTY CONSULTANTS
Owens House, 6 Harrison Road, Mt Wellington.
P.O.Box 6504. Auckland
Phone (09) 525-2214. Facsimile (09) 525-2241
David J Henty, Dip.Urb. Val., A.N.Z.I.V.

THAMES/COROMANDEL

JORDAN, GLENN & ASSOCIATES
REGISTERED VALUERS AND PROPERTY CONSULTANTS
516 Pollen Street, Thames. P O Box 500, Thames.
Phone (07) 8688-963. Facsimile (07) 8687456
M J Jordan, A.N.Z.I.V., Val.Prof.Rural, Val.Prof.Urb. J L Glenn, B.Agr.Comm., A.N.Z.I.V.

GRAEME NEAL
REGISTERED VALUER & PROPERTY CONSULTANT
Coghill House, 10 Coghill Street, Whitianga
PO Box 55, Whitianga
Phone (07) 866-4414. Facsimile (07) 866-4414.
D Graeme Neal, A.N.Z.I.V.

WAIKATO

ARCHBOLD & CO.
REGISTERED VALUERS AND PROPERTY MANAGEMENT CONSULTANTS
37 Thackeray Street, P O Box 9381, Hamilton.
Phone (07) 839-0155. Facsimile (07) 839-0166
D J O Archbold, J.P., F.N.Z.I.V., M.P.M.I., Dip.V.F.M. D R Smyth, Dip.Ag., Dip.V.F.M.,A.N.Z.I.V.
I J *Lowry,* B.B.S.

ASHWORTH LOCKWOOD LTD
REGISTERED VALUERS, PROPERTY & FARM MANAGEMENT CONSULTANTS
96 Rostrevor Street, Hamilton.
P O Box 9439, Hamilton.
Phone (07) 838-3248. Facsimile (07) 838-3390 R J Lockwood, Dip Ag., Dip. V.F.M.. A.N.Z.I.V. J R Ross, B.Ag. Comm., A.N.Z.I. V.
J L Sweeney Dip Ag, Dip V.F.M., A.N.Z.I.V.

GLENN E ATTEWELL & ASSOCIATES LTD
REGISTERED VALUERS & PROPERTY CONSULTANTS
6th Floor, Ernst & Young House,
Cnr Victoria/London Streets, Hamilton
P O Box 9247, DX No. 4227
Phone (07) 839-3804. Facsimile (07)834-0310
Glenn Attewell, A.N.Z.I.V.
Sue Dunbar, A.N.Z.I.V.
Wayne Gerbich, A.N.Z.I.V.
Michael Havill, A.N.Z.I.V.
Alison Sloan, A.N.Z.I.V.

BEAMISH AND DARRAGH
REGISTERED VALUERS AND FARM MANAGEMENT CONSULTANTS
P O Box 132, Te Awamutu
Phone (07) 871-5169
J D Darragh, Dip Ag., Dip V.F.M., A.N.Z.I.V. Reg'd.M.N.Z.S.F.M.

CURNOW TIZARD
REGISTERED VALUERS AND PROPERTY FACILITATORS
1st Floor. Arcadia Building, Worley Place. P O Box 795, Hamilton.
Phone (07) 838-3232. Facsimile (07) 839-5978
Geoff W Tizard, A.N.Z.I.V., A.Arb.I.N.Z., B.Agr.Comm.
Phillip A Curnow, A.N.Z.I.V., A.Arb.I.N.Z., M.P.M.I.

DYMOCK AND CO
REGISTERED PUBLIC VALUERS
PO Box 4013, Hamilton.
Phone & Fax (07) 839-5043. Mobile (025) 937 635
Wynne F Dymock, A.N.Z.I.V.
Roger B Gordon B.B.S., A.N.Z.I.V.

FINDLAY & CO
REGISTERED PUBLIC VALUERS
PO Box 4404. Hamilton
Phone (07) 839-5063. Facsimile: (07) 839-5036
James T Findlay, A.N.Z.I.V, M.N.Z.S.F.M.DipVFM, Val (Urb) Prof

BRIAN HAMILL & ASSOCIATES
REGISTERED VALUERS, PROPERTY CONSULTANTS
P.O.Box 9020, DX 4402, Victoria North
1000 Victoria Street, Hamilton.
Phone (07) 838-3175, Facsimile (07) 838-2765
David B Lugton, Val.Prof., FNZIV., FREINZ., A.C.I.Arb. M.P.M.I.
Brian F Hamill, Val Prof., ANZIV., AREINZ.,A.C.I.Arb., M.P.M.I.
Kevin FO'Keefe, Dip.Ag.,Dip V.F.M., A.N.Z.I.V.

McKEGG & CO
REGISTERED PUBLIC VALUERS
POBox 1271 Hamilton.
Phone (07) 829-9829. Facsimile (07) 829-9891
Hamish M McKegg, A.N.Z.I.V., Dip.V.F.M., Val.(Urban) Prof.

PROFESSIONAL PROPERTY SERVICES (NZ) LTD
RESIDENTIAL, COMMERCIAL, INDUSTRIAL & RURAL VALUATIONS, PROPERTY CONSULTANTS,
FARM MANAGEMENT CONSULTANTS
95 Arawa St, Matamata.
Phone (07) 888-5014. Facsimile (07) 888-5014.
David Reid, Dip.V.F.M., A.N.Z.I.V.

ROBERTSON YOUNG TELFER (NORTHERN) LTD
PROPERTY INVESTMENT CONSULTANTS, ANALYSTS & REGISTERED VALUERS
Regency House, Ward Street, PO Box 616, Hamilton
Phone (07) 839-0360. Facsimile (07) 839-0755
Cambridge ofice: Phone and Facsimile (07) 827-8102 B J Hilson, A.N.Z.I.V., M.P.M.I., A.R.I.C.S., F.S.V.A. D J Saunders, B. Corn. (V.P.M.), A.N.Z.I.V.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

J R SHARP
REGISTERED VALUER
12 Garthwood Road, Hamilton. P O Box 11-065, Hillcrest, Hamilton.
Phone (07) 856-3656 Facsimile (07) 843-5264
J R Sharp, Dip. V.F.M., F.N.Z.I.V.

SPORLE, BERNAU & ASSOCIATES -
REGISTERED VALUERS, PROPERTY CONSULTANTS
Federated Farmers Building, 169 London Street, Hamilton.
P O Box 442, Hamilton.
Phone (07) 838-0164.
P D Sporle, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.

ROTORUA/BAY OF PLENTY

ATKINSON BOYES CAMPBELL
REGISTERED VALUERS, URBAN & RURAL
1st Floor, Phoenix House, *Pyne* Street,
P O Box 571, Whakatane
Phone (07) 308-8919. Facsimile (07) 307-0665
D T Atkinson, A.N.Z.LV.Dip V.F.M.
M J Boyes, A.N.Z.I.V. Dip Urb Val.
D R Campbell, A.N.Z.I. V. Val Prof,Urb & *Rural*.

