

*Perpetual Lease and Small Areas.*—The decrease is very little, but it will, of course, as in the deferred-payment system, become more marked every year. Another reason given is that for those who are satisfied with a lease the lease in perpetuity gives a better tenure at 1 per cent. lower rate of interest. It will therefore be a matter of a few years when the most of these will be converted into freeholds or leases in perpetuity.

*Lands under Land for Settlements Act.*

The following new estates were acquired and dealt with under this Act during the year—namely, Otahu and Beaumont. The former was opened to application on the 4th November, 1897. Up to the 31st March three sections were applied for and granted, and subsequent to this date the homestead block has been selected. The remainder will, I think, be taken up shortly, as a good many inquiries have lately been made in connection with this property.

*Beaumont Estate* was surveyed and opened for application on the 26th January, 1898. Two sections have been granted, and one since the 31st March. Before the end of the year I anticipate the greater part of this property will be selected.

*Merrivale Estate.*—The position of this estate during the past year has been of a progressive character. A good many settlers have carried out substantial improvements, with the apparent desire of establishing permanent homes. New houses are going up all over the estate, boundary and subdivision fences are being erected, careful cropping seems to be systematically carried out, and, so far as I saw, the majority of settlers were doing their best to fulfil the conditions of their respective leases. The Ranger reports, "Speaking generally, the improvements made are considerably beyond the requirements of the Act, and in only a few isolated cases are the lessees not residing. Since last year much progress has been made, especially in fencing and ploughing; in fact, considering it is only two years since the first settlers took up their holdings, the improvements and progress made have been striking. Some settlers have erected very substantial buildings, and the country now presents quite a different appearance to the state of things of a short while back."

*Occupation with Right of Purchase.*—The area taken up under this system is under 2,000 acres, representing fifteen selectors, only one having been forfeited. The increased revenue does not amount to much, as several settlers are in arrears with their payments.

*Lease in Perpetuity.*—The number of selectors for the year is twenty-one. These are considerably discounted by twelve forfeitures and surrenders. At the same time, I might remark that this system appears to be the most popular here.

*Village Settlement.*—Under this heading may be grouped the cash, occupation-with-right-of-purchase, and lease-in-perpetuity systems. Under these three there were thirty-four selectors, thirty-two of whom were under the lease-in-perpetuity system, clearly showing that this holds a first place in the opinion of these small settlers.

*Village Settlement, Deferred Payment, and Perpetual Lease.*—These systems of selection, having ceased to exist, will, in the course of a few years, become a very small entry. It is anticipated that a good many will convert into freehold as soon as possible.

*Village-homestead Special Settlement.*—There are sixty selectors under this system. Although the areas are small they appear to be well held, as the arrears amount to only £14 10s. 6d. This shows good results, taking into account the fact that £1,546 has been paid in rent and interest, and the value of improvements effected amounts to £9,000.

*"The Mining Districts Land Occupation Act, 1894."*—During the year thirty-one applications for leases under this Act were received, covering an area of 1,763 acres. Of these, sixteen were formerly granted for an area of 562 acres, thirteen of the sixteen being applications for exchanges of occupation licenses under "The Mining Act, 1886," for leases under this Act; area, 277 acres. Eight applications for areas amounting to 776 acres were refused by the Land Board. Three of the applications refused were made by the wives of persons who already held land, and who did not propose to reside on the areas applied for.

*Small Grazing-runs and Pastoral Runs.*—The area held under these two tenures is a little more than that shown last year, although the receipts are somewhat less. The slight decrease is accounted for by the fact that a few lessees allowed their payments to fall into arrears by a few days. This source of revenue may, however, always be looked upon as reliable, the recurring payments being almost invariably promptly met, a remark I would have been pleased to add in connection with the other systems.

*Timber.*—The timber industry of Southland is a most important one, and apparently more so now than it has been for the last few years. To a limited extent a small boom has taken place, sawmillers from other districts coming in, and new local men are taking up areas throughout the district. This may be attributed to the partial collapse of one of the most important companies which has been carrying on the trade for years. Although the mills owned by this company continued working, a number of men who had been connected with it lost their employment, while others from outside deemed this a good opportunity to secure a share of the timber business. Three or four new mills are being, or are about to be, erected in Hokonui, Longwood, and Stewart Island, while the older mills are cutting over bush which had been previously cut and abandoned as valueless. It is now realised that almost any milling timber within easy access of rail or boat has a value it did not previously possess. This more especially applies to white-pine, for which there was little demand until the dairy and rabbit industries came into such prominence. The following very interesting return has been furnished to me by one of the leading timber merchants and sawmill proprietors here, giving approximately the quantity of timber cut by each mill and the total output for Southland. This summarised is as follows: Thirty-three sawmills; total quantity cut, 29,700,000 ft. The further statement was also furnished that during the last fifteen