

of the Native Trustee. Although they show an aggregate reduction in rental of £191 Os. 3d. the fact that the rentals were fixed on a special Government valuation (though the valuations are subject to the comment that they were made during a severe depression), and the further fact that the reduction is relatively a small amount, make it inadvisable in our view that those leases be disturbed.

99. As to all the other second-renewal leases, we have considered various possibilities. We were at one stage disposed to think that they should be allowed to continue but at a rental as from some fixed date, say, 1st January, 1948, equivalent to the rent which the lessee paid under his first-renewal lease. On consideration we have come to the conclusion that that would involve various complications and would not be satisfactory.

100. Alternatively, we considered whether the leases should continue at a new rent as from say 1st January, 1948, upon the basis of the present system of 5 per cent. on the residual value, with a proviso that for the purpose of computing the residual value the original improvements of clearing the land and stumping and grassing should either be excluded from consideration or be included at not exceeding some stated fixed sum per acre approximating the probable original cost. This suggestion also we have felt compelled to discard as being difficult, hardly practicable, and probably inequitable and unfair. Moreover, we think that the generally accepted principles as to the rights of the parties to a perpetually renewable lease—namely, that the lessor's return should be based on the value of the land only without improvements, and that the improvements should be the property of the lessee—should not be departed from if any other practicable and fair scheme can be devised.

101. We have also considered whether it would be feasible to adopt the scheme of local-body perpetually renewable leases by providing that the rent should be a "fair rent" for the land without improvements. But that would involve the continuance of the arbitration system which we think it better to eliminate. Further, we are strongly inclined to think that the scheme of fixing the rent under the local-body leases, while it may be satisfactory in the case of urban lands, would be neither suitable nor satisfactory in the case of rural lands such as those comprising the West Coast Settlement Reserves.

102. We have come to the conclusion that the best scheme, and one which should be fair to both the beneficial owners and the lessee, would be to fix the rent (subject to the minimum to be indicated later) at 5 per cent. of the "unimproved value" of the land ascertained according to the definition and principles of the Valuation of Land Act, 1925, and we recommend that this course be adopted as from 1st January, 1948. This would require legislation cancelling *all* the existing second-renewal leases except the twenty where the rent has been already fixed according to a special Government valuation, and providing for the granting of a new lease in substitution. The Valuer-General should be directed and required to proceed forthwith with the preparation of a special valuation of all the lands comprised in *all* the existing leases (both first-renewals and second-renewals) and as soon as possible to supply the Native Trustee with copies of all the valuations so made, and it should be the duty of the Native Trustee to send to each lessee a copy of the valuation of the land comprised in the lease held by such lessee. We apprehend that the making and supplying of these valuations can be done at once as a matter of administration without waiting for legislation. The present system of arbitration should be ended. A Tribunal should be set up consisting of three persons, one to be appointed by the Lessees' Association, one by the Native Trustee, and the third to be appointed by the Valuer-General and to be either an officer or an ex-officer of the Valuation Department. The two persons to be appointed by the Lessees' Association and the Native Trustee respectively should be men of practical farming experience in the Taranaki district, who are not interested in any of the leases; the person to be appointed by the Valuer-General should be an officer or ex-officer of the