1934.

NEW ZEALAND.

NATIVE AFFAIRS COMMISSION.

REPORT OF THE COMMISSION ON NATIVE AFFAIRS.

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION

TO INQUIRE INTO AND REPORT UPON THE DEPARTMENTS OF GOVERNMENT CONCERNED WITH ADMINISTRATION OF NATIVE AFFAIRS.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to The Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant; and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer.

PURSUANT to the Commissions of Inquiry Act, 1908, and in exercise of all other powers and authorities enabling me in this behalf, I, Charles, Baron Bledisloe, Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council, do hereby appoint you the said

DAVID STANLEY SMITH,
JOHN ALEXANDER,
DONALD GORDON JOHNSTON, and
LAWRENCE WILLIAM NELSON

to be a Commission to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand, and, in particular,—

I. The schemes now in operation under the Native Land Act, 1931, or any other authority, for the development of the lands of the Maori people, and for assisting them in farming, and all matters arising out of or in connection therewith, including—

(*a*) The probability of their achieving the results intended, or of their being justified by the benefits they confer on the Maori people; and

(*b*) The sources from which they are financed, and the expenditure and control of and accounting for moneys, stores, and credits in connection therewith.

II. The funds which are available to the Maori people, the purposes for which they may be applied or should be applicable, and whether they might be used more effectively.

III. Such other matters arising thereout as may come under your notice in the course of your inquiries and which you consider should be investigated in connection therewith.

And to make such recommendations as you may think fit in relation to the matters aforesaid.

And, with the like advice and consent, I appoint you the said

The Honourable Mr. Justice DAVID STANLEY SMITH

to be the Chairman of the said Commission.

And you are hereby authorized to conduct any inquiry under these presents at such times and places as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and to examine on oath or otherwise such persons as you think capable of affording you information as to the matters aforesaid, and to call for and examine all such books, papers, writings, documents, and records as you deem likely to afford you the fullest information on any such matters.

And using all due diligence, you are required to report to me, under your hands and seals, not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion on the aforesaid matters.

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents or by my direction, the contents or purport of any report so made or to be made by you.

And it is hereby declared that this Commission shall continue in full force and virtue although the inquiry be not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

[L.S.] Given under the hand of His Excellency the Governor-General and issued under the Seal of the Dominion, this twenty-eighth day of February, one thousand nine hundred and thirty-four.

GEO. W. FORBES.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

Native Affairs Commission: Extending Period within which Commissioners shall report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to the Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant; and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer: Greeting.

WHEREAS by Warrant dated the twenty-eighth day of February, one thousand nine hundred and thirty-four, you the said

DAVID STANLEY SMITH
JOHN ALEXANDER,
DONALD GORDON JOHNSTON, and
LAWRENCE WILLIAM NELSON

were appointed to be a Commission under the Commissions of Inquiry Act, 1908, to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native Affairs in New Zealand: And whereas by the said Warrant you were required to report to me under your hands and seals

not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion as to the aforesaid matter: And whereas it is expedient that the period within which you are required to report to me should be extended as hereinafter provided:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you are required to submit a report to me, as by the said Commission provided, to the thirtieth day of June, one thousand nine hundred and thirty-four:

And in further pursuance of the powers vested in me by the said Act, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

[L.S.] Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this twenty-fourth day of May, one thousand nine hundred and thirty-four.

GEO. W. FORBES, Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

Native Affairs Commission: Further extending Period within which Commissioners shall report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to the Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant, and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer: Greeting.

WHEREAS by Warrant dated the twenty-eighth day of February, one thousand nine hundred and thirty-four, you the said

DAVID STANLEY SMITH,
JOHN ALEXANDER,
DONALD GORDON JOHNSTON, and
LAWRENCE WILLIAM NELSON

were appointed to be a Commission under the Commissions of Inquiry Act, 1908, to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand: And whereas by the said Warrant you were required to report to me under your hands and seals not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion as to the aforesaid matter: And whereas by Warrant dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, the period within which you were required to submit a report to me as by the said Commission provided was extended to the thirtieth day of June, one thousand nine hundred and thirty-four: And whereas it is expedient that the period within which you are required to report to me should be further extended as hereinafter provided:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you are required to submit

a report to me, as by the said Commission provided, to the thirty-first day of July, one thousand nine hundred and thirty-four.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this twenty-fifth day of June, one thousand nine hundred and thirty-four.

[L.S.]

GEO. W. FORBES, Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

Native Affairs Commission: Further extending Period within which Commissioners shall report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to the Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant; and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer: Greeting.

WHEREAS by a Warrant dated the twenty-eighth day of February, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the Dominion of New Zealand, you the said DAVID STANLEY SMITH, JOHN ALEXANDER, DONALD GORDON JOHNSTON, and LAWRENCE WILLIAM NELSON, were appointed to be a Commission under the Commissions of Inquiry Act, 1908, to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand: And whereas by the said Warrant you were required to report to me under your hands and seals not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion as to the aforesaid matter: And whereas by Warrant dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, the period within which you were required to report to me as by the said Commission provided was extended to the thirtieth day of June, one thousand nine hundred and thirty-four: And whereas by Warrant dated the twenty-fifth day of June, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, such period was further extended to the thirty-first day of July, one thousand nine hundred and thirty-four: And whereas it is expedient that such period should be further extended as hereinafter provided:

Now, therefore, in pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby further extend the period within which you are required to report to me as provided by the said Commission, and by the said Warrants dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, and the twenty-fifth day of June, one thousand nine hundred and thirty-four, to the thirty-first day of August, one thousand nine hundred and thirty-four:

And in further pursuance of the said powers and authorities, and with the like advice and consent, I do hereby confirm the said Commission except as altered by the said Warrants dated the twenty-fourth day of May, one thousand nine

hundred and thirty-four, and the twenty-fifth day of June, one thousand nine hundred and thirty-four.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this thirtieth day of July, one thousand nine hundred and thirty-four.

[L.S.]

J. G. COATES, for Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

Native Affairs Commission: Further extending Period within which Commissioners shall report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to the Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant; and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer: Greeting.

WHEREAS by a Warrant dated the twenty-eighth day of February, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the Dominion of New Zealand, you the said DAVID STANLEY SMITH, JOHN ALEXANDER, DONALD GORDON JOHNSTON, and LAWRENCE WILLIAM NELSON, were appointed to be a Commission under the Commissions of Inquiry Act, 1908, to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand: And whereas by the said Warrant you were required to report to me under your hands and seals not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion as to the aforesaid matter: And whereas by Warrant dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, the period within which you were required to report to me as by the said Commission provided was extended to the thirtieth day of June, one thousand nine hundred and thirty-four: And whereas by Warrant dated the twenty-fifth day of June, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, such period was further extended to the thirty-first day of July, one thousand nine hundred and thirty-four: And whereas by Warrant dated the thirtieth day of July, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, such period was further extended to the thirty-first day of August, one thousand nine hundred and thirty-four: And whereas it is expedient that such period should be still further extended as hereinafter provided:

Now, therefore, in pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby further extend the period within which you are required to report to me as provided by the said Commission and by the said Warrants dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, the twenty-fifth day of June, one thousand nine hundred and thirty-four, and the thirtieth day of July, one thousand nine hundred and thirty-four, to the thirtieth day of September, one thousand nine hundred and thirty-four:

And in further pursuance of the said powers and authorities, and with the like advice and consent, I do hereby confirm the said Commission except as altered

by the said Warrants dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, the twenty-fifth day of June, one thousand nine hundred and thirty-four, and the thirtieth day of July, one thousand nine hundred and thirty-four.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this twenty-seventh day of August, one thousand nine hundred and thirty-four.

[L.S.]

J. G. COATES, for Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

Native Affairs Commission: Further extending Period within which Commissioners shall report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to the Honourable Mr. Justice DAVID STANLEY SMITH, a Judge of the Supreme Court; JOHN ALEXANDER, Esquire, of Auckland, Barrister and Solicitor; DONALD GORDON JOHNSTON, Esquire, of Wellington, Public Accountant; and LAWRENCE WILLIAM NELSON, Esquire, of Whangarei, Farmer: Greeting.

WHEREAS by a Warrant dated the twenty-eighth day of February, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the Dominion of New Zealand, you the said DAVID STANLEY SMITH, JOHN ALEXANDER, DONALD GORDON JOHNSTON, and LAWRENCE WILLIAM NELSON, were appointed to be a Commission under the Commissions of Inquiry Act, 1908, to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand: And whereas by the said Warrant you were required to report to me under your hands and seals not later than the thirty-first day of May, one thousand nine hundred and thirty-four, your opinion as to the aforesaid matter: And whereas by Warrants dated respectively the twenty-fourth day of May, one thousand nine hundred and thirty-four, the twenty-fifth day of June, one thousand nine hundred and thirty-four, the thirtieth day of July, one thousand nine hundred and thirty-four, and the twenty-seventh day of August, one thousand nine hundred and thirty-four, and issued under my hand and the Seal of the said Dominion, the period within which you were required to report to me as by the said Commission provided was successively extended to the thirtieth day of September, one thousand nine hundred and thirty-four: And whereas it is expedient that such period should be further extended as hereinafter provided:

Now, therefore, in pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby further extend the period within which you are required to report to me as provided by the said Commission and by the said Warrants dated the twenty-fourth day of May, one thousand nine hundred and thirty-four, the twenty-fifth day of June, one thousand nine hundred and thirty-four, the thirtieth day of July, one thousand nine hundred and thirty-four, and the twenty-seventh day of August, one thousand nine hundred and thirty-four, to the twentieth day of October, one thousand nine hundred and thirty-four:

And in further pursuance of the said powers and authorities, and with the like advice and consent, I do hereby confirm the said Commission, except as altered by the aforesaid Warrants dated the twenty-fourth day of May, one thousand nine

hundred and thirty-four, the twenty-fifth day of June, one thousand nine hundred and thirty-four, the thirtieth day of July, one thousand nine hundred and thirty-four, and the twenty-seventh day of August, one thousand nine hundred and thirty-four.

[L.S.] Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this first day of October, one thousand nine hundred and thirty-four.

GEO. W. FORBES, Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

To His Excellency the Governor-General of the Dominion of New Zealand.

MAY IT PLEASE YOUR EXCELLENCY,—

1. We, the Commissioners appointed by Your Excellency "to inquire into and report upon the administration of the Departments of Government concerned with the administration of Native affairs in New Zealand and in particular—

"I. The schemes now in operation under the Native Land Act, 1931, or any other authority, for the development of the lands of the Maori people, and for assisting them in farming, and all matters arising out of or in connection therewith, including—

"(*a*) The probability of their achieving the results intended, or of their being justified by the benefits they confer on the Maori people; and

"(*b*) The sources from which they are financed, and the expenditure and control of and accounting for moneys, stores, and credits in connection therewith:

"II. The funds which are available to the Maori people, the purposes for which they may be applied or should be applicable, and whether they might be used more effectively:

"III. Such other matters arising thereout as may come under your notice in the course of your inquiries and which you consider should be investigated in connection therewith:

"And to make such recommendations as you may think fit in relation to the matters aforesaid," have the honour to submit our report.

2. Throughout our inquiry we have had the assistance of the two counsel appointed by the Government, Mr. R. H. Quilliam, of New Plymouth, who was appointed to assist the Commission generally, and Mr. G. P. Finlay, of Auckland, who was appointed to represent the interests of the Native people. During the course of our inquiry various applications were made by other counsel for leave to represent before the Commission persons or bodies concerned in the matters under inquiry, and such requests were in each case granted.

3. Before we commenced taking evidence we caused to be inserted in the newspapers in those districts where were resident persons concerned with the subject-matter of our inquiries a notice of the sittings of the Commission and its scope, and we invited evidence from those having knowledge of the matters under inquiry. The sittings of the Commission in the various places where we sat were duly advertised in the local newspapers.

4. We held a preliminary meeting in Wellington on the 16th March, 1934, and decided to sit in public to hear evidence and argument, but we reserved to ourselves the right to make any inquiries concerning the matters in question which we thought necessary. We then publicly indicated our view of the scope of our inquiry and adjourned until the 10th April, to enable counsel to brief their

evidence. We resumed our sittings in Wellington on the 10th April, and continued until the 13th April, when we adjourned to Auckland. We have since held the following public sittings: Auckland, 19th to 27th April; Whangarei, 4th and 5th May; Rotorua, 11th to 23rd May; Gisborne, 30th May to 2nd June; Rotorua, 5th June; Wellington, 19th June to 6th July, and 18th to 20th July. We have been continuously engaged since the close of our public sittings in the preparation of our report.

5. During the course of our inquiry we visited the following development-scheme lands: Kaihau and Waipipi (near Waiuku); Onewhero; Panguru and Waima Bush (in the Hokianga District); Horohoro, Parekarangi, Peka, Tihiotonga, Tikitere, Brent's Farm, Wharenui Nursery, Maketu, Rotoiti, Taheke and Okere (in the neighbourhood of Rotorua); Ngatiawa, Ruatoki, Opape Base Farm, Whakatohea, Torere and Te Kaha (in the Bay of Plenty District); Takatahu, Waiapu-Matakaoa, Hoia Station, Hakurenga Station (on the East Coast, between Hicks Bay and Gisborne); Mohaka; Ruatahuna (in the Urewera Country); Tokaanu; and Waimiha, Te Kuiti Base Farm and Mahoenui (in the King Country). One of our members, Mr. L. W. Nelson, also visited separately the Te Kao Dairy Scheme, at Parengarenga, North Auckland; and Hereheretau Station, belonging to the East Coast Maori Soldiers' Fund, at Whakahi, in Poverty Bay. We also visited, for purposes of comparison, the experimental farm conducted at Ngakuru, near Rotorua, by the Lands Department; and the Prisons Department's farm at the Hautu Prison Camp, near Tokaanu.

