

As you are aware, the unimproved value is continually being enhanced by the lessee's improvements, and not only does the lessee have to pay the full unimproved value, which he has helped to increase to his own present detriment, but also has to pay for the owners' interest in the improvements computed under section 39, irrespective of the real reversionary interest in them.

An amendment of the Native Land Act, 1909, by which lessees could purchase the freehold reversion on paying the owner's interest in the unimproved value, provided the price was equal to the present value of the net rent for the unexpired term, would meet the case. We are confident that Natives are so capable of looking after their own interests that no hardship could be inflicted by an owner, in some exceptional case, parting with an interest in improvements.

This is probably beyond the scope of the Commission, and we would suggest as an alternative that the present value of the lessee's and the owner's interests in the improvements be valued according to the permanency of the improvements considered in relation to the length of the term, and allowing credit for any right of compensation or renewal or purchase.

The circular I sent you was sent to all Chambers of Commerce in the North Island and to all Farmers' Union branches in the Auckland Province. From many of them I have received replies, with resolutions in favour of the suggested amendment of the Act, and others have written direct to the Valuation Department or to the Native Minister.

I shall be glad to hear from you further, and can, if required, furnish the actual figures in several instances where lessees have had to pay again for their improvements.

Yours truly,
S. ARTHUR COOK, Secretary.

The Chairman, Valuation of Land Commission, Wellington.

Memo.—The lessees apparently desire that the Native owners shall have nothing for the improvements.—S.A.C., 15/1/15.

REPORT ON ABOVE BY VALUER-GENERAL.

SIR,—

Valuation Department, Wellington, 11th January, 1915.

I have read the correspondence that has taken place between the Otorohanga Chamber of Commerce and the Chairman of the Valuation of Land Commission, which you forwarded to me under cover of your memorandum of the 7th instant.

The proposal contained in the printed memorandum of the Otorohanga Chamber of Commerce, that section 39 of the Valuation of Land Act, 1908, be amended in the direction of assessing the whole of the improvements effected by the lessee as the lessee's interest regardless of the specific provisions of the lease, is an impracticable one. It is essential that all computations of the interests of lessors, lessees, and sublessees be made in accordance with the rights of each party under the leases. To adopt any other basis for assessment would produce anomalies and over-assessment of the lessee's interest which would constitute a hardship in assessments for death duty of leasehold estates, and render leasehold assessments unreliable as a basis for lending money or for the purchase of leasehold interests.

The alleged recent cases of hardship referred to by the Otorohanga Chamber of Commerce would require a careful independent investigation before one could determine whether such cases really existed. These transactions relate to the acquisition of the freehold of Native lands, and I know something of the Oriental procedure practised in connection therewith.

I know instances where the opinion has been expressed by those desirous of acquiring the freehold of Native lands that the cost of legal proceedings and incidental expenditure involved in acquiring the land should be deducted from the unimproved value in estimating the purchase price, and no doubt advocates of this method would regard it as only right that the improvements effected on the land by the lessee should become the property of the latter quite irrespective of the terms of the lease.

The proposal of the Otorohanga Chamber of Commerce is one for the consideration of the Hon. the Native Minister. Any amendment of the law would be made in the Native Land Act, for obviously the Valuation of Land Act, which applies to all lands (freehold, Crown, and Native), could not be altered to meet particular cases such as those referred to by the Chairman of the Chamber of Commerce.

I have, &c.,

F. W. FLANAGAN, Valuer-General.

The Secretary, Valuation of Land Commission, Wellington.

FURTHER REPORT BY VALUER-GENERAL.

Otorohanga Chamber of Commerce.

The Secretary, Valuation of Land Commission, Wellington

REFERRING to your memorandum of the 18th instant, forwarding copy of letter addressed to the Chairman of the Valuation of Land Commission by the Secretary of the Otorohanga Chamber of Commerce, I have only to add to the letter I forwarded you on the 11th idem that the alleged disabilities to which lessees of Native lands are subjected are, in my opinion, matters for the investigation of the Native Affairs Committee of the House of Representatives.

It may be pointed out that there are instances where Native lands have been leased with right of purchase, and no provision was made for compensating the lessees for improvements effected by them.