BENNIE & FISHER -
REGISTERED VALUERS & PROPERTY CONSULTANTS
30 Willow Street, P O Box 998, Tauranga.
Phone (07) 578-6456. Facsimile (07) 578-5839 J
Douglas Bennie, A.N.Z.I.V., M.P.M.I.
Bruce C Fisher, A.N.Z.I.V.
Ray L Rohloff, A.N.Z.I. V.

BURKE, HARRIS & ASSOCIATES
REGISTERED VALUERS & RURAL CONSULTANTS
87 First Avenue, P O Box 8076, Tauranga
Phone (07) 578-3749. Facsimile (07) 571-8342
John G Burke, A.N.Z.I. V., B.Ag.Sc., M.N.S.F.M.
Simon H Harris, A.N.Z.I.V., B.Ag.Comm., M.N.S.F.M.

CLEGHORN, GILLESPIE, JENSEN & ASSOCIATES
REGISTERED VALUERS AND PROPERTY CONSULTANTS
Quadrant House. 77 Haupapa Street, P 0 Box 2081, Rotorua.
Phone (07) 347-6001, 348-9338. Facsimile (07) 347-6191.
W A Cleghorn, F.N.Z.I.V.
G R Gillespie, A.N.Z.I.V.
M J Jensen, A.N.Z.I.V.
D L Janett, A.N.Z.I.V.
M O'Malley, B.Com (V.P.M.)

GROOTHUIS, MIDDLETON & PRATT
REGISTERED VALUERS, URBAN &
RURAL PROPERTY CONSULTANTS
18 Wharf Street, P O Box 455, Tauranga
Phone (07) 578-4675, Facsimile (07) 577-9606
474 Maunganui Road, Mount Maunganui.
Phone (07) 575-6386.
Jellicoe Street, Te Puke
Phone (07) 573-8220. Facsimile (07) 573-7717
H J Groothuis, A.N.Z.I.V., M.P.M.I.
J L Middleton, A.N.Z.I.V., B.Ag.Sc., M.N.Z.I.A.S.
A H Pratt, A.N.Z.I.V., M.P.M.I.
J R Weller, A.A.I.V., A.N.Z.I.V., B.Agr.Com.

CHRIS HARRISON & ASSOCIATES
REGISTERED VALUERS & PROPERTY CONSULTANTS
17 Cherrywood Court, PO Box 8039, Tauranga.
Phone (07) 576-1662. Facsimile (07) 576-4171
Chris R Harrison, A.N.Z.I.V., Dip.Urb.Val.
Nick D Ansley, A.N.Z.I.V., B.Com. (VPM)

JONES, TIERNEY & GREEN
PUBLIC VALUERS & PROPERTY CONSULTANTS
Appraisal House, 36 Cameron Road, P O Box 295, Tauranga.
Phone (07) 578-1648, 578-1794. Facsimile (07) 578-0785 Peter
Edward Tierney, F.N.Z.I.V., Dip.V.F.M.
Leonard Thomas Green, F.N.Z.I.V., Dip.Urb.Val.
David F Boyd, A.N.Z.I.V., Dip.V.F.M.,Dip. Ag.
Malcolm P Ashby, A.N.Z.I.V., B.Ag.Com.

JOHN C KERSHAW-
REGISTERED VALUER (NZ AND FIJI)
PROPERTY CONSULTANT
13A Holdens Avenue, Rotorua.
Phone (07) 347-0838. Facsimile (07) 345-5826
John C Kedrshaw, Dip.Urb.Val., A.N.Z.I.V.

C B MORISON LTD
(INCORPORATING G F COLBECK & ASSOCIATES)
REGISTERED VALUERS, ENGINEERS & PROPERTY
DEVELOPMENT ADVISERS
107 Heu Heu Street, Taupo. P O Box 1277, Taupo.
Phone (07) 378-5533. Facsimile (07) 378-0110
C B Morison, B.E.(Civil),M.I.P.E.N.Z., M.I.C.E., A.N.Z.I.V.
G W Banfield B.Agr.Sci., A.N.Z.I.V.

REID & REYNOLDS
REGISTERED VALUERS
13 Amohia Street, P O Box 2121, Rotorua.
Phone (07) 348-1059. Facsimile (07) 348-1059
Ronald H Reid, A.N.Z.I.V.
Hugh H Reynolds, A.N.Z.I.V.
Grant A Utteridge, A.N.Z.I.V

ROGER HILLS & ASSOCIATES
REGISTERED VALUERS & PROPERTY CONSULTANTS
40 Wharf Street, P O Box 2327, Tauranga.
Phone (07) 571-8436.
R J Hills, A.N.Z.I.V.
R J Almao, A.N.Z.I.V.

DON W TRUSS -
REGISTERED VALUER & PROPERTY CONSULTANT
1st Floor, Le Rew Building, 2-8 Heu Heu Street, P O Box 1123, Taupo.
Phone (07) 377-3300. Facsimile (07) 377-0080. Mobile (025) 928-361
Donald William Truss, Dip.Urb.Val., A.N.Z.I.V., M.P.M.I.

J S VEITCH -
REGISTERED VALUERS
1st Floor, 2-8 Heu Heu Street, P O Box 957, Taupo.
Phone (07) 377-2900. Facsimile (07) 377-0080
James Sinclair Veitch, Dip.V.F.M., Val.Prof Urban, A.N.Z.I.V.

GISBORNE

BALL & CRAWSHAW
REG VALUERS, & PROPERTY CONSULTANTS
60 Peel Street, P O Box 60, Gisbome.
Phone (06) 867-9679. Facsimile (06) 867-9230
R R Kelly, A.N.Z.I.V.

LEWIS & WRIGHT
ASSOCIATES RURAL & URBAN VALUATION, FARM
SUPERVISION, CONSULTANCY, ECONOMIC SURVEYS
139 Cobden Street, P O Box 2038, Gisbome.
Phone (06) 867-9339. Facsimile (06) 867-9339
T D Lewis, BAg.Sc., M.N.Z.S.F.M.
P B Wright, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.
G H Kelso, Dip.V.F.M., A.N.Z.I.V.
T S Lupton, B.Hort.Sc.
J D Bowen, B.Ag.
N S Brown, M.Ag.Sc.

HAWKE'S BAY

LOGAN STONE LTD
REGISTERED VALUERS & PROPERTY CONSULTANTS
209 Queen St East, P O Box 914, Hastings.
Phone (06) 876-6401. Facsimile (06) 876-3543
Gerard J Logan, B.AgrCom., A.N.Z.I.V., M.N.Z.S.F.M.
Roger M Stone, A.N.Z.I.V., M.P.M.I.
Frank E Spencer, B.B.S., (V.P.M.), A.N.Z.I.V.
Boyd A Gross, B.Ag.(Val.), Dip.Bus.Std.