6. During the course of our investigations one hundred and forty-seven witnesses gave evidence before us. In most cases the evidence was led by one of the counsel appointed by the Government, and was subject to cross-examination by the other counsel so appointed and to the questions of members of the Commission, but, in other cases, evidence was led by counsel admitted to appear before us, and such evidence was subject to cross-examination by Mr. Quilliam and Mr. Finlay and to our own questioning. The oral evidence, as recorded, occupies 2,167 typed foolscap pages. Many of the witnesses submitted, in addition, lengthy prepared statements on which they were examined, and a great mass of documentary evidence and files was tendered by, or required by us from, the Native Department, the various Maori Land Boards, the Audit Department, and the other Departments of Government concerned with the matters under investigation.

7. We were much assisted in our investigation of the complaints made by the Controller and Auditor-General by the careful and thorough manner in which the documentary evidence of the Audit Department was compiled. It was necessary for us to call upon the Native Department to prepare memoranda, statistical statements, tables of expenditure and similar information, and we have been greatly assisted by the ready response which the officers of the Department have made to our requisitions. We have also called on other Government Departments for assistance, and we have been much obliged for the information which they have readily supplied.

8. During the whole of our public sittings the Under-Secretary of the Native Department (Mr. P. G. Pearce), and Mr. C. G. Collins, of the Audit Department, have been in attendance, and they made possible the ready supply of information, when required, which has also greatly assisted us.

We have derived great help from the labours of the two counsel appointed by the Government. They were obliged to work long hours in order to be able to present to us in suitable form the mass of material which came before them. We are greatly indebted to them for their efforts.

It is difficult for us to express adequately our appreciation of the services of our Secretary, Mr. R. F. A. Grey, LL.B., but we may say that he has discharged to our entire satisfaction a difficult and onerous task with rare tact and ability.

We desire to acknowledge also the great assistance we have derived from the quickness and efficiency of the staff which was attached to the Commission.

9. We have found it convenient to divide our report into parts, as follows:—

Part I.—The Classes of Schemes. (Para. 10.)
Part II.—The Schemes of the Maori Land Boards. (Paras. 11–111.)
Part III.—Matters arising out of the Maori Land Board Schemes. (Paras. 112–126.)

Part IV.—The Schemes of the Native Trustee. (Paras. 127–154.)
Part V.—The State Development Schemes—other than their Finnacial Administration. (Paras. 155–179.)
Part VI.—Matters arising out of the State Development Schemes. (Paras. 180–225.)
Part VII.—Recommendations as to the Development Schemes. (Paras. 226–238.)
Part VIII.—Whether the Development Schemes are likely to achieve the Results intended or are justified by the Benefits which they confer upon the Maori People. (Paras. 239–257.)
Part IX.—The Financial Administration of the State Development Schemes. (Paras. 258–339.)
Part X.—The Complaints of the Controller and Auditor-General. (Paras. 340–536.)
Part XI.—Further Matters arising out of the Inquiry into the Development Schemes. (Paras. 537–610.)
Part XII.—The Funds available to the Maori People. (Paras. 611–767.)
Part XIII.—The Administration of the Native Trustee. (Paras. 768–856.)
Part XIV.—The East Coast Native Trust. (Paras. 857–863.)
Part XV.—Special Complaints by Private Persons. (Paras. 864–956.)

PART I.—THE CLASSES OF SCHEMES.

10. The schemes now in operation for the development of the lands of the Maori people and for assisting them in farming are, in so far as they affect our inquiry, of three main kinds. They are—

1. Schemes which depend on funds provided by the State;
2. Schemes which depend on funds provided by the Maori Land Boards; and
3. Schemes which depend on funds provided by the Native Trustee.

Each class of scheme is governed by its own statutory authorities. Schemes of the first class are much the most important, but they were not the first in operation. It will be convenient for the purposes of our Order of Reference and convey, as well, a better appreciation of the circumstances in which the State schemes were established if we deal with the schemes in the following order: Schemes of the Maori Land Boards, Schemes of the Native Trustee, and Schemes of the State.

PART II.—SCHEMES OF THE MAORI LAND BOARDS.

11. We think it desirable to explain, at the outset, the legislation governing these schemes.

12. *Constitution and Farming Powers.*—Maori Land Boards were first constituted under the Maori Land Settlement Act, 1905. They are in law corporate bodies holding and administering real and personal property on behalf of their beneficiaries. A Maori Land Board consists of two members, one of whom is the Judge and the other the Registrar of the Native Land Court District. The Judge is President of the Board, and in cases of disagreement has power to decide all matters in question. This, in effect, gives the whole power of control to the President. By the Native Land Amendment Act of 1932 and the Native Purposes Act of 1933, the Native Land Settlement Board now exercises a substantial measure of control over the financial operations of a Maori Land Board. We refer again to this question of control after we have reviewed the schemes for development and farming assistance of the several Maori Land Boards.

13. Lands vested in Maori Land Boards include to-day lands under Part XV of the Native Land Act, 1931 (formerly 1909). Part XV comprises (*inter alia*) lands vested in a Maori Land Board by Maori Councils constituted under the Maori Lands Administration Act, 1900; Native lands in respect of which the Government has redeemed survey liens; and also Native freehold lands which have not been kept properly cleared of noxious weeds and which have been vested in a Maori Land Board by Order in Council. By section 292 of the Act of 1909 (now section 358 of 1931), lands under Part XV may be managed by a Maori Land Board as a farm. This power is now subject to certain powers of control vested in the Native Land Settlement Board.

14. By section 19 of the Act No. 48, 1922 (now section 99 of 1931), a Maori Land Board was enabled, with the consent of the Native Minister (now the Native Land Settlement Board), to advance moneys upon mortgage. A mortgage involved, however, a registerable document and signature by the owners. By section 8 of the Act No. 64, 1926 (now section 100 of the Native Land Act, 1931), a Maori Land Board was authorized, subject to the approval of the Native Minister (now the Native Land Settlement Board), to advance moneys out of its funds for the farming, improvement, or settlement of any Native lands. The security was a statutory charge binding all the owners without the necessity for a mortgage or a personal covenant.

15. By section 12 of the Act No. 67, 1927 (now section 106 of the Native Land Act, 1931) a Maori Land Board was authorized, subject to the approval of the Native Minister (now the Native Land Settlement Board), to acquire land for and on behalf of any Native or body of Natives at such price and upon such terms as the Board should think expedient. The Board was required to hold such land upon trust for such Natives subject to the payment to the Board of (*a*) the costs of acquisition, (*b*) the Board's charge for administration, and (*c*) any payments made by the Board in respect of such land.

16. By section 3 of the Act No. 49, 1928 (now section 523 of the Native Land Act, 1931), a Maori Land Board, may with the consent of a majority of the Native owners of any land, manage the whole or any part or parts of such land, and may carry on any agricultural or pastoral business or any other business or occupation connected with land and the produce thereof, on behalf of and for the benefit of the owners or such Natives as may be interested in the business carried on. A Board may also exercise these powers pursuant to an Order of the Native Land Court, which order has the same effect as the consent of the owners. The powers of the Board are set out in detail in the section.

17. By section 26 of the Act No. 19, 1929 (now section 105 of 1931), a Board was authorized, with the approval of the Native Minister (now the Native Land Settlement Board), to purchase and farm lands out of any funds at its disposal and to appoint managers who were the servants of the Board. By section 24 of the same Act (now section 103 of 1931), a Board was authorized, with the consent of the Native Minister (now the Native Land Settlement Board), to guarantee the accounts of Native dairy-farmers with any co-operative dairy company, not exceeding in any one case the sum of £300.

18. *Finance.*—A Maori Land Board is entitled to use the moneys in its account for the aforesaid development and farming purposes. Moneys in a Board's account formerly constituted the separate Common Fund of each Maori Land Board. Now, by section 19 of the amending Act of 1932, all the separate Common Funds appear to have been made one Common Fund for the purpose of making "investments and advances" (see section 101 of the Act of 1931). The Common Fund of all the Maori Land Boards comprises all moneys of the Boards not expressly forbidden to be invested or not expressly invested on behalf of a particular estate or trust. The Fund comprises moneys paid on alienations, compensation-moneys payable to lessees, and other moneys held for private uses. It is obvious that great care and discretion should be exercised in the use of such a fund for farming purposes. The undivided share of each Maori Land Board in the present Common Fund seems still to be referred to as the Common Fund of each Maori Land Board.

19. We refer now to the schemes for development and farming assistance of the several Maori Land Boards. We set out the main investments and advances from the Common Fund and other sources, including special investments, so that the proportion used for development and farming purposes may be gauged. Some of the Boards have made special investments on account of particular estates which assist those purposes. These investments are not part of the Common Fund.

Tokerau District Maori Land Board, North Auckland.

20. The accounts of this Board for the year ended 31st March, 1934, show that the Board's share of the Common Fund of the Maori Land Boards stood at £42,371. In addition there was also available for investment the funds of the reserve accounts, together with the balance of appropriation account. The total is approximately £51,000. The main investments and advances at 31st March last from the Common Fund and other sources are as follows:—

	£
Te Kao Farm Scheme	33,147
Owing by Native Department for advances to units taken over by Department	10,015
Loans to Natives	673
Cash balances	1,566
Mortgage investments	2,400
Sundry debtors and advances on overdraft	959
Furniture and fittings	285

The development and farming investments of this Board obviously constitute the great bulk of its investments. We refer separately to the Te Kao Farm Scheme and to the advances to units.

Te Kao Dairy-farming Scheme.

21. This scheme was begun in the year 1925. The expenditure to the 31st March last was, as shown above, £33,147. This amount includes interest outstanding of £2,369. The present-day valuations which we have had show that the scheme is worth to-day, including the value of the land on which moneys have been expended, about £10,000. Having regard to the terms of section 8 of the Act of 1926, we are not clear as to how far lands outside the scheme are security for the moneys expended. Excluding such lands, there has been an apparent monetary loss on the scheme itself of about £23,000. In April last Supervisors Findlay and Wallace reported that the scheme was hopeless from a business point of view.

22. Much blame has been attributed by the Native Department and by the National Expenditure Commission to Judge Acheson for the expenditure on this scheme. Judge Acheson's attitude before us was, in effect, that he takes full responsibility for the scheme until about the end of 1929, when his authority to expend moneys was stopped by Head Office. From that time onwards Judge Acheson complains that land prepared for sowing was not sown, that new grass was not supplied with essential stock, that the top-dressing of existing pastures was seriously neglected, and that very inadequate supervision has been provided.

23. The Native Minister has informed us that he has no files or documents relating to the Te Kao Scheme, although it is plain that from the end of 1929 the Minister directed the management. The Minister stated that all records would be on Head Office files. The Head Office files submitted to us lack important information with regard to the approval by the Native Minister in office during 1928 of Judge Acheson's expenditure. They also lack information with regard to the policy which was to be pursued when the succeeding Native Minister took control of the expenditure. We have, however, been able to supplement the Head Office files by the files of the Tokerau Board. The latter files show that important letters relating to financial control are missing from Head Office files. This is a serious matter, and it should be investigated by the head of the Department. Copies, at least, should be placed on the Head Office files to replace the missing documents. Under the circumstances, we can have no confidence that memoranda concerning the policy to be pursued at Te Kao are not also missing. We have, however, with such information as we have been able to obtain, endeavoured to form a balanced view of the position, and we make the following statement.

24. *Inception of Te Kao Dairy Scheme.*—The Te Kao lands comprise the Parengarenga and Pakohu Blocks in the North Auckland District. These were blocks in respect of which the Native Minister had redeemed survey mortgages and which were vested in a Maori Council by section 3 of the Maori Land Claims Adjustment and Laws Amendment Act, 1904. By section 287 of the Native Land Act, 1909, these lands were brought within Part XV of the Act of 1909 and are now within Part XV of the Act of 1931.

25. The Te Kao Native settlement on these blocks lies on the shores of the Parengarenga Harbour about forty-five miles to the north-west of Awanui and about twelve miles from the nearest European settlement. It consists to-day of about 330 Natives—men, women, and children. In 1925 the people were in a very poor condition. There was a severe slump in the gum industry, and only a few Natives with pensions had an income. Most of the people were in a starving condition. The evidence of Judge Acheson is that one in every four children under twelve months of age died. The school-children were sickly and suffering from skin-diseases. There were no cows in the settlement. Under these circumstances, the then Native Minister (the Right Hon. J. G. Coates) asked Judge Acheson to investigate the position and report. The Judge did so and advised, with confidence, that a dairy-farming scheme should be commenced.

26. The Native Minister called for a report from the Department of Agriculture. We take the following extract from the report of Mr. T. H. Patterson, Instructor in Agriculture, Auckland, dated 28th October, 1925:—

> "In company with Judge F. O. V. Acheson, President, Tokerau Native Land Board, and Mr. C. J. Hamblyn, I visited Houhora, Waihopa, Ngataki, Te Kao, and Te Hapua recently with the object of inspecting the land and giving an opinion on its suitability for dairying.
>
> "There is sufficient land around the Parengarenga and Houhora Harbours to make a start with dairying. At Te Kao there is an area of approximately 400 acres of flat land which with a little more drainage could be put into good pasture readily and maintained fairly cheaply. There are 500 acres of hill land on the northern side of the settlement valley which could be grassed. This, with the flat lands, would make satisfactory dairy-farms where the sections were at least 40 acres in extent, but preferably larger.
>
> "There are other swamp areas in raupo and flax near the main settlement, notably the area on which Joseph Conrad has his home, which, when drained, would provide about 400 to 500 acres of land suitable for grassing. At Te Hapua there is a total estimated area of about 800 acres conveniently situated which could be developed and used for dairying.
>
> "Altogether there would be over 2,000 acres that could be brought into profit fairly readily. This would, when grassed, manured, subdivided, and properly managed, support about 500 to 600 cows."

