

The enclosed circular will show the position. If it is possible for the Commission to sit, I would be glad if you will wire to me, so that I can arrange for evidence to be placed before you.

I remain, &c.,

The Chairman Land Valuation Commission, Wellington.

S. A. Cook.

DEAR SIR,—

Otorohanga Chamber of Commerce,
Otorohanga, 25th November, 1914.

The attention of this Chamber has been drawn to many recent cases of hardship through the working of the Valuation of Land Act, 1908.

Section 39 of that Act provides for the valuing of the respective interest of lessor and lessee under a lease, and provides for the lessor obtaining an interest in the improvements effected by the lessee as well as the interest the lessor has in the land irrespective of the improvements.

In the case of land held under Native leases this can easily work great hardship. The lessee can buy the freehold, provided the owners will sell, at the Government valuation of the owners' interest as long as that is equal to or more than the rent value. Thus, a person with a lease at 1s. per acre should be able to buy the freehold at £1, and if the Government value of the lessors' interest is over £1 he will have to pay that excess. The lessee by effecting improvements naturally enhances the unimproved value, and the position would be bearable if the lessee could purchase at the owners' interest in the unimproved value, whereby the owners would benefit by the improvements and obtain the unearned increment; but the lessee also has to pay for a mythical interest of the owners in the improvements the lessee has himself effected.

Two cases have lately been drawn to our notice: one in which the lessee of land at 1s. per acre arranged to purchase the freehold at £1 10s. per acre, which was the then Government value of the unimproved value of the land. On applying for confirmation by the Maori Land Board he found that he would have to pay a further 10s. per acre for a mythical interest of the owners in the improvements, in spite of the fact that the owners were willing to accept the £1 10s. per acre. In the other case the lessee under a lease at 2s. per acre arranged with the owners to purchase the freehold at £2 2s. 6d., and then found he would have to pay another £400 for his own improvements. As the law now stands the Maori Land Board cannot pass the transfers unless the price is equal to the "owners' interest" shown on the valuation certificate.

As you will readily see, it is not in the interest of lessees to effect any improvements at all where there is a chance of being penalized for their energy when they try to buy the freehold. The man who does nothing is in a far better position than the man who improves his holding, and thus a premium is set on inactivity, and settlement is retarded.

We do not ask that the rights of the parties under the lease should be altered. In the case of Crown lands you can buy the freehold at a 5-per-cent. basis on the original rental. This we do not ask, but think it only equitable that if the owners will sell then the lessee should not have to pay more for the land than the present owners' interest in the unimproved value, provided that is at least equal to the rental capitalized at 5 per cent. In most cases the leases are from forty-two to fifty years, and the improvements are certainly not of such a permanent character as to last until the expiration of the lease. Why, then, should the owner be given a greater price than he is willing to accept?

This Chamber thinks this an opportune time to bring up the subject, and would ask your hearty support in devising a scheme for the amendment of the Act. We would suggest that you obtain the views on this subject of all candidates for Parliament, and that you obtain a resolution from your Chamber of Commerce or branch of the Farmers' Union in favour of an amendment on the lines suggested, and forward a copy of your resolution to us. We would point out that between now and the election is the best time to act, and we have from now till the opening of Parliament to bring pressure to bear to achieve the desired object.

We are, &c.,

W. H. CLARKE,
F. W. WHYTE,
F. O. R. PHILLIPS, } Committee.

LETTER TO SECRETARY, OTOROHANGA CHAMBER OF COMMERCE, FROM CHAIRMAN, VALUATION OF LAND COMMISSION.

DEAR SIR,—

24th December, 1914.

I am in receipt of your letter of the 23rd instant and of the circular. The Commission has sat in different places from Auckland to Invercargill, and proposes to hold only one other sitting, which will be held in Wellington early in January. At the same time, I may say that we have heard a considerable amount of evidence already on the subject of the working of section 39. We think we can sufficiently deal with your application by means of correspondence.

I gather from your letter and from the circular that your Chamber's grievance lies in lessees having to pay for their improvements when they purchase the freehold reversion from the Natives. Section 39 directs that the interest of a lessor is to be taken at the present value of the net rent under the lease for the unexpired term, plus the present value of his reversion. I gather from the circular that the lessees have no right to compensation at the end of the term. The circular also says that in most cases the improvements are not of such a permanent nature as to last until the expiration of the lease. It seems to me that this should be taken into account by the valuer when valuing the present value of the reversion. If this were done, then apparently the lessees would not suffer any injustice.

It is true that under section 39 the division of the lessor's interest as between unimproved value and improvements is made as the basis of the value of the improvements as at the time of valuation;