MORICE & ASSOCIATES
REGISTERED VALUERS, PROPERTY & FARM
MANAGEMENT CONSULTANTS
80 Station Street, P O Box 320, Napier.
Phone (06) 835-3682. Facsimile (06) 835-7415
S D Morice, Dip.V.F.M., F.N.Z.I.V., M.N.Z.S.F.M.
A C Remmerswaal, B.B.S., A.N.Z.I.V., M.P.M.I.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

RAWCLIFFE & PLESTED

REGISTERED VALUERS, PROPERTY & FARM MANAGEMENT CONSULTANTS
Level 2, 116 Vander Street, P O Box 572, Napier.
Phone (06) 835-6179, Facsimile (06) 835-6178 T Rawcliffe, F.N.Z.I.V.
M C Pleated, A.N.Z.I.V.
M I Penrose, A.N.Z.I.V.,
T W Kitchin, A.N.Z.I.V. B.Com (Ag) M.N.Z.S.F.M.

SIMKIN & ASSOCIATES LTD

REGISTERED VALUERS, PROPERTY CONSULTANTS AND MANAGERS
58 Dickens Street, P O Box 23, Napier.
Phone (06) 835-7599. Facsimile (06) 835-7596
Dale L Slmkin, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.
Dan W J Jones, B.B.S.. Dip. Bus.Admin. A.N.Z.I. V.

SNOW & WILKINS

REGISTERED PUBLIC VALUERS & PROPERTY MANAGEMENT CONSULTANTS
132 Queen Street East, P O Box 1200, Hastings.
Phone (06) 876-9782. Facsimile (06) 876-5539
Derek E Snow, A.N.Z.I.V., Dip. V.F.M.
Kevin B Wilkins, A.N.Z.I.V., Dip. V.F.M.

NIGEL WATSON

REGISTERED VALUER, REGISTERED FARM MANAGEMENT CONSULTANT.
HBF Building, 200W Queen St, Hastings.
P.O.Box 1497, Hastings.
Telephone (06) 876-2121. Facsimile (06) 876-3585
N.L. Watson, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.

TARANAKI

ERNST & YOUNG VALUATION SERVICES

Cnr Mrianda & Fenton Streets, P O Box 82, Stratford
Phone (06) 765-6019. Facsimile (06) 765-8342
R Gordon, Dip.Ag., Dip V.F.M., A.N.Z.I.V., A.R.E.I.N.Z., M.N.Z.F.M.

HUTCHINS & DICK LTD

REGISTERED VALUERS & PROPERTY CONSULTANTS.
59 Vivian Street, P O Box 321, New Plymouth.
Phone (06) 757-5080. Facsimile (06) 757-8420
117 Princes Street, Hawera.
Phone (062) 88-020.
Frank L Hutchins, Dip.Urb.Val., A.N.Z.I.V. A
Maxwell Dick, Dip.V.F.M., Dip.Agr., A.N.Z.I.V.
Mark A Muir, V.P.Urb., A.N.Z.I.V.
Liam S J Gallagher, B.B.S. (V.P.M.)

LARMERS

REGISTERED VALUERS, PROPERTY MANAGERS AND CONSULTANTS
51 Dawson Street, P O Box 713, New Plymouth.
Phone (06) 757-5753. Facsimile (06) 758-9602
Public Trust Office, High St, Hawera. Phone (062) 84-051
J P Larmer, Dip.V.F.M., Dip.Agr., FN.Z.I.V., M.N.Z.S.F.M.
R M Malthus, Dip. V.F.M., Dip.Agr., V.P.Urb., A.N.Z.I.V.
P M Hinton, V.P.Urb., Dip. V.P.M., A.N.Z.I.V., M.P.M.I.
M A Myers, B.B.S.(V.P.M.)A.N.Z.I.V.

WANGANUI

BYCROFT PETHERICK LTD

REGISTERED VALUERS & ENGINEERS, ARBITRATORS & PROP. MANAGEMENT CONSULTANTS
162 Wicksteed Street, Wanganui.
Phone (06) 345-3959. Facsimile (06) 345-7048
Laurie B Petherick, BE, M.I.P.E.N.Z., A.N.Z.I.V.
Derek J Gadsby, B.B.S., A.N.Z.I.V.
Robert S Spooner, B.B.S., A.N.Z.I.V.

HUTCHINS & DICK LTD

REGISTERED VALUERS & PROPERTY CONSULTANTS,
284, St. Hill Street, P O Box 242, Wanganui.
Phone (06) 345-8079 Facsimile (06) 345-4907 ANZ Building, Broadway, Marton. Phone (0652) 8606
Gordon T Hanlon, V.P. Urb., A.N.Z.I.V.

CENTRAL DISTRICTS

TREVOR D FORD FIRST NATIONAL

REGISTERED VALUERS
82 Fergusson Street, Feilding. P O Box 217, DX 12710
Phone (06) 323-8601. Facsimile (06) 323-4042
Levin Mall, Levin. PO Box 225. DX 12519
Phone (06) 368-0055. Facsimile (06) 368-0057
Michael T D Ford, A.N.Z.I.V., A.R.E.I.N.Z.
Max R Tregonning, Dip.Ag., DipV.F.M.

HOBSON WHITE VALUATIONS LTD-

REGISTERED VALUERS, PROPERTY MANAGERS, CONSULTANTS
First Floor, Building 7, Northcote Office Park
94 Grey Street, PO Box 755, Palmerston North
Phone (06) 356.1242 Facsimile (06) 356-1386
Brian E White A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.
Neil H Hobson A.N.Z.I.V., M.N.Z.S.F.M.

MACKENZIE TAYLOR VALUATIONS

REGISTERED VALUERS & PROPERTY CONSULTANTS
267 Broadway Ave. Palmerston North.
P O Box 259, Palmerston North. DX 12115
Phone (06) 356-4900 . Facsimile (06) 358-9137
G J Blackmore, F.N.ZLV.
H G Thompson, A.N.Z.I.V., A.R.E.I.N.Z.
MT Sherlock, B.B.S., A.N.Z.I.V.
R G McGregor, V.P.U.
W H Carswell

J P MORGAN & ASSOCIATES

REGISTERED VALUERS AND PROPERTY CONSULTANTS
222 Broadway & Cnr. Victoria Avenue, Palmerston North.
P O Box 281, Palmerston North.
Phone (06) 356-2880. Facsimile (06) 356-9011. P J Goldfinch, F.N.Z.I.V.
D P Roxburgh, A.N.Z.I.V.
B G Kensington, A.N.Z.I.V., B.B.S.(Val. & Prop.Man.)
P H Van Velthooven, A.N.Z.I.V., B.A., BComm(Val & Prop Man.)

COLIN V WHITTEN

REGISTERED VALUER & PROPERTY CONSULTANT
P O Box 116, Palmerston North.
Phone (06) 357-6754.
Colin V Whitten, A.N.Z.I.V., F.R.E.I.N.Z.

WAIRARAPA

WAIRARAPA PROPERTY CONSULTANTS

REGISTERED VALUERS AND REGISTERED FARM MANAGEMENT CONSULTANTS
28 Perry Street, P O Box 586 Masterton.
Phone (06) 378-6672, Facsimile (06) 378-8050
D B Todd, Dip.V.F.M.,F.N.Z.I.V.,M.N.Z.S.F.M.
B G Martin Dip.V.F.M. A.N.Z.I.V.
P J Guscott, Dip V.F.M.
E D Williams, Dip V.F.M.,A.N.Z.I.V.,M.N.Z.S.F.M.