Mr. Patterson's report shows that he considered that the cream would be delivered to Awanui, although he thought that in the future a small local factory might be supported. He also considered that Mr. Watt, the teacher at the Native School, Te Kao, should act as a supervisor and that instruction should be given by the Department of Agriculture through him. With regard to the Natives, he said,—

> ". . . The young men are robust, intelligent, and of a type which I believe would apply themselves to the work. Some of them already possess a grasp of farming and have regularly cultivated small areas round their homes, while the valley and portions of the hill lands are in grass, and have been grazed for years past. The bulk of the Te Kao Natives especially would, with direction and help, make good."

If the 800 acres at Te Hapua be subtracted from the 2,000 acres mentioned, it will be seen that Mr. Patterson considered that there were 1,200 acres at Te Kao which could be brought into profit as dairy-farms fairly readily.

27. A further report was obtained about the same time from Mr. A. N. Campbell, Chief Drainage Engineer at Auckland. As we read Mr. Campbell's report, he considered that there were 800 acres worth developing on which drainage could be carried out.

28. These reports were submitted to the Native Minister. He was not at this time under any statutory obligation to consider whether he should approve of the dairy scheme proposed or of advances from the Board's funds for that purpose, but he had initiated the report of Judge Acheson, and the Board was, in fact, depending on the Minister's decision as to whether the scheme should be commenced by advances from the Board's funds. There is no evidence on the files that any estimate was made of the total cost of development or of the amount which the Board would be prepared to authorize in the interests of the Te Kao Natives, having regard to the claims of the other beneficiaries of the Board upon its funds. In January, 1926, Judge Acheson was notified by the Under-Secretary that the Native

Minister concurred in the Te Kao Dairy Scheme and the Maori Land Board's proposals, and that the Minister suggested that the Board should proceed to carry them out immediately. For this purpose the Minister approved advances from the Board's funds of £1,000 for the dairy scheme, and £300 for drainage.

29. *Progress of the Scheme to the End of 1929.*—In June, 1926, the Native Minister approved a further advance of £500 provided that the Board was satisfied as to the security, so that there would be no loss in the matter, but the Under-Secretary stated, when writing to the Board, that though the Minister sympathized with the efforts that were being made for the betterment of the Natives and consented to the advance, it must be distinctly understood that the whole responsibility for administering its funds rested with the Maori Land Board.

30. Section 8 of the Native Land Amendment and Native Land Claims Adjustment Act, 1926 (now section 100 of the Native Land Act, 1931), came into force in September, 1926. That section was expressed to confer powers in addition to any other powers of investment then possessed by the Board. It enabled a Maori Land Board, subject to the approval of the Native Minister, to advance moneys out of its funds for the purpose of any land managed by it as a farm under Part XV of the Act, and also for the farming, improvement, or settlement of any Native freehold land. Such advances, when made, became a statutory charge upon the land without the need of a mortgage from the owners. Provision was made for the execution of a memorandum of charge by the Board and for its registration against the land. Subsection (5) of this section provided that a memorandum of charge might extend to and include any moneys advanced or expended by a Board prior to the passing of the Act for any of the purposes mentioned in the section. Section 8 plainly applied to the farming, improvement, and settlement of the Te Kao lands by the Tokerau Maori Land Board. Judge Acheson says that he did not require the powers of this section to enable him to farm the lands without the approval of the Minister. But, substantially, the Board did not farm or intend to farm the land on its own account under Part XV. The Board intended to create, and did create, a unit scheme under which the Board made advances to units to enable them to do their own farming. Under those circumstances the Board required the authority of section 8, and therefore the approval of the Native Minister to its advances and, in fact, it was under that section that the advances were approved.

31. The passing of this section, however, not only enabled a charge to be obtained for the moneys which the Board had already expended with the actual approval of the Minister, but it also cast upon the Minister the statutory duty of approving further advances. It followed that the view expressed by the Under-Secretary in the month of June—viz., that the whole responsibility lay with the Board—was no longer tenable. There was an obligation then on the Minister to consider what policy he would adopt when asked to approve advances by the Maori Land Board, which was using its funds, held on behalf of all its beneficiaries, for the purpose of establishing dairy-farms for the benefit of a small section of those beneficiaries. It seems to us that such considerations as the following were relevant:—

(i) That an initial expenditure on breaking in land for dairying must be followed by further expenditure in order to bring the farming operations to a profitable stage so as to save all the expenditure.

(ii) That, in order to do justice to all the beneficiaries, some limit must be set to the total amount of advances for dairying in the interests of a few.

(iii) That the fixing of the amount of the limit must depend on circumstances—for example, the suitability of the land, the needs of the small section to be benefited, the extent to which other beneficiaries may be regarded as willing that the funds should be expended for the benefit of the few, the soundness of the security available—whether direct or collateral—and the other commitments to which the funds were liable.

(iv) That, before any further funds were expended, a reliable estimate should have been possible that the scheme was likely to succeed, having regard to the quality of the land, the funds available within the limit fixed, and the character of the people. In this connection, where it was proposed to turn Natives, accustomed to the intermittent work of gum-digging, into dairy-farmers who must tend their farms without intermission, the task was one of great magnitude from the human point of view.

(v) That if a reliable estimate that the scheme would succeed was not possible, but it appeared that the scheme was necessary in order to relieve distress, the scheme could only be regarded as an experiment, and an experiment which might fail before the limit of expenditure had been reached, and, in such case, some view was necessary in advance as to how the loss was to be borne.

32. There is no evidence on the files that considerations such as these were taken into account either before the scheme was commenced or at the time when the Minister came under a statutory duty to approve the advances. It is plain that Judge Acheson did not desire that such matters should be considered. He had been deeply moved by the condition of the Natives at Te Kao and he was determined, as he told us, to alter the conditions there. For fear that he would be stopped, he exercised what might be termed astuteness. In his evidence he said:—

> "I knew that I would be squashed flat by the Department in Wellington if I dared to suggest £15,000 or £20,000 for a start. So I started and recommended £1,000 and that was approved, and Mr. Coates kept giving further and further approvals, and I may as well say that occasionally I overstepped the authority and went ahead."

This action was not calculated to assist either the Minister or Head Office. On the other hand, both the Minister and Head Office had their own independent duty to perform, and it is clear, in

our view, that they are not exonerated by the Judge's action. Much of the future trouble has been due to the failure of the Minister and Head Office to take a comprehensive view of the Te Kao Dairy Scheme at the right time.

33. It is unnecessary for us in this report to follow the development operations in detail. The Tokerau Maori Land Board established at Te Kao a complete community settlement with a cream-lorry service, a store, and a hall. The cream-lorry service was necessary. The store also seems to have been useful and necessary as a means of enabling the people to buy stores at moderate prices. It seems also to have helped in creating a community spirit in a settlement divided by religious and other differences. The hall was intended to heal the divisions of opinion in the community, and was justified for that reason in the mind of the Judge. With such aid as the Board obtained from the intermittent visits of the Instructor in Agriculture and from the services of the schoolmaster-supervisor of the scheme, Mr. Watt, the Board advanced thousand of pounds from its funds to enable the scheme to proceed. On occasions the Board overspent its authority. Judge Acheson claimed that he had the oral authority of Mr. Coates to go ahead, and there is nothing in writing from the Minister requiring the Judge to obtain precedent approval of his expenditure until the Minister's letter of the 31st October, 1928.

34. No steps appear to have been taken between June, 1926, and July, 1927, to ascertain the Board's position so that the Minister would be able to judge whether further advances should be approved or not. The first evidence of inquiry on this point is contained in the Under-Secretary's letter to the Board of the 9th July, 1927, which inquired, *inter alia*, as to the estimated maximum amount required to be spent to bring the scheme to a self-supporting stage; the approximate headings under which it was considered the expenditure would require to be made; and the estimated amount required to complete the scheme fully. The Registrar replied on the 15th July that the President estimated—

(*a*) That the maximum amount still required to be spent to make the scheme self-supporting was about £4,000; and

(*b*) That the Board was aiming at keeping the total expenditure on the whole scheme down to a maximum of £10,000.

35. In July, 1927, the Native Minister approved further advances, making the total approved to that date £4,300, subject to the Board being satisfied with the security. At the end of July, 1927, the Under-Secretary, on the Minister's authority, requested the Department of Agriculture to send an officer to inspect the work at Te Kao and advise if the expenditure proposed by the Board might safely be embarked upon. In September, 1927, Mr. C. J. Hamblyn, Instructor in Agriculture at Whangarei, who had accompanied Mr. Patterson of the same Department on his inspection in 1925, reported on a recent visit of inspection of the Te Kao Scheme.

36. Mr. Hamblyn's was a depressing report, both with regard to the quality of the land and the quality of the people as farm-workers. It was a report which differed greatly from the original reports on which the scheme was started. Mr. Hamblyn said:

> "There is no doubt in my mind that the present rate of progress and the proportionate cost per acre of breaking in the land cannot be considered promising of ultimate success."

The report attributed the disappointing results to the following causes: Poor land; severe flooding after the sowing in the autumn of 1926; poor preparation of the land after ploughing; the failure of the Natives to realize the need for economy and for work without immediate reward save sustenance; the fact that the habits of a gum-digging life made it difficult for the Natives to be persistent; the break-downs of the truck; the lack of continual personal supervision by a qualified instructor; and the fact that the schoolmaster, who acted as supervisor, had not had the necessary farming experience. (It appears from Judge Acheson's evidence that there was also a defection of the "Ratana" people at a critical stage of the work.) Mr. Hamblyn considered, however, that to abandon the scheme would mean the loss of the money invested in pastures and drainage and a return of the Natives to gum-digging with its attendant loss of infants and other hardships. He accordingly oulined a procedure for the next three years limited to an area of 500 acres or 600 acres capable, with top-dressing, of carrying about 200 cows.

With regard to this proposal, Mr. Hamblyn made several points—viz., that close supervision and direct and personal instruction on the spot was necessary; that the annual charge for top-dressing would be £300, and that this would have to be continued for a number of years; that kikuyu grass would enable the poorer sections to be grassed at little cost; that provision would have to be made for wintering stock on areas outside the settlement proper; that fencing would be a costly item and had not been sufficiently allowed for in the Registrar's estimates; that no estimate of the cost of bringing in sufficient land to support the whole of the Te Kao families was possible on an ordinary farming basis as the labour was inexperienced and not well organized; that he did not think a further £4,000 was sufficient to reach the Board's objective and that before anything else was done he and Mr. Watt, the supervisor, should hold a further conference. Mr. Hamblyn's report concluded as follows:—

> "In conclusion, I would say that the object of the Board in settling the Natives of Te Kao on their land so that they can eventually earn a living from it can be achieved, but, in view of the circumstances outlined above, I am not prepared to say that with the expenditure on the scheme of £10,000 the Board would have an asset in land, improvements, stock, implements, &c., worth that amount to the Board. But with the continued work of the Natives in bringing in further areas invested in the Board, in future years, after they have once got a start, the lands at Te Kao would be worth much more than this amount in themselves."

37. This report showed plainly that the Board would not have a remunerative asset when £10,000 had been expended. This report was covered by a report from Mr. Patterson mentioned above. Mr. Patterson's view was that in judging of the success of the scheme due allowance should be made for the human aspect, that the scheme should be regarded as a good test of how the Native was likely to succeed in making a living from the land, that every effort should be made to make the scheme a success, and that a special pakeha supervisor should be appointed.

38. In a memorandum covering both these reports to the Native Department, the Acting Director-General of Agriculture pointed out that kikuyu grass did not produce seed and therefore had to be established by other means and he concluded his memorandum as follows :—

> " If your Department is intending to expend considerable sums of money on promoting dairy schemes for the Maoris (and I understand such is the case) perhaps these suggestions made by Mr. Patterson that a special officer be appointed to work in close touch with those engaged in dairying schemes should be viewed with favour. If the idea appeals to you I am prepared to go further into the matter with you."

39. These reports came before the Native Minister in October, 1927, and were referred to Judge Acheson, who replied in the same month (*inter alia*) that the Board was satisfied with its security for advances made and was sure that it could make a success of the dairy scheme. We think, however, that neither the Minister nor Head Office could have had reasonable ground for resting on Judge Acheson's opinion of a dairy-farming venture (if they did rest on it) as against the opinion of the agricultural expert in 1927. In our view, the reports from the Department of Agriculture, which were before the Minister and the Native Department in October, 1927, definitely raised for consideration the question whether the Minister would be able to approve further advances for such a scheme, having regard to the claims of the other beneficiaries of the Tokerau Board on its funds. There is no evidence that any such consideration was given and we incline to the view that neither the Minister not the Department wished to interfere with a work which was at least relieving a difficult situation in the far North.

