The PUBLIC TRUSTEE to the Right Hon. the MINISTER OF FINANCE.

SIR,— Wellington, 1st September, 1909.

I have the honour to forward you a statement of the business done by the Public Trust Office during the year ending the 31st March, 1909. On comparing it with those of previous financial years it will be seen that the transactions are increasing in volume, and the profits are highly satisfactory, the net profits for the year being £10,850 11s. 4d.

NEW BUILDING IN WELLINGTON.

This has been completed. Instead of paying rent, as in the past, a considerable sum will be received from tenants. Apart from this, the work of the staff in a properly ventilated and well-lighted building must conduce to efficiency.

Advantage was taken of the opening of the new premises to have a conference of agents with a view to introducing reforms which were thought to be necessary in conducting the business through the agencies. Some valuable suggestions were made, and will be acted upon as soon as possible.

The growth of the business will necessitate more accommodation in the large towns of the Dominion, and it would be desirable to acquire building-sites with a view to erecting offices when required. In the course of a few years the Department will be compelled to decentralise much of its business, and this will mean more work at its branches. At Christchurch the Manager has been compelled, before the present lease expired, to get fresh offices, owing to the increase of work. At Greymouth the miserable office is a disgrace to the institution. A building should be erected there for the office without delay.

WEST COAST SETTLEMENT RESERVES.

The tenants hold leases under two systems. When the Act of 1892 was passed it gave a right of perpetual renewal, with protection for all improvements, to lessees who took holdings after the passing of the Act.

Those who were tenants under the Acts of 1881 and 1887 were by the Act of 1892 allowed to change their leases so as to come under the provisions of the latest Act. One of the conditions was that they would have to pay a new rental based upon a valuation of the land when the choice was made. As many of the lessees were paying very low rentals compared with the value of the lands in 1892 and afterwards, they did not elect to come under the 1892 Act.

During the present year two of the old leases expired, and, as there were several points that required elucidation, a Supreme Court decision was obtained, the office paying the whole costs of the case.

The Court decided that the leases were perpetually renewable, but that bushfelling and grassing were not improvements.

As many of the tenants had spent large sums of money on clearing and grassing, this interpretation is hard on them. Unlike the lessees under the 1892 Act, who own all improvements, the lessees under the earlier Acts are protected up to £5 per acre only, and, as it was believed before this decision that all kinds of improvements were included, some of them have borrowed on them. The Act should be amended to cover all improvements up to the amount of £5 per acre. An effort will probably be made to put the leases under the former Acts on the same basis as those granted under the Act of 1892; but this should not be done, for these reasons:—

(1.) Opportunities have been several times given to the tenants to change their tenure, but they did not accept them. Paragraph (*k*) of subsection (3) of section 8 of the Act of 1892 gave them twelve months in which to change. By section 10 of "The Native Reserves Act Amendment Act, 1895," this term was extended to four years, and by section 20 of "The Reserves, Endowments, and Crown and Native Lands Exchange, Sale, Disposal, and Enabling Act, 1898," two more years were given. The new rentals of three leases which fell due this year show what a low rent the tenants were paying under the old leases, and why they were reluctant to change: Old rentals, £157 1s. 1d.; new, £649 6s. 6d.

(2.) In dealing with these reserves there was not sufficient land reserved for the occupation of the Natives if they should at any future time desire to farm their lands. Suitable blocks should have been selected and leased for long terms, but not perpetually. As these leases fell in, the blocks in their improved condition could have been offered to the Natives. The peculiarity of the tenure of the 1881 and 1887 Acts gives the Natives an opportunity of selecting some of the leaseholds for farming. Under the 1892 Act renewals are automatic, the rent, apart from the value of the improvements, being fixed by arbitration. There is therefore no chance of a Native getting into occupation of one of the leaseholds under that Act unless he buys out the tenant. Under the earlier Acts the value of the improvements up to £5 per acre is fixed by arbitration, and the rent by public competition. As the Natives receive back the rent, if they desire to compete they can, of course, outbid any one else, and can again get into occupation of the leaseholds by paying the lessee for the improvements, which are limited to £5 per acre. This is the only chance they have of getting suitably sized farms in their own districts, and, although they may not take advantage of it, they should not be deprived of the opportunity by changing the tenure. The leases are fairly scattered throughout the reserves area, and are of good land. The number of leaseholds under the 1881 Act is 135; area, 18,399 acres. Authority should be given to the Public Trustee to advance sufficient to pay for the improvements if the Native owners desire to purchase them. There would be ample security.