WELLINGTON

APPRAISAL PARTNERS LIMITED

REGISTERED VALUERS, PROPERTY MANAGERS & CONSULTANTS
1st Floor, Appraisal House, 4 Margaret St, Lower Hutt.
P O Box 31-348. DX 9079. Lower Hutt.
Phone (04) 569-1939. Facsimile (04) 569-6103
Directors
Malcolm E Alexander, A.N.Z.I.V., M.P.M.I.
Peter C O'Brien, A.N.Z.I.V., M.P.M.I.
Peter M Ward, A.N.Z.I.V., M.P.M.I., A.R.E.I.N.Z.
Peter A B Wilkin, A.N.Z.I.V.,M.P.M.I., A.R.E.I.N.Z.
Associates
Chris H M Beattie, A.N.Z.I.V.
Philip W Senior, A.N.Z.I.V.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

BAILLIEU KNIGHT FRANK (NZ) LTD-
INTERNATIONALVALUERS, PROPERTY CONSULTANTS, MANAGERS AND REAL ESTATE AGENTS
Level 1, Royal Life Centre, 23 Waring Taylor Street, P O Box 1545, Wellington. DX 8044
Phone (04) 472-3529. Facsimile (04) 472-0713
A J Hyder, Dip Ag., A.N.Z.I.V., M.P.M.I.
P Howard, B.B.S.M.P.M.I.

DARROCH VALUATIONS
CONSULTANTS & VALUERS IN PROPERTY, PLANT & MACHINERY
291 Willis Street, P O Box 27-133, Wellington.
Phone (04) 384-5747. Facsimile (04) 384-2446
M A Horsley, A.N.Z.I.V.
G Kirkcaldie, F.N.Z.I. V.
C W Nyberg, A.N.Z.I.V., A.R.E.I.N.Z.
A G Stewart, BCom., Dip.Urb.Val., F.N.Z.I.V., A.R.E.I.N.Z., A.C.I. Arb, M.P.M.I.
T M Truebridge, B.Agr (Val) A.N.Z.I.V. A P Washington, BCom., V.P.M. A.N.Z.I.V. M.G. McMaster, B.Com (Ag), Dip. V.P.M. M J Bevin, B.P.A. A.N.Z.I.V., M.P.M.I.
K M Pike M.I.P.M.V.
M Bain, B.Com., V.P.M.
Lisa Gilbertson. B.B.S. (V.P.M.)

ERNST & YOUNG VALUATION SERVICES
Majestic Centre, 100 Willis Street, Wellington P O Box 490, Wellington
Phone (04) 499-4888. Facsimile (04) 495-7400
G J Horsley, F.N.Z.I.V., A.C.I. Arb, M.P.M.I.
B A Boughen, A.N.Z.I.V., B.B.S.
R Chung, B.B.S.

HOLMES DAVIS LTD-
REGISTERED VALUERS & PROPERTY CONSULTANTS
Auto Point House, Daly Street, P O Box 30-590, Lower Hutt.
Phone (04) 566-3529, 569-8483. Facsimile (04) 569-2426 A E Davis, A.N.Z.I.V.
Associate: N A Sullivan, B.Com. V.P.M.

JONES LANG WOOTTON LTD
VALUERS, INTERNATIONAL PROPERTY CONSULTANTS & MANAGERS, LICENCED REAL ESTATE AGENTS
Sun Alliance Building, 149 Featherston Street, Wellington
P O Box 10-343, Wellington.
Phone (04) 499-1666. Facsimile (04) 471-2558
P W Battell, B.B.S.
R A D Bosch, B.P.A.
B P Clegg, B.B.S.
D L Harrington, Dip.Bus.St.(Fin), B.Com. (V.P.M)., A.R.E.I.N.Z. M.P.M.I.
G K Harris, B.Com. (V.P.M.)., A.N.Z.I.V., A.R.E.I.N.Z.
M I McCulloch, B.B.S., A.N.Z.I.V.

NATHAN STOKES GILLANDERS & CO LTD
REGISTERED VALUERS, ARBITRATORS & PROPERTY CONSULTANTS
276-278 Lambton Quay, Wellington.
P O Box 10329, The Terrace Wellington. Phone (04) 472-9319. Facsimile (04) 472-9310 Stephen M Stokes, A.N.Z.I.V.
Malcolm S Gillanders, B. Comm, A.N.Z.I.V.
Steve Fitzgerald, B.Agr.Val.
Branch Offices at:
75-77 Queens Drive, Lower Hutt.
P O Box 30260 Lower Hutt.
Phone (04) 56;-6206. Facsimile (04)566-5384
26a Tainui St, Raumati.
P O Box 169, Paraparaumu.
Phone (04) 297-2927. Facsimile (04) 298-5153

RICHARD ELLIS (WELLINGTON) LIMITED
INTERNATIONAL PROPERTY CONSULTANTS & REGISTERED VALUERS
Richard Ellis House, 3rd Floor,
Cnr Lambton Quay & 33-37 Hunter St., Wellington. P O Box 11-144 Wellington
Phone (04) 499-8899. Facsimile (04) 499-8889
Gordon R McGregor, A.N.Z.I.V.
Michael Andrew John Sellars, F.N.Z.I.V.
William D Bunt, A.N.Z.I.V.
Robert J Cameron, B.B.S., A.N.Z.I.V.
Bernard Sherlock B.B.S., A.N.Z.I.V.

ROBERTSON YOUNG TELFER (CENTRAL)LTD
PROPERTY INVESTMENT CONSULTANTS, ANALYSTS & REGISTERED VALUERS
General Building, Waring Taylor Street, Wellington 1.
P O Box 2871, Wellington.
Phone (04) 472-3683. Facsimile (04) 478-1635.
B J Robertson, F.N.Z.I.V.
M R Hanna, F.N.Z.I.V., F.C.I.Arb.
A L McAlister, F.N.Z.I.V.
R F Fowler, F.N.Z.I.V.
M J Veale, A.N.Z.I.V., B.Com.(V.P.M.) S P O'Malley, M.A. (Research Manager) T G Reeves, A.N.Z.I.V.
M D Lawson B Ag, Dip V.F.M.