40. In May, 1928, the Under-Secretary asked the Board for a report on expenditure to 31st March, 1928, and for a statement of what further expenditure was considered necessary to complete the full scheme. In July, 1928, the Registrar reported that the additional expenditure incurred on the scheme for the year ended 31st March, 1928, was £10,171, and the President later in the same month explained that although the Board originally anticipated that it would be able to keep the total expenditure down to £10,000, the expenditure had already reached that amount, and he estimated that the expenditure for the current year—*i.e.*, to 31st March, 1929, would be £4,200. He stated that he held certain assets and receipts against this expenditure, that six families had reached a self-supporting stage, that a large number more would be self-supporting next year, and that the remainder would be self-supporting the following year. He then asked for approval of the £4,200 for the current year. Again, we think there was no reason to rely on such assurances after Hamblyn's report and the covering comments from the Department of Agriculture which were before the Native Minister and Head Office in October, 1927.

41. On 31st October, 1928, the Native Minister (by a letter which appears on the Tokerau Board files but is not on Head Office files) approved of a further sum of £10,412 being advanced by the Board in connection with the Te Kao Dairy Scheme subject to the Board being satisfied as to the security for the advance. This £10,412 comprised expenditure of £6,212 during 1927–28 and the estimated expenditure for the current year of £4,200. This total of £10,412 was in addition to £4,300 previously approved by the Native Minister to the 18th July, 1927, so that the total approved by the then Native Minister was £14,712. The Under-Secretary's letter of the 31st October, 1928, required the President to see that the expenditure of the Board did not again exceed the authorities approved by the Minister and that if further expenditure were necessary during the current year, the circumstances should be reported to Head Office with a further request for Ministerial approval of the additional sum required.

42. On the 11th February, 1929 (after a change of Government), the President obtained the Native Minister's approval to a further advance of £3,000 from the Board's funds, subject to the Board being satisfied as to the security for that amount and also for previous advances. The Board was asked to exercise the greatest possible vigilance to see that no unnecessary risks were taken in connection with its operations, and a further report from the Department of Agriculture was requested. It does not appear that such a report was obtained.

43. In August, 1929, the Native Minister stopped further expenditure by the Tokerau Board until an investigation of the Te Kao Scheme had been made. This investigation was made by Supervisor Barry, Native Land Development Supervisor in the Waikato District, during an inspection lasting from the 19th to the 26th October, 1929. He made a thorough report and stated that the scheme was not a business success and was depreciating. He considered that there had been waste in the past. He stated that on the figures supplied to him there had been an expenditure to the 30th September, 1929, amounting to £24,489 15s., as against what he stated was a liberally estimated producing value of £11,000, plus a live-stock value of £2,700, a total of £13,700. Supervisor Barry estimated that in order to make the property self-supporting and to effect a gradual improvement in the position a further expenditure of £12,000 would be required.

44. By letter of 25th November, 1929, the Under-Secretary informed the Registrar at Auckland that the Native Minister had directed that no further expenditure of Board funds was to be incurred until such time as provision could be made for the proper management and oversight of the undertaking. In February, 1930, Mr. M. R. Findlay, the Supervisor to the Native Department in North Auckland, was directed to supervise the scheme.

45. It has been difficult for us to ascertain from the files what policy the Native Minister determined to pursue. It seems that he explained his decision with regard to Te Kao to Judge Acheson at a personal interview, but the only minute we have discovered of the effect of that decision as regards future policy is contained in a minute made by Judge Acheson on 14th January, 1931, more than a year after the Minister had taken control. This minute is made on the copy of a letter dated 9th January, 1931, from the Registrar of the Tokerau Board to the Under-Secretary explaining, in answer to an inquiry from the Under-Secretary, why certain cattle had been purchased. It appears that these cattle had in fact been purchased from moneys within the amount of repayments from the Te Kao Scheme. The Judge's minute was conveyed by letter of 17th January, 1931, from the Registrar of the Tokerau Board to the Under-Secretary and it is as follows :—

> " The Registrar : What I stated to you was as follows :—
>
> " (1) The Hon. Minister, when informing me of the closing-down on Te Kao expenditure, assured me that the pastures would not be allowed to go back for want of fertilizers, and that sufficient cows would be made available for the pastures as required.
>
> " (2) Mr. Shepherd supplemented this by saying that the actual cash being received from Te Kao could be used for the purchase of additional cows and bulls, but no fresh money from the Department was to be available for Te Kao. He told me he had told Mr. Findlay this also. There has been no misunderstanding as far as the Board is concerned."

We have found no reply or copy of a reply from the Under-Secretary to this letter. In the absence of evidence to the contrary, we must accept this minute as representing the policy which the Minister had decided to pursue. That policy appears to us to be this : that it would be unfair to the other beneficiaries of the Tokerau Board to spend the moneys recommended by Supervisor Barry, and that the proper policy was to hold the existing pastures by means of fertilizers and to provide for additional cows and bulls out of Te Kao repayment-moneys. This decision was made about the end of 1929, before the slump years commenced, but we have found no record of consultation with the Department of Agriculture, and we doubt whether the policy was a practicable one if the existing pastures were to be preserved.

46. In pursuance of what we take to be the policy laid down, Supervisor Findlay made a report in March, 1930. He said, *inter alia* :—

> " Where the scheme has failed in the past is the failure of the Board in the early stages of the scheme to have a supervisor with a sound knowledge of farming methods and pasture management to lay down a plan which would have been the basis of all future operations."

Mr. Findlay pressed for better supervision and made suggestions to that end. These did not meet with the approval of Judge Acheson, who, though he appreciated Mr. Findlay's efforts, did not hesitate to oppose them when they did not coincide with his own views. By the end of 1930 Supervisor Findlay had declined to have anything further to do with Te Kao until some better system of control had been arranged. Judge Acheson no doubt considered that he was acting in the best interests of the Te Kao scheme, but part of the present failure is undoubtedly due, we think, to the way in which the Judge has disputed the recommendations of the experts. It appears that about the middle of 1931 Mr. Findlay again resumed supervision, but did not approve of Mr. Watt as supervisor, and he tried to get supervision from a local farm committee.

47. The scheme appears to have proceeded in this way until about the middle of 1932, when, as we gather from a letter dated 9th February, 1933, from Supervisor Findlay to the Registrar of the Tokerau Board, the Native Minister met the Te Kao Natives at Ahipara on 4th June, 1932. It appears from this letter that, following this meeting, there was a very decided move made to bring in new areas at the Te Kao Settlement, and that the will to work had been steadily maintained up to the time of Mr. Findlay's last visit, and that a much better spirit of independence had been shown than at any other period during Mr. Findlay's association with Te Kao. The letter contains, however, the following :—

> " I am uncertain as to the position as to what finance will be available for development purposes. The people had been advised that fencing-material, grass-seed, and manure would be available for whatever new land was broken in by their own efforts. Later, I was advised verbally that the only moneys which would be available for development at Te Kao would be the revenue from the settlement."

The Supervisor's letter does not state who informed the Te Kao people that fencing-material, grass-seed, and manure would be available for the new land broken in, but, as the Department had assumed the responsibility for expenditure since the end of 1929, we must impute responsibility for this promise to the Minister or the Department. The promise may have been made in lieu of unemployment grants,because to 31st March, 1934, only £222 10s. had been granted in the form of unemployment subsidies to the Te Kao Natives.

48. As from 1st January, 1933, the Native Land Settlement Board took control of the supervision of Te Kao. On 2nd March, 1933, the Board passed the following resolution :—

> " That Te Kao requirements for further development will be considered only so far as the Tokerau District Maori Land Board holds funds derived from collections from the scheme's activities ; that no further funds belonging to the Board's beneficiaries other than Te Kao owners to be invested in the scheme ; and that it be left to the Minister to approve all the purchases and supply of farm requirements from time to time as funds permit and as may be considered by him to be necessary or expedient."

On 30th May, 1933, Supervisor Findlay, when supplying his schedule of requirements to the Registrar at Auckland, reported an increase in the quantity of butterfat over the previous season, and stated :—

> "As pasture already sown down is showing decided signs of deterioration, a fairly comprehensive top-dressing programme is outlined, covering 932½ acres at 4 cwt. per acre. This is essential if the pastures are to be kept from further deterioration."

It was apparent, however, in May, 1933, that the promise, as stated by Mr. Findlay, of further supplies for any new land broken in by the effort of the people was not to be kept. The resolution of the Native Land Settlement Board necessarily prevented it. The Native Land Settlement Board's policy appears to have been sound, for Mr. Findlay said in his letter of 30th May, 1933 :—

> "I realize that during recent years the grassing of new areas has been pushed on, but it has been at the expense of the maintenance of grass previously sown."

Now this policy of developing new areas had constituted a reversal of the policy laid down by the Native Minister himself when he stopped expenditure by Judge Acheson about the end of 1929. We think that part of the present failure of the Te Kao scheme is due to the fact that the Minister did not follow a consistent policy of restricting the area for development. The policy laid down by the Native Land Settlement Board has been continued until the present time.

49. There is no doubt that the present Native Minister took over a very difficult position at Te Kao, and there is no doubt that the Native Land Settlement Board has taken over a very difficult position from the present Native Minister. A general review of the whole scheme leads us to the conclusion that the root of the trouble lies in the original failure to have a comprehensive plan of development laid down at the commencement of the scheme. In our judgment, the substantial responsibility for the present position rests with the Native Minister in office from 1926 to 1928, with the Under-Secretary at the time, and with the President of the Maori Land Board. The President, by failing to keep a sense of proportion with regard to the needs of the Te Kao Natives, made it difficult for his superiors to discharge the duty of control over him, involved in the approval of advances for a dairy scheme.

50. The important question now relates to the policy for the future. There are fifty units in occupation at Te Kao. For the year ended 31st March, 1934, only seven of these were able to meet their interest charge in full from the proportion of their cream cheques retained by the Board, and it appears that the Natives in occupation have few resources beyond the returns received from dairying. To 31st March last twelve units have made repayments of capital expenditure amounting in all to £240.

We take it to be the case, upon the evidence before us, that without some form of subsidy not more than about 500 acres can be profitably developed at Te Kao. Upon this area about ten units could be profitably settled. That would mean the cessation of dairying operations on part of the land now in pasture.

51. For the purposes of determining future action, we think that the following considerations are relevant :—

(i) The condition of the Te Kao Natives in 1925 was such that it appeared that some effort had to be made to help them. This effort actually took the form of a dairy scheme and it did help them. The scheme has given health to the community and has relieved the Health Department of considerable expenditure.

(ii) The expenditure of the Tokerau Board has also given work to the Te Kao Natives and has, in the ordinary course of events, relieved—

(*a*) Charitable-aid funds ;

(*b*) Maori unemployment relief funds ;

(*c*) Public-works expenditure.

It appears from the evidence of Judge Acheson that at Te Hapua, on the other side of the Parengarenga Harbour, where there is a slightly larger but isolated and poverty-stricken Native settlement, the Public Works Department has spent some £7,000 in road works during the last two or three years with the result of relieving the living conditions of the Natives there. Furthermore, to 31st March, 1934, only £222 10s. had been granted in the form of unemployment-relief subsidies to the Te Kao Natives.

(iii) The Board's cream-lorry service from Te Kao to Awanui has, on Judge Acheson's evidence, enabled some forty European families to take up dairying along the road to Awanui and so has, no doubt, relieved the general unemployment-relief funds.

52. We think that on a reasonable estimate the State has been saved to the present time a very substantial sum by the expenditure of the funds of the Tokerau Maori Land Board. It would be difficult to assess the damage to the Te Kao Scheme caused by the policy of expansion started in June, 1932, and then reversed. Taking all the circumstances into consideration, we recommend that as a solution, in part, of the present position the sum of £10,000 should be paid from the Consolidated Fund to the credit of the Tokerau Maori Land Board in reduction of its advances to the Te Kao Natives.

53. With regard to the future, we think that the dairy-farming scheme ought to be regarded as an experiment in farming with a difficult set of people. That is how the scheme was regarded by the Department of Agriculture in the year 1927 (though not in 1925). The people in an isolated settlement like Te Kao still have great needs—namely, health and some means of work. We think

that a broad view of the position should be taken, and we suggest action on the following lines for the consideration of the responsible authorities.

(1) That the Te Kao Scheme should be brought under the provisions of section 522 of the Native Land Act, 1931, when extended, as hereinafter recommended by us, to permit of unit advances. Any further steps necessary should be taken to ensure control by the Native Land Settlement Board of the truck service, the store, the hall, and the other assets of the Board in connection with the scheme.

(2) That legislative power should be taken to enable the Native Land Settlement Board to postpone the existing charge in favour of the Maori Land Board to advances hereafter made by the Native Land Settlement Board.

(3) That the Native Land Settlement Board should carry on at Te Kao as many units as can be profitably carried on there. If a fixed subsidy for a defined period of years were paid to the Native Land Settlement Board by the Health Department or any other Department which will be relieved of expenditure by the operations of a dairy scheme at Te Kao, the number of units carried on might be greater than would otherwise be the case.

(4) That in order to provide for suitable units who cannot be settled at Te Kao, the Native Land Settlement Board should endeavour to obtain land elsewhere (but as near to Te Kao as possible) upon which such units might be profitably settled, with their stock, under section 522.

(5) That power should be taken by legislation to enable the Native Land Settlement Board to allocate a proportion of the existing charge in favour of the Maori Land Board to the lands of units who are to be carried on as farmers, wherever these lands be situated. When the Maori Land Board's charge has been so proportioned and allocated the lands of the units concerned should be free from the balance of the Board's charge.

(6) The lorry-service seems to be part of the farming assets of the Board, but if the store and the hall can, on investigation, be regarded as separate businesses, it seems to be the case that, after the repayment of all advances made from the Maori Land Board funds in respect of those assets, any surplus revenues derived therefrom may be held for the owners in respect of whose lands the business of these assets has been carried on: see section 523 (4) of the Act of 1931 referring to section 343 of the same Act. If so, the dairying units would be entitled respectively to shares in such surplus revenues in accordance with their respective interests, and these shares might be used to assist in repaying their indebtedness. Probably, however, the annual share of each unit would be small.

