

unless they renew the leases. They say with justice that they cannot see where their compensation is coming from either at the end of the lease or at the end of the renewal. If nothing can be done, the result clearly will be that the land will suffer and the tenants' position steadily become worse. It constitutes an outstanding instance of the position we have been discussing. In nearly every case the leases are mortgaged to the State Advances Department.

As to Native leases of land not vested in the Board, much the same considerations apply. The same motives actuate the settlers in their desire to freehold, and the methods, if any, to be adopted must necessarily be similar.

So far we have dealt with this question only on the assumption that the Native owners are willing to sell in each case. But it is a question for consideration whether in any case, where Your Excellency's Advisers may consider it to be in the interests of land-settlement, Native land should not be subject in the same manner as European land (section 19, Land for Settlements Act, 1925) to be taken for settlement purposes—of course, upon payment of adequate compensation, and provided that the land was not required by the owners for their own use. By "settlement" we, of course, mean both Native and European settlement without distinction.

SETTLEMENT.

In our opinion the first step to be taken towards efficient settlement of Native lands is classification. They should be divided into—(a) Lands suitable for Native occupation and farming and which can be brought to production at moderate cost; (b) lands which can only be made productive by the expenditure of considerable capital and efficient methods of farming, and which would be better in the hands of Europeans than Natives; (c) lands which are suitable for afforestation, on which Natives could be employed.

Where large areas are acquired by the Crown, we suggest that part of the purchase-money might be retained to form a fund to enable the sellers to be established on land suitable for Native occupation.

We wish to draw special attention to the large area of good land lying to the east of Otorohanga which is capable of great development and largely increased production.

Certain subsidiary matters are bound up with the question of settlement.

VALUATION.

While it seems now to be recognized that King-country lands were overvalued in years gone by, thereby causing to a large extent the difficulties as to rent now being experienced by lessees, we have come across instances where it appears to us they are still too high. It would also appear that valuers are not always fully aware of the terms of leases which affect the apportionment of value between lessor and lessee.

Strong complaint has been voiced as to the system of apportioning improvements between lessors and lessees. It certainly does not seem to work out justly, and we suggest it should be reconsidered. The trouble clearly arises in most cases from original overassessment of the unimproved value.

Another complaint relates to the valuation of land affected by blackberry or other noxious weeds. We are advised that it is a statutory requirement that in valuing such land the value of the improvements has to be exhausted before anything is deducted from the unimproved value on account of the noxious weeds. This is not just as between lessors and lessees.

Another complaint is as to drainage rates in special-rating areas. It is stated that the increase in value of the land caused by draining operations (which are paid for by special drainage rates charged upon the land) is always credited to the unimproved value. If this be so, in our opinion it is neither logical nor just. It is an improvement, and the value should be added to the value of the improvements. Any increase which in the past has been made to the unimproved value on account of drainage should be deducted. We are in entire accord with the remarks of Mr. F. O. R. Phillips on this subject.