ROLLE ASSOCIATES LTD
INTERNATIONAL PROPERTY & PLANT & MACHINERY VALUERS & PROPERTY CONSULTANTS
6 Cambridge Terrace, Wellington
P O Box 384, Wellington
Phone (04) 384-3948. Facsimile (04) 384-7055
A E O'Sullivan, A.N.Z.I.V.,M.P.M.I., A.N.Z.I.M. Dip Bus Admin, A.R.E.I.N.Z.
D Smith, A.M.S.ST., M.S.A.A.,M.A.V..A..M.I.P.M.V.
W H Doherty A.N.Z.I.V.,M.P.M.I.
C J Dentice, A.N.Z.LV.,B.C.A. Dip Urb Val.
D J M Perry, A.N.ZI.V., A.R.E.I.N.Z.
S J Wilson A.N.Z.I.V., M.P.M.I. A.R.E.I.N.Z.
B F Grant, B.B.S. (Val & Prop Man.)
G M O'Sullivan, B.C.O.M.,A.C.A.,A.C.I.S.
P R Butchers, B.B.S.,(Val & Prop Man.)., A.N.Z.I.V.
A J Pratt, M.I.P.M.V.
A G Robertson
B S Ferguson B.B.S. (Vain & Prop Mgmt.)
V Gravit, B.B.S.(V.P.M)

TSE GROUP LIMITED
REGISTERED VALUERS & PROPERTY CONSULTANTS
61 Hopper Street, P O Box 6643, Wellington.
Phone (04) 384-2029, Facsimile (04) 384-5065.
B A Blades, B.E., M.I.P.E.N.Z., A.N.Z.I.V., M.P.M.I.
K J Tonks, A.N.Z.I.V., M.P.M.I.
J D Stanley, A.N.Z.I.V. (Urban & Rural)
M E Bibby, B.B.S.
D L Stevenson, B.B.S.
A C Brown, B.Com (V.P.M.)
AN Lamont, B.B.S.

WARWICK J TILLER & CO LTD
REAL ESTATE INVESTMENT CONSULTANTS & REGISTERED VALUERS
5th Floor, Wakefield House,
90, The Terrace, Wellington
P O Box 10-473, The Terrace, Wellington Phone (04) 471-1666, Facsimile (04) 472-2666 W J Tiller, A.N.Z.I.V.

NELSON/MARLBOROUGH

ALEXANDER HAYWARD & ASSOCIATES
REGISTERED VALUERS, PROPERTY INVESTMENT, DEVELOPMENT & MANAGEMENT CONSULTANTS P O Box 768, Blenheim.
Phone (03)578-9776. Facsimile (03) 578-2806
A C (Lex) Hayward, Dip.V.F.M., A.N.Z.I.V.

DUKE & COOKE LTD
REGISTERED PUBLIC VALUERS & PROPERTY CONSULTANTS
306 Hardy Street, Nelson.
Phone (03) 548-9104, Facsimile (03) 546-8668
Peter M Noonan, A.N.Z.I.V.
Murray W Lauchlan, A.N.Z.I.V., A.R.E.I.N.Z.
Dick Bennison, B.Ag.Comm., Dip.Ag., A.N.Z.I.V., M.N.Z.S.F.M.
Barry A Rowe, B.Com (VPM)., A.N.Z.I.V.
Consultant
Peter G Cooke, F.N.Z.I.V.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

GOWANS VALUATION

REGISTERED PUBLIC VALUERS, PROPERTY
CONSULTANTS (URBAN & RURAL)
52 Halifax Street, P O Box 621, Nelson.
Phone (03) 546-9600. Facsimile (03) 546-9186
A W Gowans, V.P. (Urb), A.N.Z.I.V.
I D McKeage, BCom.(VPM), A.N.Z.I.V.
R W Baxendine, Dip.Ag., Dip.FM., Dip.V.P.M., A.N.Z.I.V.

HADLEY AND LYALL

REGISTERED VALUERS & PROPERTY CONSULTANTS
URBAN & RURAL PROPERTY ADVISORS
Appraisal House, 64 Seymour Street, Blenheim. P O Box 65, Blenheim.
Phone (03) 578-0474. Facsimile (03) 578-2599
Ian W Lyall, Dip V.F.M., Val. Prof. Urban, F.N.ZI.V.
Chris S Orchard, Val Prof. Urban, Val. Prof. Rural,A.N.Z.I.V.

CANTERBURY/WESTLAND

BENNETT & ASSOCIATES LTD

REGISTERED VALUERS, PROPERTY CONSULTANTS
118 Victoria Street, PO Box 356, Christ hurch.
Phone (03) 365-4866. Facsimile (03) 365-4867
Bill Bennett, Dip.Ag., Dip. V.F.M., V.P.(Urb).A.N.Z.I.V.
Nicki Blibrough, B. Com, V.P.M., A.N.Z.I.V.
Stephen Campen, B.Com. (V.P.M.), A.N.ZI.V.
Graeme McDonald, V.P.Urb., A.N.Z.I.V
Gerald Williams, B.Com. (V.P.M.)
Colin Francis, C.Eng., M.L(Mar)E., M.L(Plant)E., M.I.P.M. V.
6 Durham Street, Rangiora
Phone (03) 313-4417. Facsimile (03) 313-4647
Allan Bllbrough, JP, Dip.V.F.M., A.N.ZI.V., M.N.Z.S.F.M.
Shane 0' Brien, B.Com., V.P.M., A.N.Z.I.V.
Mid Canterbury Office
201 West Street, Ashburton.
Phone (03) 308-8165 Facsimile (03) 308-1475

DARROCH VALUATIONS

REGISTERED VALUERS
& PROPERTY CONSULTANTS
Cnr Oxford Terrace and Armagh Street, Christchurch.
PO Box 13-633, Christchurch.
Phone (03) 365-7713. Facsimile (03) 365-0445
C C Barraclough, A.N.Z.I.V., B Corn.
M R Cummings, Dip. Urb.Val, ANZ.IV, MPMI.
G Barton, B.P.A.

ERNST & YOUNG VALUATION SERVICES

Ernst & Young House, 227 Cambridge Terrace,
PO Box 2091, Christchurch.
Phone (03) 379-1870. Facsimile (03) 379-8288
Tim A Crighton, B.Com. (Ag), V.F.M., B Com., A.N.Z.I.V., M.N.Z.S.F.M.

FORD BAKER REALTORS & VALUERS LTD

REGISTERED VALUERS & PROPERTY CONSULTANTS
123 Worcester Street, P O Box 43, Christchurch.
Phone (03) 379-7830. Facsimile (03) 366-6520
Errol M Saunders, Dip V.P.M.,A.N.Z.I.V. A.R.E.LN.Z., M.P.M.I.
Richard 0 Chapman, B.Com. (V.P.M.), A.N.Z.I.V., A.R.E.I..N.Z., M.I.P.M.V.
John L Radovonich, B.Com.(V.P.M.), A.N.Z.I.V.,A.R.E.I.N.Z., M.P.M.I.
Simon E J Newberry, B.Com.(V.P.M.) A.N.Z.I.V, A.R.E.I.N.Z.
Terry J Naylor, B.Com., A.N.Z.I.V., M.P.M.I.
Mark J McNamara, B. Com. (V.P.M.)., A.R.E.I.N.Z.
Consultant: Robert K Baker, L.L.B., F.N.Z.I.V., F.R.E.LN.Z.