(7) That in addition to the payment of £10,000 from the Consolidated Fund, some writing-down of the advances of the Tokerau Board may be necessary in favour of the Te Kao Natives. There has, no doubt, been serious mismanagement in connection with the scheme. We think, however, that this matter requires further investigation and recommendation by the Native Land Settlement Board both as to the extent and the incidence of any such writing-down.

(8) That the difficulty of turning Maoris accustomed to gum-digging into dairy-farmers should never be minimized, and strict and continual supervision will be necessary. We think that a competent and otherwise suitable European supervisor should be directed to devote a sufficient part of his time to the Te Kao Scheme.

54. It will be seen from these suggestions that we do not consider that the existing resolution of the Native Land Settlement Board of 2nd March, 1933, quoted above, adequately meets the present situation. We recommend that the Native Land Settlement Board should consider and weigh the varied human and economic problems involved in the Te Kao Dairy Scheme and reach its own conclusions not only upon the suggestions which we have made, but upon such other evidence as may be available.

55. Before leaving our consideration of the Te Kao Scheme we think that in justice to Judge Acheson we should say that we have probably perused files which were not before the National Expenditure Commission when it made its report. To the extent that our statements and conclusions differ from those of the National Expenditure Commission, we are constrained to abide by our own views.

56. *Te Hapua.*—Judge Acheson brought before us a statement of the position of the 400-odd Natives at Te Hapua, opposite Te Kao. The Judge claims that these Natives are in a very bad condition and in poor health. The Judge claims that the position is well known to the officials of the Native Department, the Education Department, the Health Department, the Public Works Department, and the Unemployment Board. We have had no opportunity of investigating the position and we refer to the matter here so that it will come definitely under the notice of the Native Land Settlement Board and any other responsible authority. We think that Judge Acheson's statement should be investigated and that the Board and any such authority should then consider their duty in the matter.

Farming Assistance to Units.

57. The Tokerau District Maori Land Board has made advances for development and farming purposes to seventy-two Native units. Advances were made only to the sole owner of land under a Court Order, or to the sole owner and his family under such an Order, all of whom were required to join in the loan. When it was necessary to purchase land, the Board acted as far as possible on the

Government valuations. Where the amount spent in the purchase was regarded as substantial, the titles were taken in the name of the Board.

Reports on a proposed advance were obtained from either an officer of the Agriculture Department, the Farm Supervisor attached to the Native Department, local residents, or the Consolidation Officer. Before payments were made supervision of the unit was arranged. In certain areas the Board set up a local committee to watch the units to whom advances were made and to report any irregularities.

58. The Board advanced in all to the seventy-two farming units the sum of £23,952. Capital repayments amount to £7,226. Interest has fallen into arrear in only five cases, and then in small sums.

In July, 1932, fifty-nine of the unit advances were taken over by the Native Department at the full amount then owing to the Board—viz., £16,145. Of this amount the Board has received £6,000, but it has received no interest on the balance outstanding, although the financial position of the units was satisfactory and the Department is receiving interest on the advances. It appears there is some arrangement that the Department is to pay interest to the Board at 3½ per cent., though the Department is receiving 6 per cent. on the loans.

The thirteen loans still retained by the Maori Land Board represent original advances amounting to £2,222, but there remains owing only a sum of £686. Interest is in arrear in three cases, the total amount being £30.

59. The accounts of this Board have been well kept, and there are no complaints except on account of the delay in obtaining receipts for stores and the delay in forwarding statements of indebtedness to units. The Tokerau Board is to be commended on the way in which it has managed its unit advances.

Waikato-Maniapoto District Maori Land Board.

60. The accounts of this Board for the year ended 31st March, 1934, are not yet complete, and we use approximate figures. This Board's share of the Common Fund of the Maori Land Boards, including Reserves and Appropriations Account, is £127,472.

The main investments and advances from the Common Fund and other sources are as follows:—

	£
Advances to Native Units	15,748
Advances to Europeans by way of mortgage	20,312
On deposit with Native Trustee	63,555
Cash balances	696
Te Kuiti Base Farm. (This property was taken over by the Native Department and the amount owing is at present non-interest bearing)	8,000
Freehold property and plant (includes Board premises in Auckland)	14,072
Advances on overdraft	2,157
Sundry debtors for interest	1,075

61. The schemes of the Waikato-Maniapoto Board for assisting Native land-development and farming now comprise advances made to Native mortgagors. But this Maori Land Board established two of the early development schemes—the Kaihau Scheme (Tahuna) near Waiuku, and the Waipipi Scheme (Hakona) near Waiuku. It also acquired the Te Kuiti Base Farm. These three are now part of the State land-development schemes controlled by the Native Department, although the Kaihau Scheme is still financed by the Maori Land Board and the Waipipi Scheme is still managed by it.

62. The President of the Waikato-Maniapoto Board informed us that prior to 1921 all moneys lent by his Board were advanced on farming properties, upon proper valuations, to European mortgagors. A large number of these advances to Europeans are now in a bad state. In some cases the Board has had to take control of abandoned properties, while in others the interest is in arrear for as much as four years. At 31st March last, the total amount owing by European mortgagors was £20,312.

63. Since the end of the year 1921 advances for development and farming purposes have been made to forty-two Natives. For the purpose of making the advances, the President and the Registrar considered the details of the securities offered by the prospective Native mortgagors and decided upon them subject to the approval of the Native Minister. Of the total amount advanced, £6,922 has been repaid, and £15,748 remained on mortgage at 31st March last. In general, interest payments are up to date and the position of the Native units is generally satisfactory.

64. Until 1929 no proper steps were taken by the Waikato-Maniapoto Board to inspect the properties mortgaged to it. Since 1929 the Board has made some use of the field staff of the Native Department employed on the State Native Land-development schemes, but the numerous duties required of that staff left them little time for the inspection of the Board's securities. We are satisfied that, from want of inspection in the past, many of the properties mortgaged to the Board have deteriorated, and that even now the inspection and supervision of securities is not sufficient to enable the Board to take proper steps to protect the interests of its beneficiaries. This position should be remedied.

65. *Waipipi Development Scheme (Hakona).*—Although this scheme was taken over by the Native Department in June, 1932, as a State Native land-development scheme, it is still operated for farming purposes by the Maori Land Board. The Board receives all revenue and pays all working-costs. Any surplus on working-costs is paid to the Department, and this surplus represents interest on the amount advanced by the Department.

It will be convenient to deal with this scheme before dealing with the Kaihau Scheme, as development work was first commenced on Waipipi.

66. The Waipipi Development Scheme comprises an area of 282 acres situated on the Manukau Harbour within six miles of the Town of Waiuku. It fronts metalled roads and is close to a dairy factory.

This scheme originated from representations made by the Franklin County Council to the then Minister of Lands that certain Native lands in the county were overrun with noxious weeds, which were a menace to the surrounding European lands, and that the Native owners were not paying rates. The Native Department investigated the complaints. Inspections showed that these lands could, under proper control, be economically developed and be made highly productive. In the result, action was taken under section 3 of the Native Land Amendment and Native Land Claims Adjustment Act, 1928, and on 23rd August, 1929, the Native Land Court made an Order declaring that the lands should be subject to the provisions of section 3. This had the effect of placing the lands under the administration of the Waikato-Maniapoto Maori Land Board, and authorized the Board to apply its funds for the development and farming of such lands. The Board's farming administration was, in practice, directed by Sir Apirana Ngata, the Native Minister. Supervisor Barry, a Fields Inspector of the Lands Department, was appointed the Board's supervisor.

67. The interesting and instructive story of the development of this land by Te Puea Herangi, a chieftainess of the Waikato Tribe, and her community is graphically told in parliamentary paper, G.–10, 1932, p. 11. She introduced the working-bee and inspired her followers by her enthusiasm and example. She was engaged as the leader on this scheme and on the Kaihau Scheme which followed, and she well earned her salary. The wages of the Native workers at sustenance rates were paid to representative Native workers and seem to have been pooled among the community. On the other hand, there arose a lack of co-operation between Te Puea and the Supervisor, and, instead of deciding who was right, the Native Minister appears to us to have sided with Te Puea, right or wrong. We deal elsewhere with the dispute between Te Puea and Supervisor Barry—see Supervisor Barry's complaint, paragraph 942 *et seq.* There is no doubt, however, that excellent work was accomplished by Te Puea and her party in developing the land under the supervision of Mr. Barry.

68. The scheme was gazetted as a State development scheme under section 522 of the Native Land Act, 1931, on 16th June, 1932, but the financing of the scheme by the Maori Land Board appears to have ceased at 31st March, 1932, at which time the development of the block may be said to have been completed. The advances of the Maori Land Board amounted to £6,054, and this has been repaid by the Department to the Maori Land Board. Further advances to a small extent were made by the Department, and the result at 31st March, 1934, was that £6,885 in all had been advanced on the scheme. This amount includes the cost of live-stock and a debit of £460 for interest. The receipts at 31st March last paid to the Department, being the surplus on working-costs, representing interest plus sales of live-stock, amounted to £251, leaving a net expenditure of £6,634.

69. At 31st March last the land was occupied by five units, who are members of a Waikato subtribe. Houses, cow-sheds, and other necessary buildings have been erected. At the date mentioned there were on the scheme 108 milking cows and sixty-three other dairy stock. We would add that the fresh water available on this scheme is not sufficient for dairy-farming, and steps should be taken to remedy this deficiency.

70. If provision is made for tenure or title for qualified units and there is proper and competent supervision of the units on this scheme without interference from tribal leaders, we think that it must bring great credit to all concerned in it. It should be a financial success in that the units, in addition to meeting their interest, should be able to repay the capital expenditure.

71. *Kaihau Development Scheme (Tahuna).*—This scheme comprises 386 acres situated on the Waiuku Peninsula, lying between the Manukau Harbour and the sea. It is well served by good metalled roads and is near a dairy factory.

This scheme, like the Waipipi Scheme, originated in the representations made by the Franklin County Council to the then Minister of Lands. The Kaihau lands were, like the Waipipi lands, brought under the control of the Waikato–Maniapoto Maori Land Board by an Order of the Native Land Court under section 3 of the Act of 1928. Sir Apirana Ngata exercised, in practice, the same control over farming administration.

72. The work on this scheme was commenced by Te Puea and members of her party early in February, 1930, when preliminary development work on the Waipipi Scheme was sufficiently advanced to enable workers and implements to be transferred. Friction again occurred between Te Puea and Supervisor Barry. The development work has been well done, but the results are not so satisfactory as those at Waipipi.

73. The scheme has been financed throughout by the Waikato–Maniapoto Maori Land Board, but was gazetted as a State development scheme on 27th April, 1933. At 31st March, 1934, the advances charged against the scheme, including the cost of live-stock, amounted to £8,360. This sum includes a charge of £951 for interest. The sales of produce and live-stock and assignments of portions of the cream cheques have realized £2,430, leaving a net charge of £5,930.

74. The scheme is occupied by five units. Te Puea has a residence on the area, though she has also a residence on the Native Department's scheme at Tikitere, where her party has now settled. Her husband is, however, one of the units in occupation. All the units are members of a Waikato subtribe. The necessary houses, milking-sheds, and other necessary buildings have been erected, and at 31st March last there were on the scheme 111 dairy cattle, fifty-four sheep, and four horses.

75. With regard to the future, we think that steps should be taken, if practicable, to bring under control adjacent Native lands which are at present covered with noxious weeds. Subject to the same conditions as we have mentioned in connection with the Waipipi Development Scheme, we think that this scheme, too, should bring credit to all concerned. It should become a financial success and be an instrument for the welfare of the Maori settlers.

76. *Te Kuiti Base Farm.*—The property known as the Te Kuiti Base Farm (Somerville's) became the property of the Waikato-Maniapoto Maori Land Board, under the exercise of its power of sale under a mortgage given to secure a balance of purchase money. It was brought under the control of the Native Department as a State Native land-development scheme in June, 1932. The Department assumed liability to the Board for the total expenditure incurred by the Board at the date of transfer, but the Department still owes the Board £8,000, and this sum is at present not bearing interest.

Waiariki District Maori Land Board.

77. The accounts of this Board for the year ended 31st March, 1934, have not yet been audited, but we take the following particulars from them.

This Board's share of the Common Fund of the Maori Land Boards, including Reserves and Appropriation Account, is £86,741. The main investments and advances from the Common Fund and other sources are as follows :—

	£
Advances to Native units under mortgage	19,447
On deposit with Native Trustee	29,288
Cash balances	2,049
Tihiotonga Station. (The balance sheet figure is shown less £8,029 being the accumulated loss on trading)	41,533
Property and furniture, &c.	2,937
Sundry advances	502
Sundry debtors	2,414

78. The Waiariki Board's schemes for assisting Native land development and farming comprise—

(1) Advances to Native mortgagors ;
(2) Advances on a special investment to the committee of management of the Taheke 3D and adjoining blocks ; and
(3) The Tihiotonga Station.

79. Prior to July, 1931, it was the policy of the Waiariki Board to lend its funds to Natives for the purposes of developing and farming their lands, but since the date mentioned no new loans have been granted. The Native settlers in the Waiariki district are being provided for under the State Native Land Development Schemes.

