

the Department to obtain a net annual return by way of rental of 5 per cent. for every £100 of capital value, and to do this a loading of 14 per cent. would be required, thus—

						£	s.	d.	
Capital invested	..	..	..	..	..	100	0	0	
Loading	..	..	..	..	..	14	0	0	
						£114	0	0	
					£	s.	d.		
Rent at £5 per cent.	..	..	..	..	..	5	14	0	
Less rebate of 10 per cent.			..	..	0	11	5		
Less administration expenses of 2½ per cent.	..	..	..	..	0	2	7		
							0	14	0
						£5	0	0	

In other words, rent should be calculated at £5 14s. per cent. (say, 5¾ per cent.) to provide a net return of 5 per cent., and even then there would be no margin in the annual rent to meet possible losses, as these calculations are based on the assumption that all lands will be immediately selected and the Crown will grant no concessions whatever, except rebates for prompt payment. **To put land-settlement on a sound basis a reserve of at least ½ per cent. should be provided to meet contingent losses which are sure to occur.**

862. The foregoing refers more particularly to the disposal of land by way of lease, but the Act also provides that at the discretion of the Minister land may be sold for cash or on deferred payments by public auction, and in such case the upset price must again equal the capital value of the land as explained previously.

863. While we do not wish to advocate that settlement lands should be sold only for cash or on deferred payment, we consider that the advantages which would accrue from sales by auction should be set out. They are—

- (a) The price realized is fixed by competition and may (if the purchase by the Crown has been a favourable one) result in a capital profit.
- (b) The interest on deferred payment sales is now fixed at 5½ per cent. (less rebate, 10 per cent.) so that the annual return is approximately ½ per cent. greater than from leases.
- (c) The return of capital through sales provides funds for the acquisition of further land, thereby tending to reduce borrowing.

864. There is, of course, the objection that sales by auction exclude applicants with little capital, who would be unable to pay the initial deposit, but nevertheless would have sufficient for stock and initial development. We understand that the policy is that rural land shall be disposed of by way of lease, but wish to draw attention to the general advantages of disposal by way of sale, as, failing an amendment to the law to enable rent to be fixed on a higher basis, **it is obvious that sales by auction would produce the best financial results and might avoid later charges on general taxation to make good losses in the Land for Settlements Account.**

865. In addition to the unfavourable position as regards present purchases and sales, the account will probably be adversely affected by conversions of maturing loans at increased rates; but in this connection no remedy is possible, as no adjustment can be made in the rental of current leases. In the past, rents have been as low as 4½ per cent. on the capital value, representing a net return of approximately £3 19s. per cent. A considerable amount of loan capital was raised at 4 per cent. in the past, so that the rental return was approximately sufficient to meet interest on capital. However, renewals of these 4-per-cent. loans at, say, 5 per cent., will mean a direct loss to the Crown.

866. That purchase and subdivision of lands have resulted in considerable capital losses may be evidenced from the following statement showing the capital cost and present value of estates which have been purchased in the past. These are just a few typical cases taken at random, and from the information which we have obtained there are many other instances of substantial losses of capital, not to mention the loss in interest, owing to the insufficiency of rental returns.

Settlement.	Total Cost.	Capital Loss.	Settlement.	Total Cost.	Capital Loss.
	£	£		£	£
Motutara	42,851	27,305	Ahiaruhe	37,985	15,874
Koremea	22,413	11,603	Akitio	43,811	17,220
Pakaraka	29,294	13,341	Arawhata	6,607	2,129
Streamlands	13,498	6,023	Cherry Grove	6,469	2,547
Remuera	69,473	29,538	Kairanga	35,749	13,939
Waimata	33,866	2,556	Marama-a-mau	22,650	11,850
Waiteitei	14,528	7,848	Teschemaker	45,157	10,080
Hereford Park	11,195	8,951	Douglas	86,256	14,957
Horahora	15,654	4,864	Waitohi Peaks	60,300	23,679
Otamarakau	10,663	756	Hawthorne	17,830	4,035
Kaipaki	6,470	1,740	Broadfields	14,213	6,660
Tahaia	20,718	8,188	Mount Nething	43,000	6,335
Waiare	8,482	2,172	Ardlussa	38,630	25,347
Repongaere	48,430	28,700			
				806,192	308,237