FRIGHT AUBREY

REGISTERED VALUERS & PROPERTY CONSULTANTS
307 Durham Street, P O Box 966, Christchurch.
Phone (03) 379-1438. Facsimile (03) 379-1489.
R H Fright, F.N.Z.I.V., M.P.M.I.
R A Aubrey, A.N.Z.I. V.
G B Jarvis, A.N.Z.I.V.
G R Sellars, A.N.Z.I.V.
M S DOW, A.N.ZI.V.
J R Kingston, F.N.Z.I.V. (Rural Associate)
M J Austin, I.P.E.N.Z., R.E.A. (Plant & Machinery)

HALLINAN STEWART CONSULTANT VALUERS LTD

REAL ESTATE COUNSELORS &
REGISTERED VALUERS
Oxford Chambers, 60 Oxford Terrace, Christchurch. P O Box 2070, Christchurch.
Phone (03) 377-0771. Facsimile (03) 377-0710
Roger E Hallinan, F.N.Z.I.V. (Urban)
Alan J Stewart, A.N.Z.I.V.(Rural & Urban)

R W PATTERSON

REGISTERED PUBLIC VALUER
(RESIDENTIAL AND RURAL)
32 Hampton Place, P O Box 29-049, Christchurch 5.
Phone (03) 358-2454
R W (Bill) Patterson, A.N.Z.I.V.

ROBERTSON YOUNG TELFER (STHERN) LTD-

PROPERTY INVESTMENT CONSULTANTS,
ANALYSTS & REGISTERED VALUERS
93-95 Cambridge Terrace, Christchurch.
P O Box 2532, Christchurch.
Phone (03) 379-7960, Facsimile (03) 379-4325.
Ian R Telfer, F.N.Z.I.V., A.R.E.I.N.Z.
Roger A Johnston, A.N.Z.I.V.
Chris N Stanley, A.N.Z.I.V.
John A Ryan, A.N.Z.I.V., A.A.I.V.

ROLLE ASSOCIATES LTD

INTERNATIONAL PROPERTY AND PLANT & MACHINERY
VALUERS & PROPERY CONSULTANTS
256, Oxford Terrace, P O Box 2729 Christchurch.
Phone (03) 379-9925, Facsimile (03) 379-6974.
L 0 Collings, B.B.S. (Val & Prop Man.)., A.N.Z.I.V. L
C Hodder, B.Com (V.P.M.)
B J Roberts. M.I.P.M.V.
S E Broughton, B.Com.(V.P.M.)
C. Ouwehand, M.I.P.M.V.

SIMES VALUATION

REGISTERED PUBLIC VALUERS
1st Floor, 227 Cambridge Terrace, Christchurch.
P O Box 13-341, Christchurch.
Phone (03) 365-3668. Facsimile (03) 366-2972
Peter J Cook, Val.Prov.(Urb), F.N.Z.I.V., F.R.E.I.N.Z.
Wilson A Penman, Val.Prof(Urb), A.N.Z.I.V.
Thomas I Marks, DipV.F.M., BAgrCom., A.N.Z.I.V.
David W Harris, Val.Prof(Urb)., A.N.Z.I.V.
Donald R Nixon, Val. Prof(Urb), A.N.Z.I.V.
William Blake, Val.Prof (Urb), A.N.Z.I.V.
Mark McSkimming, Val.Prof (Urb), A.N.Z.I.V.

SOUTH CANTERBURY

FITZGERALD & ASSOCIATES LIMITED-

REGISTERED PUBLIC VALUERS &
PROPERTY CONSULTANTS
49 George St., Timaru. PO Box 843, Timaru.
Phone (03) 684-7066. Facsimile (03) 688-0937.
E T Fitzgerald, Dip.Ag, DipVFM, V.P(Urb), FNZIV, MNZSFM.
L G Schrader, B.AgComV.F.M., A.N.Z.I.V.

COLIN McLEOD & ASSOCIATES LTD

REGISTERED VALUERS
324 East Street, Ashburton. P 0 Box 119,
Phone (03) 308-8209. Facsimile (03) 308-8206
Colin M McLeod, A.N.Z.I.V., A.R.E.I.N.Z.
Paul J Cunnen, BAg.ComVFM., A.N.Z.I.V.

MORTON & CO LTD

REGISTERED PUBLIC VALUERS AND PROPERTY
MANAGEMENT CONSULTANTS
Cr Stafford Street & Cains Terrace, Timaru.
P O Box 36, Timaru.
Phone (03) 688-6051. Facsimile (03) 684-7675
G A Morton, A.N.Z.I.V., A.R.E.I.N.Z., V.P(Urb), M.I.P.M.V.
H A Morton, A.N.Z.I.V., A.R.E.I.N.Z.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

REID & WILSON
REGISTERED VALUERS
167-169 Stafford Street, P O Box 38, Timam.
Phone (03) 688-4084. Facsimile (03) 684-3592 C
G Reid, FN.Z.I.V., F.R.E.I.N.Z.
R B Wilson, A.N.Z.I.V., F.R.E.I.N.Z.
S W G Binnie, A.N.Z.I.V., M.P.M.I.

OTAGO

GRAEME BURNS VALUATIONS
BNZ House, Cnr George Street and Moray Place
P O Box 5180, Dunedin
Phone (03) 477-4184. Facsimile (03) 477-3208
Graeme E Burns, Dip.Urb.Val., F.N.Z.I.V., F.P.M.I.

ERNST & YOUNG VALUATION SERVICES
Health Board House, 229 Moray Place
P O Box 5740, Dunedin
Phone (03) 477-5005. Facsimile (03) 477-5447 Alex P Laing, B. Corn., A.C.A., F.N.Z.I.V., A. Arb.I.N.Z. Murray S Gray, B.Com., B.Com V.P.M.,A.N.Z.I.V.

MACPHERSON VALUATION LTD
REGISTERED VALUERS (URBAN AND RURAL),
AND PROPERTY CONSULTANTS
Westpac Building, 169 Princes Street, P O Box 497, Dunedin.
Phone (03) 477-5796, Facsimile (03) 477-2512.
DIRECTORS:
John A Fletcher, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.
Kevin R Davey, A.N.Z.I.V., A.R.E.I.N.Z.
Jeffery K Orchiston, A.N.Z.I.V., M.N.Z.I.A.S.
Bryan E Paul, A.N.Z.I.V.
ASSOCIATE:
Marcus S Jackson, B.P.A., B.Sc.

MALCOLM F MOORE
REGISTERED VALUER &
FARM MANAGEMENT CONSULTANT P O Box 247, Alexandra.
Phone (03) 448-7763 Facsimile (03) 448-9531
Queenstown Office P O Box 64
Phone (03) 442-7020, Facsimile (03)442-7032
Malcolm F Moore Dip Ag, Dip VFM, VP Urban, A.N.Z.I. V., M.N.Z.S.F.M.

SIMES DUNCKLEY VALUATION
REGISTERED PUBLIC VALUERS,
ARBITRATORS, PROPERTY MANAGEMENT
AND HOTELIMOTEL CONSULTANTS.
2nd Floor, Trustbank Building, 106 George Street, Dunedin.
P O Box 5411, DX. 17230. Dunedin
Phone (03) 479-2233. Facsimile (03) 479-2211
John Dunckley, Val Prof. (Urb), B. Agr.Com, F.N.Z.I.V.
Anthony G Chapman, Val Prof.(Urb), A.N.Z.I.V.
Ah-Lek Tay, B.Com, (VPM), A.N.Z.I.V.
Trevor J Croot, Val. Prof.(Urb), F.N.Z.I.V.