At 31st March, 1934, there were forty-seven Native mortgagors, and they were indebted to the Board for a total sum, as shown above, of £19,447. The interest owing at 31st March last was £381. Repayments on account of capital have been made by approximately 60 per cent. of the mortgagors and only in two cases is interest substantially in arrear.

80. *Taheke Advances.*—In addition to these advances on mortgage, the Waiariki Board shows in its balance-sheet as a special investment, not included in the Common Fund, certain advances amounting to £13,507 made to the committee of management of the Taheke 3D and adjoining blocks, of which Mr. H. Tai Mitchell was the chairman. The Arawa Trust Board, of which Mr. Mitchell was chairman, had made advances to settlers on the block. Early in 1928 the committee of management obtained an advance of £5,000 from the Waiariki Maori Land Board, of which Mr. Mitchell was a field officer. The Arawa Trust Board asked for repayment of £1,796, representing agricultural advances to its settlers, and by December, 1928, was paid in all by the Maori Land Board the sum of £1,739.

81. In May, 1929, the committee of management was in financial distress, and it requested the Maori Land Board to pay interest on its loan to 31st March, 1929, amounting to £222, out of loan-moneys not expended, and this was done. In the same month, May, 1929, the committee made an advance of £312 for the purposes of a tobacco venture near Mourea. There is no record of any repayment in respect of this advance. In March, 1930, interest in arrear to the Maori Land Board was capitalized.

82. In January, 1931, the Native Minister published a *Gazette* notice taking over the Taheke Block as the Taheke Development Scheme, but the land was left in the control of the Maori Land Board, which for practical purposes was Mr. H. Tai Mitchell, the chairman of the committee of management. The accounts were in a confused state, and the Minister seems to have done nothing until September, 1932, when he stopped further payments from the Imprest Account of the Board's Registrar on account of the Taheke Scheme. The land had got into a very bad state indeed, and was infested with ragwort.

83. In April, 1933, the Waiariki Board, which had advanced £13,507 to 31st March, 1932, passed a resolution agreeing to the Native Minister taking over Taheke and adjoining blocks. In the same month the Native Land Settlement Board resolved to take over the Taheke Development Scheme upon these terms :—

> "That the expenditure incurred by the Waiariki Board on development operations, stock, material, and equipment under the scheme and other advances by that Board in respect of the lands included in the scheme, be postponed to any expenditure from Native Land Settlement funds for past and future operations in respect of the Taheke lands, and be non-interest bearing, and that no charge or mortgage be taken by the Waiariki Maori Land Board to secure the advances already made by it on account of the lands included in the scheme."

Legislation may be advisable to give effect to arrangements of this kind by Maori Land Boards who hold funds for beneficiaries.

84. Supervisor Scott said at Rotorua that the value of the lands was about £5,000 short of the £13,000-odd advanced, and that the property could not be run except as a grazing-scheme for at least four or five years, and that he could not recommend any settlement upon it under that period.

85. The Arawa Trust Board has come best out of this venture. The funds of the Maori Land Board's beneficiaries have been unwarrantably jeopardized by serious mismanagement and lack of proper supervision on the part of Mr. H. Tai Mitchell and the Waiariki Maori Land Board, and by the neglect of the Native Minister to control the position from at least January, 1931, until September, 1932. The case illustrates the unwisdom of permitting any person to occupy positions in which his interest may conflict with his duty.

86. The Native Land Settlement Board has divided the land under this scheme and the former Mourea Development Scheme into three separate schemes, the Tikitere, Okere, and Taheke Development Schemes. It may be some consolation to the beneficiaries of the Waiariki Maori Land Board to note that Supervisor Scott considers that the financial prospects of the Okere and Taheke Development Schemes are good, and that in time, if the lands are properly managed, the advance of £13,000 will be repaid.

87. *Tihiotonga Station.*—This property, when purchased, comprised 2,615 acres, of which 913 acres were freehold and 1,702 acres leasehold. It consisted largely of developed lands. In July, 1928, the Arawa Trust Board agreed to purchase by public auction from the European owners the Tihiotonga Farm, at Rotorua, for the sum of £2,500, with the intention of working the property in conjunction with its Maketu Farm. The Board later agreed to hold the lands for the benefit of the Ngati-Whakaue, a subtribe of the Arawa Tribe, on the ground that this subtribe then had very little land. The Waiariki Maori Land Board forthwith agreed to take over the purchase on behalf of this subtribe under the provisions of section 12 of the Act, No. 67, 1927 (now section 106 of the Native Land Act, 1931). The Native Minister's consent was given and in August, 1928, the transfer of the land was executed direct from the European owners to the Maori Land Board for the price of £2,500.

88. The President of the Maori Land Board at the time, Judge Holland, has informed us in his evidence regarding the Iles purchase that when the Tihiotonga Station was purchased it was known to be subject to a certain amount of cattle sickness. There is no statement to this effect in the papers on the Board's file leading up to the purchase, and no evidence that the Board considered what the effect of this liability to cattle sickness would be. There is no evidence of any independent valuation or report. The Judge appears to have acted solely on the report of Mr. H. Tai Mitchell, the chairman of the Arawa Trust Board, as well as a field officer of the Maori Land Board. This is another case in which Mr. Mitchell's interest conflicted with his duty. Mr. Mitchell's statement to the Judge, repeated by the Judge to the Under-Secretary on the application for the Minister's consent to the purchase, included this statement:—

> "It is confidently anticipated that the land can easily support ten to fifteen dairy-farmers milking 1,000 cows between them, and being in adjoining proximity to the growing and expanding Town of Rotorua, many profitable side lines in connection with farm-produce can always be exploited to the advantage of settlers who are situated near large centres of population."

89. However, in January, 1929, the Maori Land Board acquired the right to Orr's leasehold at Wharenui as "change" property. In March, 1929, the Board's manager urged the development of Wharenui as quickly as possible for "change" purposes, but the Maori Land Board did nothing. In October, 1929, the Board's manager again advised the development of Wharenui, and he also advised the surrender of the "homestead block" as the rent was out of all reason, but these things were not done. In December, 1929, the Board's manager again urged the need for developing Wharenui, but nothing was done. In April, 1930, the Iles property was purchased at a grossly exorbitant price as "change" country. In supporting this purchase, Supervisor Wright said in his report:—

> "I believe that as a farming proposition by itself, Tihiotonga is an unsound one."

For further reference to the Iles purchase see paragraph 538 *et seq.*

90. In May, 1930, the Maori Land Board, which had made advances to the committee of management of the Taheke Block, was lending from earmarked funds on Torere lands, and had spent £5,000 on the Iles property, informed the Under-Secretary of the Native Department that it was short of funds and could not try a manuring experiment on Tihiotonga for the cure of "sick land" as recommended by the Minister. In June, 1930, the Board said that it could earmark the proceeds of certain stock sales for the purpose. In March, 1931, the Maori Land Board purchased the Hill's leasehold, also apparently as "change" country, for £2,000 cash, and this price, in the opinion of the Native Minister, was also an excessive one.

91. The Tihiotonga Station, as it is to-day, comprises all the aforesaid purchases. The Maori Land Board's acquisition of the station was incompetent. Its management, until 1931, was incompetent in that it failed to support the supervisor. It has made no progress towards settling Native units on the property. At 31st March, 1934, the Board had expended on the station the sum of £41,533. The accumulated loss on working was £8,029. On the evidence before us, the venture will probably result in a loss of £25,000, which, pursuant to section 106 of the Native Land Act, 1931, appears to be the liability of the practically landless Ngati-Whakaue subtribe, for whom the Board holds the station. The results of this Maori Land Board's management of this station afford a striking example of the results that can flow from entrusting a Board accustomed to judicial functions with powers of land purchase and farm management, without providing, at the same time, adequate safeguards.

Tairawhiti District Maori Land Board.

92. The accounts of this Board for the year ended 31st March, 1934, show the following particulars, but the accounts have not yet been submitted to Audit.

This Board's share of the Common Fund of the Maori Land Boards, including Reserves and Appropriation Account, is £97,454. The main investments and advances from the Common Fund and other sources are as follows:—

	£
Advances to Native units under mortgage	61,579
On deposit with Native Trustee	479
Cash balances	7,686
Inscribed stock	22,600
Freehold property, furniture, &c.	7,787
Advances against rents	1,467
Sundry debtors	1,205

93. This Board's schemes for assisting Native Land development and farming comprise the Anaura Station and advances made to Native mortgagors.

94. *Anaura Station.*—This property is situated near Tolaga Bay, and comprises 5,865 acres. It was acquired by the Board in November, 1929, from European lessees who were entitled to compensation for their improvements. The Native owners desired to regain possession of their lands, but were unable to meet the compensation-moneys. Farming prospects were considered to be bright and the Board desired to help the Native owners to obtain the possession and management of the property for themselves as speedily as might be. On sufficient valuations, the Board purchased the station for the sum of £40,000, £27,000 of this price being apportioned to the leasehold interests and £13,000 being apportioned to the stock and plant. An overdraft of £35,000 was arranged with the Bank of New Zealand, and the Board was in a position to provide further assistance from its own funds.

95. The trading results since the Board has been in possession have been as follows:—

	Profit.	Loss.
	£	£
To 31st March, 1930	1,383	..
To 31st March, 1931	..	5,550
To 31st March, 1932	..	4,316
To 31st March, 1933	..	79
To 31st March, 1934	4,559	..
	£5,942	£9,945

A trading loss of approximately £4,000 has thus been made since the station was taken over by the Board, but the slump years, which affected all farming, seem to have been responsible for this result. The station is included in the balance-sheet both as an asset and as a liability at £42,022. The prospects of this station under competent management seem to be as good as those of any similar farming venture.

96. When authorizing its advance, the Bank stipulated for control by the Maori Land Board and supervision by Mr. H. Symes, the supervisor for the East Coast Commissioner. The manager previously employed by the lessees still holds his position. A committee of responsible Natives among the owners was appointed to assist in the management, but so far they have had little scope to function. Where possible, Native labour is engaged for work on the station.

97. With regard to the future, the station is considered to be suitable for subdivision into small sheep-farms. When the liabilities have been reduced, the Board intends to carry out such a subdivision and to settle suitable owners on the land.

98. With regard to the Tairawhiti Board's advances to Native units, the policy of the Board has been to make advances with the object of bringing unproductive Native lands into production and, in general, to assist the Native to farm his own lands and so to make him independent of the casual labour market. The Board has required an applicant to give full particulars of the land submitted for mortgage, the total amount required, the amount required immediately, and the purpose of the advance. The particulars so given have been checked with office records, and reports have been obtained from persons acquainted with the land and with the applicant. Where prudent, the Board has made its advances by instalments within a fixed limit. In the case of advances to individuals, the Board has exercised continual supervision and has thus ensured proper expenditure. In the case of advances to committees of incorporated blocks, continual supervision has not been considered necessary, as the committees have usually been composed of leading and responsible Natives.

99. Under the foregoing safeguards, the Board has advanced a total sum of £79,616 on ninety separate loans to Native units. The amount at present outstanding is £61,579, so that the principal sums have been reduced by £18,037. Interest is in arrear in thirteen cases, in some cases for only very small amounts. In every case there appears to be ample security for the advance upon the valuation submitted to us. Only in one case has the Board found it necessary to go into possession, and in this instance the owner left the property for domestic reasons.

The Tairawhiti Board is to be commended upon the way in which it has managed its advances to Native units.

Aotea District Maori Land Board.

100. The accounts for the year ended 31st March, 1934, show the following particulars, but they have not yet been submitted to audit.

The Board's share of the Common Fund of the Maori Land Boards, including Reserves and Appropriation Account, is £117,038. The main investments and advances from the Common Fund and other sources are as follows:—

	£
Advances under mortgage	25,619
On deposit with Native Trustee	70,004
Cash balances	2,049
New Zealand Government inscribed stock	1,300
Advances on overdraft	6,700
Freehold land and buildings, furniture, &c.	13,123

101. The Aotea Board's schemes for assisting Native land development and farming comprise the Morikau Farm and advances made to Native mortgagors.

102. *Morikau Farm.*—This property is situated on the Wanganui River some forty-seven miles from Wanganui. It was vested in the Aotea Board by Orders in Council under section 4 of the Maori Land Settlement Act Amendment Act, 1906. During the year 1910 the Board decided, in lieu of leasing the land to Natives, to farm the property under Part XV of the Native Land Act, 1909. The Board did so, and has continued to farm the property under the provisions of Part XV (now of the Act of 1931).

For some years the Native owners, through an elected committee of management, took a keen interest in the farming, but their interest waned and the management was left to a European manager. The slump of 1921–22 caused the Maori Land Board to take a more active interest in the policy and management of the farm. In 1925 the Board took over the books of account and proceeded to keep them in accordance with the recognized principles of farm accounting. In the same year a new European manager was appointed, and the Board embarked upon an active policy of development. The profits increased from £506 at March, 1926, to £6,738 at March, 1929. The slump of prices in succeeding years then caused losses.

103. The property now comprises 11,806 acres, of which 5,568 acres are in grass. It carries 11,000 sheep and 1,000 head of cattle. The accumulated profit at 31st March last was £13,319. The liabilities for finance owing at 31st March last were—

	£
On mortgage to the Native Trustee	32,000
On overdraft with the Aotea Board itself	5,097

104. With regard to the future, continued good farming of this land should provide an asset for the Native owners, but whether it can be profitably subdivided is a doubtful question. There appear to be about 1,080 acres of the farm that would be suitable for dairying. When conditions warrant it, this area might be included in the Native Department's Ranana Development Scheme, and Native dairy-farmers settled upon the land. There is evidence that the Maori owners of to-day are taking a definite interest in the property and are anxious to become good farmers upon it.

