

but this should rather operate to the advantage of the lessees, seeing that taxes and, in certain cases, rates are payable at the unimproved value. But as the lessees, when purchasing the fee-simple, pay the value of the lessor's interest in the capital value, this question of the adjustment as between the two values does not appear to affect your position.

If the valuations of the lessor's interests include too much for improvements, and the lessees when purchasing have to pay the excess, then this seems to me, on such consideration as I have been able to give to your letter at the moment, to be rather a question of faulty valuation than of faulty legislation.

I should be glad if you would write to me again, and let me know how far I have appreciated your real difficulty. You might also tell me what class of Native land is leased in your district. I have been assuming that section 223, Native Land Act, 1909, and section 85 of the Amendment Act of 1913 apply to your cases.

Yours faithfully,

T. F. MARTIN,

Chairman, Valuation of Land Commission.

Please excuse absence of typewriting, as the clerks are away for the vacation.

S. A. Cook, Esq., Secretary, Chamber of Commerce, Otorohanga.

LETTER FROM SECRETARY OF THE OTOROHANGA CHAMBER OF COMMERCE.

DEAR SIR,—

Otorohanga, 6th January, 1915.

I am in receipt of your letter of the 24th ultimo.

If the Commission can deal with the matter by correspondence my Chamber has no wish to put the country to the expense of another sitting. We trust that you will consider our representations with other evidence that has been taken by the Commission.

The grievance that we complain of is, as you state, that lessees, when purchasing the freehold reversion of Native leases, have to pay again for their own improvements. Section 39 (2) (a), quoted by you, fixes the interest of the lessor as the present value of the net rent for the unexpired term plus the present value of the reversion. With this we have no quarrel—it is the manner of computing the present value of the reversion that causes the injustice to the lessees.

As stated in the circular, leases here are usually for forty-two years; some are for twenty-one years with the right of renewal, and a few are for fifty years. The rents for the last half of the term, insisted on by the Board for some years past, are always at least double the rental for the first few years of the term, or else the last half is fixed at 5 per cent. on the unimproved value (which would include owners and lessees' interest in the unimproved value) as ascertained during the beginning of the latter portion of the term. The local Board has not allowed compensation for improvements for a greater amount than £3 per acre. Very few leases contain any compensation clause at all save leases under Part XIV of the Native Land Act, 1909 (which, so far, cannot be freeholded save by purchase through the Crown), and leases under the Native Townships Act, 1910 (which can be freeholded in the discretion of the Board), both of which classes of lease provide for full compensation for improvements. Therefore, in over 90 per cent. of the cases when a lessee freeholds he does not get the advantage of the present value or any right of compensation, as there is none in his lease.

You will notice that under section 39 (2) (b) the lessee's interest is fixed as on the capital value, including improvements he has effected and the land itself, plus the present value of any right of compensation or purchase. The Board has not for some four years confirmed leases where there is a right of purchase, so that the cases where a lessee gets the benefit of the present value of such a right are practically nil.

The improvements usually consist of clearing, grassing, fencing, and buildings, the most permanent being the buildings, of which the best could not be expected to last much longer than half the usual term of the leases. This country consists mostly of tea-tree bush and fern country, so that if you grass your farm and then neglect it the country reverts to its original state in a few years. The value forty years hence of grass now existing on fern land is negligible. If this could be taken into account when valuing, as suggested in page 2 of your letter, it might be possible to justly compute the present value of the reversionary interest in the improvements. But subsection (d) arbitrarily fixes the manner of fixing the respective present values of the owners and lessee's interest in the proportion the capital value bears to the improvements and the unimproved value.

The valuer makes his report, and states what he considers the unimproved value of the land, and catalogues and values the improvements. The respective interests of owners and lessees are then fixed by the departmental officers in Auckland or Wellington in accordance with section 39 (d), and irrespective of the temporary character of the improvements or the length of the term. The valuer has to report on the actual present value of the improvements, or rather the sum by which he considers the improvements increase the value of the land (section 2). He cannot, as the Act now stands, fix the respective interests of owners and lessees in those improvements according to their permanency.

It is true that taxes, and in some cases rates, are payable on the unimproved value, but this is not on the owner's or lessee's interest in the unimproved value as fixed by section 39, but on the total unimproved value, so that section 39 does not benefit the lessee in regard to rates and taxes.

As you assume, section 223 of the Native Land Act, 1909, and section 85 of the Act of 1913 apply to our cases. The Board always insists on a new valuation made within six months of the execution of the instrument, and under section 223 is bound to insist on a price equal to the owners' interest as shown in the certificate.

At the last sitting of the local Board in Te Kuiti, the President, Judge Holland, stated that he had been into the matter with the officers of the Valuation Department in Auckland, but they stated they were bound by the Act, and had to allow the interest in the improvements to the owners.