SMITH, BARLOW & JUSTICE
PUBLIC VALUERS AND PROPERTY CONSULTANTS,
URBAN & RURAL PROPERTIES
MF Building, 9 Bond St, Dunedin.
Phone (03) 477-6603
John I Barlow, Dip. V.F.M, A.N.Z.I.V.X.P.M.I.
Erie W Justice, Dip.V.F.M., A.N.Z.I.V., M.P.M.I.
John C Aldis, B.Ag,Com.(V.P.M.), A.N.Z.I.V.,M.P.M.I.
Stephen A Cox, B.Com.(V.P.M.) Dip.Com.(Acc & Fin).

SOUTHLAND

CHADDERTON & ASSOCIATES LIMITED-
REGISTERED PUBLIC VALUERS & PROPERTY
MANAGEMENT CONSULTANTS
72 Leet Street, P O Box 738, Invercargill.
Phone (03) 218-9958. Facsimile (03) 218-9791
Tony J Chadderton, Dip.Val, A.N.Z.I.V, A.R.E.I.N.Z, M.P.M.I.
Andrew J Mirfin, B. Corn., (VPM), A.N.Z.I.V.

DAVID MANNING & ASSOCIATES -
REGISTERED VALUERS, REGISTERED FARM MANAGEMENT
CONSULTANTS & PROPERTY MANAGEMENT CONSULTANTS
97 Tay Street, P O Box 1747,
Invercargill.
Phone (03) 214-4042.
14 Mersey Street, Gore. Phone (020) 86-474
DL Manning, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M., Val.Prof.Urb, M.P.M.I.

QUEENSTOWN-SOUTHERN LAKES APPRAISALS
REGISTERED VALUERS
AND PROPERTY CONSULTANTS
O'Connells Pavilion, P O Box 583,
Queenstown.
Phone (03) 442-9758. Fascimile (03) 442-6599
P O Box 104, Wanaka.
Phone (03) 443-7461
Dave B Fea, BCom.(Ag), A.N.Z.I.V., A.N.Z.S.F.M.
Alastair W Wood, B.Com. V.P.M.

ROBERTSON AND ASSOCIATES
REGISTERED PUBLIC VALUERS, PROPERTY
DEVELOPMENT AND MANAGEMENT CONSULTANTS
Bay Centre, 62 Shotover Street,
P O Box 591, Queenstown.
Phone (03) 442-7763. Facsimile (03) 442-7113. Barry J P Robertson, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. Kelvin R Collins, BCom.V.P.M.A.N.Z.I.V.

OVERSEAS

AUSTRALIA

EDWARD RUSHTON PROPRIETARY LTD
SYDNEY
Rushton House, 184 Day Street, Darling Harbour, NSW 2000
Phone (02) 261 5533
MELBOURNE
461 Bourke Street, Melbourne Vic 3000
Phone (03) 670 5961
BRISBANE
8th Floor, Toowong Towers, 9 Sherwood Road, Toowong, Queensland 4066
Phone (07) 871-0133
ADELAIDE
83 Greenhill Road, Wayville SA 5034
Phone (08) 373 0373
PERTH
40 St George's Terrace, Perth WA 6000
Phone (09) 325 7211

SUVA

SOUTH PACIFIC ROLLE VALUATIONS
CONSULTANTS AND VALUERS IN PROPERTY,
PLANT AND MACHINERY
Level 8, Pacific House, Butt Street, Suva.
P O Box 16011, Suva
Phone 304-544, 304-543. Facsimile 304-533
K Dakuidreketi, B.Prop Man (Aust), MIV (Fiji), R.V. (Fiji)
A E O'Sullivan, R.V. (Fiji)
N Koroi

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

Institute of Plant •and Machinery Valuers

AUCKLAND

BECA CARTER HOLLINGS & FERNER LTD
VALUERS IN PROPERTY, PLANT & MACHINERY
132 Vincent Street, P O Box 6345, Wellesley Street, Auckland.
Phone (09) 377-3410. Facsimile (09) 377-8070

CONNELL WAGNER LIMITED
VALUERS IN PROPERTY, PLANT & MACHINERY
Kent & Crowhurst Streets, Newmarket, Auckland, P 0 Box 9762, Newmarket, Auckland.
Phone (09) 520-6019. Facsimile (09) 524-7815

DARROCH & CO LTD
CONSULTANTS & VALUERS IN PLANT, MACHINERY & PROPERTY
I Shea Terrace, P O Box 33-227, Takapuna, Auckland 9
Phone (09) 486-1677. Facsimile (09) 486-3246
A A Alexander, M.I.P.M.V.
CScoullar, M.I.P.M.V.
R Gethen, M.I.P.M.V. G
Barton, B.P.A.

DUFFILL WATTS & HANNA LTD
PLANT, MACHINERY & BUILDINGS VALUERS
384 Manukau Road, PO Box 26-221, Auckland
Phone (09) 630-4882. Facsimile (09) 630-8144
Managing Driector
N F Falloon B.E., M.I. Mech. E., M.I.P.E.N.Z., M.I.P.M.V.

EDWARD RUSHTON NEW ZEALAND LTD
VALUERS & CONSULTANTS, PROPERTY, PLANT & MACHINERY
451 Mt Eden Road, Mt Eden, Auckland
P O Box 26-023, DX 6910 Epsom, Auckland
Phone (09) 630-9595. Facsimile (09) 630-4606 T
J Sandall, M.I.P.M.V.
E Gill, C.Eng., M.I.Mech.E,M.I.Prod.E., Reg Eng. J
R Birtles, Dip.Ch.E., M.N.Z.I.Mech.E.
D M Field
R J Holdstock

ROLLE ASSOCIATES LIMITED
INTERNATIONAL PROPERTY & PLANT & MACHINERY VALUERS & PROPERTY CONSULTANTS
77 Grafton Road, P O Box 8685, Auckland
Phone (09) 309-7867. Facsimile (09) 309-7925
C J Pouw, M.I.P.M.V.
J G Lewis, M.I.P.M.V.

WAIKATO

BRIAN MILLEN REAL ESTATE & AUCTIONS LTD
VALUERS OF PLANT & MACHINERY
P O Box 400, Hamilton
Phone (07) 824-1887. Facsimile (07) 824-1854
Brian Millen, M.I.P.M.V., A.R.E.I.N.Z., M.A.A.N.Z.
Accredited R.E.I.N.Z. Auctioneer

WELLINGTON

BECA CARTER HOLLINGS & FERNER LTD
VALUERS IN PROPERTY, PLANT & MACHINERY
77 Thomdon Quay, P O Box 3942, Wellington 1
Phone (04) 473-7551. Facsimile (04) 473-5439

CONNELL WAGNER LIMITED
VALUERS IN PROPERTY, PLANT & MACHINERY
181 Thomdon Quay, Wellington, P O Box 1591, Wellington.
Phone (04) 472-9589. Facsimile (04) 472-9922

DARROCH & CO LTD -
CONSULTANTS & VALUERS IN PROPERTY PLANT, & MACHINERY
291 Willis Street, P O Box 27-133, Wellington
Phone (04) 384-5747. Facsimile (04) 384-2446
K M Pike, M.I.P.M.V.