105. With regard to advances made to Native units for farming purposes, the Aotea Board has made advances on mortgage when the security offered justified an advance. It has been the policy of the Board to ensure repayment of principal and interest by taking assignments from the mortgagor of rents or of moneys payable to him. In some cases assignments of cream cheques have also been taken. Instruments by way of security have also been taken over stock and chattels purchased out of advances, in order to ensure that the mortgagor did not sell or deal with them before repayment.

106. Under these safeguards the Aotea Board has advanced from its Common Fund, and from special investments for particular estates, the sum of £42,676 to thirty-seven mortgagors. Of this sum, £14,379 has been advanced to twenty-seven Native mortgagors and £28,297 to ten European mortgagors. In only one case has it been necessary for the Board to enter into possession. In that case the results from the working of the property are sufficient to meet interest, but do not provide a margin for the repayment of capital.

107. No evidence was submitted to us concerning the inspection of securities, but the Board states that it does not anticipate that it will incur any loss on its investments as all the advances have been made on very good security.

The Aotea Board seems to have managed its investment business satisfactorily, but should now pay more attention to the granting of advances to Native mortgagors as security becomes available.

Ikaroa District Maori Land Board.

108. The following particulars are taken from the accounts for the year ended 31st March, 1934, but these accounts have not yet been subject to audit.

At the above date the share of this Board in the Common Fund of the Maori Land Boards, including Reserves and the balance of Appropriation Account, was £36,464. The main investments and advances from the Common Fund and other sources are as follows:—

	£
On mortgage	20,434
On deposit with Native Trustee	12,353
New Zealand Government securities	1,500
Cash balances	295
Advances on overdraft	915
Sundry debtors	1,125
Office furniture, fittings, &c.	194

109. No farming operations involving the use of the Board's funds are carried on by the Ikaroa Board. The assistance given by the Board to Native farming is confined to advances that have been made to Native mortgagors. The Board has advanced in all from its Common Fund and from special investments for particular estates the sum of £41,634 to thirty-four Natives and Europeans. Of this sum, £16,249 has been advanced to twenty-two Native mortgagors and £25,385 to twelve European mortgagors.

Some of the mortgages from European mortgagors represent unpaid purchase-money on purchases from the Native owners.

110. No evidence was submitted to us as to the valuations obtained before a loan was granted or as to any system of inspection after the investment had been made. Interest is in arrear in five cases, but in each case the security appears to be ample. The Board has found it necessary to enter into possession in only one case. The Board should now pay more attention to the granting of advances to Native mortgagors as securities become available.

South Island District Maori Land Board.

111. The accounts for the year ended 31st March, 1934, give the following particulars, but they have not yet been submitted to Audit. The Board's share of the Common Fund of the Maori Land Boards, including Reserves and the balance of Appropriation Account, is £13,756. The main investments and advances from the Common Fund and other sources are as follows:—

	£
On mortgage	5,541
On deposit with Native Trustee	7,269
Cash balances	401
Advances on overdraft	148
Sundry debtors	455
Office furniture, &c.	82

No farming operations are carried out by the South Island Board, and the assistance to Native farming is confined to the advance of £5,541 to nine mortgagors. Of this sum, £3,861 has been advanced to seven Native mortgagors and £1,680 to two European mortgagors.

No evidence was submitted to us as to the valuations obtained before a loan was granted or as to any steps taken after the advance was made to ensure that the security was being preserved. One mortgagor is in arrear with his interest for approximately two and a half years, but the Government valuation made in 1926 is five times the amount lent under the mortgage.

PART III.—MATTERS ARISING OUT OF THE INQUIRY INTO THE SCHEMES OF THE MAORI LAND BOARDS.

(1) The Control of the Maori Land Board Schemes.

112. The President of a Maori Land Board must be a judicial officer by virtue of his position as a Judge of the Native Land Court. It is that position which gives him a special standing and *mana* with the Natives of his District, and enables him to give them authoritative information with regard to the state of their accounts with the Board and with regard to the farming operations carried on by the Board in which the Native owners of the District are personally interested. He can also exercise a strong influence in creating the right atmosphere and attitude for Native land development. While a President can perform these valuable services, it does not follow that he is competent, by his training or experience, to control farming operations, the making of advances for farming purposes, the purchase of land, or the investment of money.

113. Pursuant to the Native Land Amendment Act of 1932, the operations of a Maori Land Board are now subject to certain powers of control by the Native Land Settlement Board. These may be thus summarized:—

(i) Control of the investment on mortgage or otherwise of all moneys available for investment in the account of a Maori Land Board.
(ii) The approval of the securities upon which such moneys are to be invested.
(iii) The control of the expenditure on all farming operations undertaken by a Maori Land Board.
(iv) The apportionment of the services of supervisors or managers in respect of one or more of such farming operations and the decision of what is a fair proportion of the expense to charge to a Maori Land Board in respect of the services of any such supervisor or manager.

114. The question arises whether these powers are sufficient to enable proper control of farming operations and advances and investments for farming purposes to be exercised by the Native Land Settlement Board, which is an expert body. We doubt whether these powers extend to the supervision of farming properties as distinct from the control of expenditure on them (though that distinction is a fine one). We doubt also whether these powers extend to the supervision of property after an advance for farming purposes, whether by way of bank overdraft or otherwise, has been made by the Maori Land Board in respect of such property (even if an initial consent has been given by the Native Land Settlement Board under section 100 of the Act of 1931 or subsection (4) of section 105), or to the inspection of securities after an investment has been made with the consent of the Native Land Settlement Board.

115. It is desirable, we think, that the beneficiaries of a Maori Land Board should have the benefit of the most expert and economical advice, but the remedy is complicated by the fact that if the funds of a Maori Land Board, held for its beneficiaries but used for farming purposes, are rendered completely subject to the control of a State Board, some argument may be raised that these funds should enjoy the benefit of a State guarantee, as is the case, at present, with the funds of the Native Trustee which are available for farming purposes. We think, however, that the situation need not be such as to create an argument in favour of a State guarantee. A Maori Land Board should retain its existing rights to initiate, after discussion, if need be, with its beneficiaries, its proposals for farming ventures and advances and investments for farming purposes. The Native Land Settlement Board should have power, we think, to authorize all of these. It should also have power, if it thinks fit, to control and supervise all farming operations carried on by a Board itself, as well as to control the expenditure on them, although, as we have said, that distinction is a fine one. The Native Land Settlement Board should also have power, we think, to inspect on behalf of a Maori Land Board properties in respect of which investments or advances for farming purposes have been made by the Maori Land Board with the consent of the Native Land Settlement Board. We think also that these powers should be made retrospective.

116. We think, however, that the Native Land Settlement Board should have power to delegate its powers of supervision and inspection, as the case may be, to a Maori Land Board, subject to the right to resume those powers when it thinks fit. For example, the present condition of the unit advances and investments is generally satisfactory. The powers of the Native Land Settlement Board in respect of them might well be delegated to Maori Land Boards. Again, we think that the Native Land Settlement Board should take care not to hamper unduly the operations of a Maori Land Board under section 281 of the Native Land Act, 1931. Through the working of that section, the President of a Maori Land Board has for a long time past been brought into direct contact with the affairs of the Maori people. That, again, would be a suitable case for delegation. On the other hand, if it appeared in any particular case that the resumption of control was desirable, the Native Land Settlement Board could resume control in the interests of the Maori Land Board itself and its beneficiaries.

117. We make these recommendations in the interests and for the benefit of the Maori Land Boards and their beneficiaries. No doubt, experience will show more fully how the special position of the President of the Board, which he acquires by virtue of his judicial office, can be maintained and used for the benefit of Native land development and farming while at the same time he may be relieved of a heavy responsibility for the supervision and control of farming operations, advances for farming purposes, and investments, which he is not by his previous training and experience properly qualified to undertake.

Before leaving this matter, we note that subsection (3) of section 523 of the Native Land Act, 1931, has not been amended to correspond with section 105 (2) (*b*) and section 358 (2) and (3) of the same Act, as amended by section 6 of the Native Purposes Act, 1933.

(2) Proposal to Abolish Maori Land Boards and to Amalgamate the Work of the Maori Land Boards with that of the Native Trustee.

118. This proposal was made by the National Expenditure Commission, but we find ourselves unable to agree with it and we do not recommend it. The weight of the evidence given before us is strongly against it.

There is strong evidence that the administration of the Native Trust Office does not at present command the sympathy of the Natives. The Natives have been disappointed that they have not received their interest and rents from the Native Trustee as they should have done. The Common Fund of the Native Trustee is guaranteed by the State, and, under such circumstances, the failure to pay the moneys of beneficiaries at due times is certainly not creditable. We need make no further comment here with regard to these matters, but we refer to our examination of the administration of the Native Trustee—Part XIII. Speaking generally, the Native Trustee is also regarded by the Natives as one who is aloof from them and with whom they have had no personal contact.

119. On the other hand, as we have already pointed out, there are great advantages to be derived from using the President of a Maori Land Board, who is also the Judge of the District, as the official head of Native land development in the District. Furthermore, it should not be difficult to secure adequate control over a Board's accounting methods for farming purposes, investments, and advances for farming purposes. We think that with the safeguards suggested the operations of a Maori Land Board can be conducted with satisfaction not only to the Board and its beneficiaries, but to the Treasury, Audit, and Public Service Commissioner.

120. We have had for consideration evidence which was not before the National Expenditure Commission, and one of our members, Mr. Johnston, who helped to advise the National Expenditure Commission in this matter, now concurs fully in our recommendations.

(3) Limit of Advances from the Funds of Maori Land Boards for Farming Purposes.

121. Some of the Maori Land Boards have had difficulty during the last few years in meeting payments due to beneficiaries, and occasionally these payments have had to be rationed. The shortage of liquid funds has been due to the following causes :—

(*a*) The development of properties and the stocking of properties under development. In these cases the Boards have been without revenue from the properties while incurring considerable expenditure on them.

(*b*) The inability of some mortgagors in past years to meet their interest payments, caused mainly by the low prices received for primary products.

(*c*) The inability of the Native Trustee to meet the calls from the Maori Land Boards for moneys deposited by them in his Common Fund. This inability of the Native Trustee was to a large extent caused by his expenditure on farming operations undertaken by him.

122. Having regard to the hardship caused in the past, we think that the Maori Land Boards should be limited to an expenditure not exceeding two-thirds of their total funds for the purposes of farming properties, making advances for farming purposes, and for making investments on mortgage securities. We think that the remaining one-third should be invested in liquid securities, easily realizable. In this connection, we may say that the Tairawhiti District Maori Land Board has made a practice of investing one-third of its funds in Government securities so as to create a readily negotiable reserve to provide for contingencies. If our recommendation be adopted, we think that the tendency will be to make as much use as possible of the money available for farming and development, and that the claims of beneficiaries and depositors are likely to be safeguarded.

(4) Whether Maori Land Board Farms and Farming Assistance are justified by the Benefits conferred on the Maori People and whether it is probable that they will achieve the Results intended.

123. We have summarized the expenditure on the Maori Land Board farms in Appendix IV, and our view of the value of each farm as a means of settlement has already been explained in this part of our Report. No general appreciation is possible. Furthermore, having regard to the present state of farm prices, we think it is not practicable for us to deal with the future as it will be affected by farm prices. We deal here, however, and in Part VIII of our Report with the other implications of the questions whether the schemes are justified by their benefits and whether the results intended are likely to be achieved.

124. Our review of the Maori Land Board schemes for Native land development and farming shows that they are of two kinds :—

(1) Assistance to individual farmers to develop and farm their own lands.

(2) The development and farming of comparatively large areas of land by the Boards themselves.

125. It is plain from our review of the position that assistance of the first kind has proved much the more useful method of settling Natives on the land. Where a Native or his immediate family group is the owner of a comparatively small area capable of profitable improvement, he requires assistance only to clear, develop, fence, and stock his small property. In a comparatively short time, under competent supervision, he is earning income from his land, is able to sustain himself and his family in a reasonable manner, to meet his interest, and, in many cases, to make repayments on account of capital. He acquires a sense of responsibility and of the need for persistence in his efforts. In addition, the land ceases to be a prolific source of noxious weeds and a breeding-ground for rabbits. It becomes able to bear the burden of local rates, and is an asset to the country. This method of assistance probably requires, for its proper operation in many cases, a current account, and legislation should be enacted to authorize it.

We recognize, of course, the need for breaking-in the larger waste areas with the purpose of controlling them, making them profit-earning, and of placing their Native owners in occupation as competent farmers under proper supervision. That is, however, a slow process as a means to individual settlement on the land. An instance is the Morikau Farm, on which farming operations have been conducted by the Aotea Board for the past twenty-four years. While, as a large block, it may be kept clear of noxious weeds and remain profit-earning, it is a matter for serious consideration whether, on a subdivision among the owners, the increased capital expenditure on fencing, housing, out-buildings, and the like would not make the burden so great as to prevent any individual occupier from successfully farming his subdivisional lot.

126. Our conclusion is that the first kind of assistance should be extended as far as is reasonably possible, and that the second kind should be adopted by the Maori Land Boards under the control of the Native Land Settlement Board as a supplementary method of settlement and be proceeded with where it is regarded as necessary.

PART IV.—THE NATIVE TRUSTEE'S SCHEMES FOR NATIVE LAND DEVELOPMENT AND FARMING ASSISTANCE.

