

If, on the other hand, the moneys are directed to be specially invested outside the Common Fund—

- (1.) The investments belong to the estate.
- (2.) Although every care will be exercised in investing, there is no State guarantee, and, subject to the Public Trustee's ordinary liability as a trustee, any loss falls on the estate.
- (3.) The capital earns no interest until actually invested.
- (4.) As interest is payable on moneys in the Common Fund whether it is actually earned or not, these moneys have the first call for all eligible securities that offer.
- (5.) Commission is charged on the interest collected.

As stated above, the Common Fund rate of interest is $4\frac{1}{2}$ per cent. on the first £3,000, and 4 per cent. on the excess.

The Office is not a profit-making machine, but a State Department established for the benefit of the public: hence, as the business and its profits grow, the public are reasonably entitled to look for concessions.

The Office charges do not admit of further reduction, but after full and careful consideration, I think the Common Fund rate might safely be raised to, say, $4\frac{1}{2}$ per cent. on the first £6,000, and $4\frac{1}{4}$ per cent. on the excess. This would not only be of great benefit to the smaller estates, but would bring many large estates into the Office.

It is, of course, in the highest degree inexpedient to lightly vary the Common Fund rate. It should not be raised unless there is every reasonable assurance that the increased rate can be maintained. The responsible officers of the staff agree with me that the suggested increase can be maintained.

OFFICE FUNDS.

During the year ended 31st March, 1912, the capital moneys in the Office increased by £800,651, making a total of £4,928,873. The accrued profits at that date were £151,408, out of which £66,813 have been expended in office premises and furniture. At least £20,000 more will be required to complete the premises at Auckland, Wanganui, Hawera, and Greymouth. This will leave a surplus of about £64,000, which is none too large, having regard to the size of the funds.

The Office business is worked on a cash balance, and the transactions are so extensive that it is not considered prudent to allow the bank balance to go below £60,000. That is a large sum to lie idle. Moreover, it involves a double loss, for no interest is earned on it, whilst on a great portion of it (namely, the Common Fund portion) interest has to be paid. It would be a great advantage if power were given to borrow from the Treasury or the bank for short periods (say, a maximum of three months) up to, say, £60,000, by hypothecation of Common Fund securities on terms approved by the Minister. The bank balance might then be allowed to go down to, say, £10,000, and if a temporary advance were needed, the figures would speedily readjust themselves by the simple process of discontinuing the grant of Office loans.

WEST COAST SETTLEMENT RESERVES.

The question whether those lessees who did not convert within the time limited by statute should be given a further opportunity of doing so has been inquired into and reported on by a Commission. The report is adverse, the Commission thinking that the Natives should not be deprived of the opportunity of obtaining occupation of the land by outbidding the present lessees.

It must be remembered, however, that the lands are in a high state of cultivation, the result of capital, industry, and skill expended through a long course of years. The Natives will profit little by the bare right to bid, unless they possess both the money to pay for improvements and outgoings and the ability to maintain the land at its present standard. I am afraid that with very few of them would this be so. The probable result, therefore, in most cases would be to unsettle the lessee without benefiting the Native.

The total area involved is about 18,000 acres. Whatever is to be done with respect to it, I am strongly of opinion that steps should be adopted to utilize the enormous area not now occupied at all by European lessees. Nearly 20,000 acres have been reserved for commonages and kaingas, and are practically idle. In addition to this, nearly 30,000 acres have been reserved for occupation by the Natives, and for this purpose the practice has been to issue to them occupation licenses for short terms at low rentals. The experiment has not proved a success. Where the Natives actually occupy they do little to develop the land, and in many cases they do not occupy at all, but let Europeans have the use of it upon payment, but without tenure.

It would be an excellent thing if a scheme were devised under which these areas could be taken up by the Natives in small associations under management or control of some kind, and with funds advanced by the Public Trust Office for the working and stocking. In this way the lands would be brought into profitable use, and the Natives would be trained in dairying and farming.

A large number of the existing leases fall in during the next two years, and steps are now being taken to have the requisite valuations made for the purposes of renewal. The new rents will show large increases, and in these circumstances I think the rate of commission charged by the Public Trust Office might be reduced to, say, 5 per cent. The present rate is $7\frac{1}{2}$ per cent., which does little more than cover expenses. With the large increase in the rents, however, the proposed reduction to 5 per cent. is reasonable. The difference— $2\frac{1}{2}$ per cent.—would amount approximately to, say, £700 a year when all the existing leases are renewed. If this were set aside as a primary fund it would provide interest and sinking fund for at least £10,000, which the Office could advance, and which would be sufficient to effectively start and test the scheme.