ROLLE ASSOCIATES LIMITED
INTERNATIONAL PROPERTY & PLANT & MACHINERY VALUERS & PROPERTY CONSULTANTS
6 Cambridge Terrace, P O Box 384, Wellington
Phone(04) 384-3948. Facsimile (04) 384-7055
D Smith, A.M.S.S.T.,M.S.A.A., M.A.V.A., M.I.P.M.V.
A J Pratt, M.I.P.M.V.

CHRISTCHURCH

BECA STEVEN
A DIVISION OF BECA CARTER HOLLINGS & FERNER LTD
VALUERS IN PROPERTY, PLANT & MACHINERY
122 Victoria Street, P O Box 25-112, Christchurch
Phone (03) 366-3521. Facsimile (03) 365-4709

CONNELL WAGNER LIMITED
VALUERS IN PROPERTY, PLANT & MACHINERY
Amuri Courts, Cnr Durham and Armagh Streets, Christchurch,
P O Box 1061, Christchurch.
Phone (03) 366-0821. Facsimile (03) 379-6955

DARROCH VALUATIONS
CONSULTANTS & VALUERS IN PLANT, MACHINERY & PROPERTY
Cnr Oxford Terrace & Armagh St, Christchurch.
P O Box 13-633, Christchurch
Phone (03) 365-7713. Facsimile (03)365-0445.
G A Barton, B.P.A.

FORD BAKER REALTORS & VALUERS LTD-
CONSULTANTS & VALUERS OF CHATTELS & PROPERTY
123 Worcester Street, Christchurch,
P O Box 43, Christchurch.
Phone (03) 379-7830. Facsimile (03) 366-6520
Richard 0 Chapman, B.Com. (V.P.M.), A.N.ZI.V., A.R.E.I.N.Z., M.I.P.M.V.

ROLLE ASSOCIATES LIMITED
INTERNATIONAL PROPERTY & PLANT & MACHINERY VALUERS & PROPERTY CONSULTANTS
256 Oxford Terrace, P O Box 2729, Christchurch
Phone (03)379-9925. Facsimile (03) 379-6974 B J
Roberts, M.I.P.M.V.
C. Ouwehand, M.I.P.M.V.

Publications and Services Available from the New Zealand Institute of Valuers

ADDRESS ALL ENQUIRIES TO THE GENERAL SECRETARY, P.O. Box 27-146, WELLINGTON.
Prices quoted include GST, packaging and postage rates and are for single copies within N.Z. (For multiple copies packaging and postage will be charged separately.) Cheques to be made payable to New Zealand Institute of Valuers.

PUBLICATIONS	PRICE INC PACKING & POSTAGE
ASSET VALUATION STANDARDS (NZIV) 1988	
(issued free to members, otherwise by subscription)	65.00
AUSTRALASIAN REAL ESTATE EDUCATORS' CONFERENCE PROCEEDINGS	35.00
DIRECTORY OF COMMERCIAL BUILDING COSTS	123.75
DIRECTORY OF RURAL COSTS, BUILDINGS AND OTHER IMPROVEMENTS	123.75
HISTORY OF THE NZ INSTITUTE OF VALUERS	25.00
Free to members, otherwise by subscription	
INDEX TO NEW ZEALAND VALUER'S JOURNAL 1942-1988,1989-90,1991	FREE
INVESTMENT PROPERTY INCOME ANALYSIS AND APPRAISAL	
(R A Bell) *Hard Cover* Edition	52.00
Soft Cover Edition	52.00
Special price to bona fide fulltime students - soft cover	44.00
ISSUES PERTAINING TO THE VALUATION OF MAORI LAND (Conference Proceedings)	35.00
LAND COMPENSATION (Squire L Speedy) 1985	36.00 Limited stock only
LAND TITLE LAW (J B O'Keefe)	2.50
MAHONEY'S URBAN LAND ECONOMICS (3rd Edition. Completely revised) W K S Christiansen	52.00
Special Price to Bona Fide fulltime students	44.00
MODAL HOUSE SPECIFICATIONS/QUANTITIES/PLANS 1991 Edition (totally revised)	52.65
N.Z. VALUER (back copies where available)	Free on request
RESIDENTIAL RENT CONTROLS IN N.Z.	
(J G Gibson & S R Marshall)	2.50
RESOURCE MANAGEMENT: An Alphabetical Cross Reference Guide for all Property People S L Speedy	35.00
THE NEW ZEALAND VALUERS' JOURNAL (back copies where available)	Free
THE NEW ZEALAND VALUERS' JOURNAL	
(subscription) 1992	50.00
(per copy current year)	12.50
URBAN VALUATION IN N.Z. Vol. 1 (2nd Rewritten Edition) R L Jefferies 1991	
Per single issue	105.00
Special price to bona fide fulltime students	75.00
URBAN VALUATION IN NEW ZEALAND Vol II	
1st Edition (R L Jefferies 1990) Per single issue	105.00
Special Price to bona fide fulltime students	75.00

MISCELLANEOUS SERVICES AVAILABLE	
CERTIFICATE OF VALUATION FOR INSURANCE PURPOSES (Pads 100 forms)	15.00
VALUATION CERTIFICATE PROPERTY ASSETS (Pads 100 forms)	15.00
STATSCOM ANNUAL SUBSCRIPTION	P.O.A.
SALES INFORMATION (Tape Diskette form, Microfiche Lists)	P.O.A.
VALPAK, RENTPAK Software programmes	P.O.A.
TIES & SCARVES in various colours: red, green navy & *grey*.	5.00
Scarves navy only	
VIDEOS & HANDBOOKS	
(All prices include one handbook)	
DIGGING A LITTLE DEEPER) Additional booklets are	30.00
SITES AND STRUCTURES) priced at $6.25 each	36.00
THE COVER STORY (wall & roof claddings) Additional handbook $10.	39.50
3 in 1 video the three videos on one tape incl booklets)	52.50

NEW ZEALAND INSTITUTE OF VALUERS

MISSION STATEMENT

The New Zealand Institute of Valuers encourages its membership to develop high standards of professionalism and excellence through the provision of education, support services and promotion.

The New Zealand Institute of Valuers' membership comprises *professionally qualified persons who value, appraise, advise, consult, manage, arbitrate and negotiate in all* respects *of land, buildings and other real and* personal *assets.*

STATEMENT OF OBJECTIVES

To achieve this the Institute will continue to

1. *Provide a framework within which* members *may advance their educational and professional development within a diverse* membership *activity.*
2. *Provide a progressive organisation responsive to change and membership needs.*
3. *Provide channels of communication betweeen members, the organisation and the public.*

Encourage maximum member participation in the affairs of the Institute.

Develop, set and effectively maintain standards of practice for the benefit of both the membership and public while ensuring fair and expeditious disciplinary procedures are available,

6. *Establish education, admission and categories of membership criteria and provide appropriate pathways to admission.*
7. *Encourage* research *and develop viable services of benefit to members.*
8. *Develop closer association and cooperation with other professional bodies both in New Zealand and overseas*

ISSN 0113-0315