127. The Native Trustee is a body corporate established under the Native Trustee Act, 1920 (now 1930). Until 1929 his powers of investment were those of an ordinary trustee. By legislation passed in 1929 and 1930 the Native Trustee was enabled to become a farmer on his own account on a large scale, and to subject directly the safety of all moneys under his control to the vicissitudes of the prices for primary products. This matter is of great importance, as the moneys under his control comprise both his Common Fund and special investments. Moneys in the Common Fund comprise :—

(*a*) Purchase-moneys and compensation-moneys held on behalf of beneficiaries.

(*b*) Rents received from Native lands on behalf of beneficiaries for whom the Native Trustee acts—for example, the estates of deceased persons and lunatics.

(*c*) Rents received from reserves vested in the Native Trustee—for example, the West Coast Settlement Reserves and the South Island "Tenths." (Many beneficiaries depend on these rents for interest and repayments of principal under mortgages from Natives to the Native Trustee.)

(*d*) Moneys deposited by the various Maori Land Boards. (These moneys are held by the Maori Land Boards on behalf of their own beneficiaries, of whom there is a large number.)

(*e*) Moneys deposited and held on behalf of various Native funds, such as the Maori Purposes Fund.

Special investments are those expressly directed to be invested otherwise than in the Common Fund, and are, of course, held for beneficiaries.

128. We propose to explain in this part of our Report the legislation now in force under which the Native Trustee may invest moneys and may develop and farm lands and may carry on what we regard as schemes for Native land development and farming ; and we propose also to explain those schemes. We propose in Part XIII of our Report to deal with the other farm lands which the Native Trustee is administering, and to show how his liquid resources have been curtailed, and with what results, and to make recommendations in respect thereof.

129. Prior to the year 1929 the advances of the Native Trustee on mortgages of land were limited to advances secured by first mortgage on any land held in fee-simple in New Zealand to an amount not exceeding three-fifths of the estimated value approved by the Native Trust Office Board (now superseded by the Native Land Settlement Board). By section 2 of the Native Trustee Amendment Act, 1929, the Native Trustee was authorized to invest any moneys in his account—

(*a*) In advances secured by the mortgage of any freehold or leasehold interest in any Native land vested in or administered by the Native Trustee ; and

(*b*) In advances secured by way of floating charge or otherwise in respect of the undertaking of any co-operative dairy company or other company of which a majority of the shareholders are Natives, or the assets of any other incorporated association of which a majority of the members are Natives, subject, however, to the provision that no such advances were to be made under the authority of that particular amendment except to a company or incorporated association approved for the purpose by the Native Minister.

130. These powers of investment over trust funds guaranteed by the State were much wider than those which previously existed. (We may state here, however, that only five mortgages over interests in Native reserves were granted under the first of these powers. The total amount advanced was £1,210, and, of this sum, £800 secured on two mortgages has been repaid. The only advance made under the second of these powers is one of £6,100 to the Ngatiporou Co-operative Dairy Co. (Ltd.). This is secured by a first mortgage over the freehold owned by the company and by a debenture over the assets and undertaking of the company.)

131. In the same year (1929) the Legislature granted further powers to the Native Trustee when it enacted section 45 of the Native Land Amendment and Native Land Claims Adjustment Act, 1929. Under that section the Native Land Court was authorized to declare that the control and management of part of the Mataikona Blocks (Aohanga Station) should be vested in the Native Trustee. Pursuant to such order the Native Trustee was authorized to occupy the land as a farm and carry on any agricultural or pastoral business for the benefit of the beneficial owners of the respective areas and to expend out of any moneys under his control such sums as he should think expedient for the purpose of effectually carrying on farming operations. With the approval of the Native Minister the Native Trustee might appoint a manager, who need not be or become an officer in the Public Service. With the consent of the Native Minister the Native Trustee was authorized to borrow moneys on mortgage for such purposes. The Native Trustee was also authorized by subsection (13) to assist any Native owner in farming any portion of the land, and advances made for that purpose were to be deemed expenditure in connection with the farming operations authorized by section 45. The powers conferred by this section enabled the Native Trustee to become a pastoralist on his own account with a manager approved by the Native Minister, but with liberty to use at his (the Native Trustee's) discretion, without the control, at the time, of any Board, such proportion of his trust funds as he thought fit for such farming purposes.

132. The powers conferred by section 45 aforesaid were given general application by section 25 of the Native Trustee Act, 1930 (to which we are about to refer) ; and in 1931 section 64 of the Native Purposes Act of that year repealed the aforesaid section 45 and required the future administration of the Aohanga Station to be carried on under section 25 of the Native Trustee Act, 1930.

A subclause validating advances out of the Native Trustee's Account to Natives in respect of the Aohanga Station was inserted—section 64 (3). This provision was extended by section 114 of the same Act, as hereinafter indicated.

133. In the consolidating measure, the Native Trustee Act, 1930, a new section (section 25) was inserted. This section provided that the Native Minister, by notice in the *Kahiti*, or the Court upon the application of the Native Minister, by order, might declare that the control and management of any Native land or land owned by Natives should be vested in the Native Trustee. Power was given to release land; but by subsection (15), until an order of release was made, no owner was capable of making any alienation of the land other than through the Native Trustee as agent for the owners. The Native Trustee might permit the Native owners or any of them to occupy part or parts of the land upon such terms and conditions as he thought expedient. Subject only to the control of the Native Minister in the appointment of managers and in the raising of money, the Native Trustee might carry on any farming business on the land. He had power to buy and sell stock and chattels. As a separate branch of assistance the Native Trustee could, under section 25 (13), assist any Native owner in farming any particular portion of the land and make advances to the Native for such purposes, and such advances were deemed to be expenditure in connection with the farming operations authorized under the section.

134. By section 114 of the Native Purposes Act, 1931 (referred to above), it was enacted that where land was being administered by the Native Trustee under section 25 of the Native Trustee Act, 1930, the Native Trustee might make advances from the Native Trustee Account to a Native owner in respect of his share or interest in the land, either by way of anticipation or otherwise, and it was declared that this power should take effect as from the commencement of the Native Trustee Act, 1930, and payments already made were validated. These advances can be used to meet the living-expenses of the owners.

135. This legislation at the time it was passed enabled Native land development and farming to be undertaken and advances to be made to Native farmers for farming purposes out of trust funds, guaranteed by the State, to such an extent in relation to the value of the farming assets as the Native Trustee, without the control of any Board, thought fit. These powers have been curtailed. By section 17 of the Native Land Amendment Act, 1932, the control of farming expenditure and of the investment of moneys available for investment was vested in the Native Land Settlement Board. The powers of the Native Minister to bring land under section 25 were taken away by section 15 of the Native Land Amendment Act, 1932, and the power to approve of the appointment of managers, of the raising of money, and of the application of receipts have been rendered subject to the control of the Native Land Settlement Board by section 8 of the Native Purposes Act, 1933.

136. In addition to the foregoing powers, the Native Land Settlement Board (formerly the Native Minister) has power under section 522 (3) of the Native Land Act, 1931, to delegate to the Native Trustee the development and farming powers conferred upon the Board (formerly the Native Minister) by the said section 522; but, in the event of such a delegation, the Native Trustee is not given power to use the moneys in his account for general development purposes. It appears, however, that the powers conferred upon the Native Trustee by section 25 of the Native Trustee Act, 1930, are ample for such a purpose; and, indeed, in December 1930, the Native Minister, by a *Gazette* notice, revoked his notice bringing the Tokaanu Development Scheme under section 522, and brought it under section 25 of the Native Trustee Act, 1930, under which section the Native Trustee was enabled to expend his trust moneys on the development scheme and prevent any Native from alienating his interest in the land except through the Native Trustee as agent for the owners.

137. We do not regard the ordinary investment operations of the Native Trustee as constituting a scheme for the development of Native land or for assisting Natives in farming, although indirectly such investments no doubt are of definite assistance to that end. We deal with the investment operations of the Native Trustee in Part XIII of our Report. If, however, the Native Trustee had made advances under the powers of section 25 to Native farmers for development and farming purposes which could not be considered to be investments for trust funds, the Native Trustee should then, we think, have been regarded as carrying on a scheme for assisting Native farming. We are informed by the Native Trustee that he has made no such advances. To the extent, however, that the Native Trustee has entered upon the control and management of farm properties under the wide powers now conferred upon him for the benefit of the Native owners, and not for the purpose of protecting any investment he had himself made upon them, we think that the Native Trustee should be regarded as carrying on a scheme for the development of Native land and for assisting Native farming.

138. With regard to this matter, the Native Trustee is to-day administering various farming properties under various authorities. Pursuant to section 23 of the Appropriation Act, 1925, he is administering the Hoia and Hereheretau Stations, which are investments of the East Coast Maori Soldiers' Fund. He is farming these at the present time in order to recover as much as possible of the moneys advanced by him in respect of them. We refer particularly to these stations in connection with our Report on the East Coast Maori Soldiers' Fund in Part XII. The Native Trustee is also farming the Tawanui Station, a foreclosed Crown leasehold in the Te Kuiti district, upon which he had made advances; the Motuweka Station, a group of Native leaseholds mortgaged to the Native Trustee and now administered by the Native Trustee under section 25 of the Native Trustee Act, 1930; and the Tiratu Station, a property mortgaged by a Native which the Native Trustee is now administering as mortgagee in possession, also under the said section 25. But he is farming these properties for the purpose of protecting his securities and recovering his advances. He did not take control of them for the benefit of the Native owners apart from any investment which he had himself made upon them. We deal with these three stations in Part XIII of our Report.

139. The only properties which the Native Trustee undertook to control and farm expressly for the benefit of the owners, without having previously invested money in the properties, are the Hakurenga Station, at Waipiro Bay, on the East Coast, and the Aohanga Station (part of the Mataikona Block), on the Wairarapa Coast, south of Akitio. These two stations appear, then, to us to constitute schemes carried on by the Native Trustee for the purposes of Native land development and farming, and we accordingly deal with them in this part of our Report.

Hakurenga Station.

140. This station contains 2,817 acres. Before the end of the year 1930 this station was being managed by a committee of management representing incorporated Native owners. Towards the end of 1930 the guarantor of the bank overdraft gave notice of the withdrawal of his guarantee, and the committee became financially embarrassed. The bank proposed to realize the assets under the powers conferred by its securities. At the end of 1930 the committee of management asked the Native Trustee to accept the property in trust and farm it for the Native owners. The Head Supervisor for the Native Trustee, Mr. C. F. Jacobs, reported that the property could be farmed to advantage. He recommended that the Native Trustee should re-enter upon adjoining land mortgaged to the Native Trustee and that the whole of the properties should be worked as one station. In March, 1931, the committee of management entered into an agreement with the Native Trustee establishing a trust for the working of the properties for the benefit of the Native owners. The lands were brought under section 25 of the Native Trustee Act, 1930, and they are now being farmed by the Native Trustee for the benefit of the Native owners.

141. The Head Supervisor estimated that an immediate capital outlay of £4,000 was required, such sum including the cost of the stock and chattels taken over at valuation. The liability to the bank was £8,500, and arrangements were made to maintain the overdraft at this figure. It has since been reduced to £7,500, and is secured by a first mortgage over portion of the property together with collateral security over the stock owned by the Native Trustee.

142. The farming of the land has been directed by the Native Trustee's Head Supervisor, Mr. Jacobs. A European manager and one Native are permanently employed on the property. Native labour is available for casual work.

143. The following figures give the estimated expenditure, the actual expenditure, and the receipts since the Native Trustee has taken over:—

——	Period to 30th June, 1931.	1st July, 1931, to 31st May, 1932.	1st June, 1932, to 31st May, 1933.	1st June, 1933, to 31st March, 1934.
	£	£	£	£
Estimates	4,000	2,000	3,000	..
Expenditure	3,523	2,210	3,271	2,597
Receipts	115	1,133	2,247	2,072

The profit and loss accounts show the following result:—

	Loss. £	Profit. £
To 30th June, 1931	..	597
To 31st May, 1932	840	..
To 31st May, 1933	381	..
To 31st May, 1934	..	529

The liabilities at 31st May last were as follows:—

	£
To Bank of New Zealand	7,500
To Native Trustee (mortgage)	1,900
To Native Trustee (overdraft)	5,117
To sundry creditors	509
	£15,026

Government valuations of the property made in 1930 and 1931 show a capital value of £17,180. The book value of the stock, which comprised at 31st May last 3,674 sheep, 416 head of cattle, and 10 horses, is £4,309.

144. An independent valuer appointed by the Minister of Finance reported on 1st June, 1933, as follows:—

> "I understand this place has only been in the hands of the present management for about two years, and I can quite understand that when taken over it was in a very neglected state. As far as I can see a good effort is being made to clean the country and get it under control. Neglected as this place has been, it takes time and money to again get things in order. The property is worth developing, and I should say on a pre-war basis of prices for produce would be worth about £7 per acre."

Although, however, the property is being satisfactorily held and developed for the Native owners, it is plain that sheep-runs provide little continuous employment for Natives; they are not apt for settling many Natives on the land, and trading risks are necessarily run.

Aohanga Station.

145. The total area of this station is 17,723 acres, of which 907 acres have been reserved for the use and occupation of the owners and 16,816 acres are farmed by the Native Trustee. The property is Native freehold land which has for many years past been leased to Europeans. The last lease expired on 28th February, 1930. It provided for a rental of £1,750 per annum, but it contained no compensation clause. The evidence before us shows that as the end of the lease drew near it became evident to the Native owners that the lessee was allowing the property to run back so that a renewal might be obtained, without competition, at a low rental. The owners requested the Native Trustee to evolve some means of saving the place for them.

146. The property had been the subject of previous consideration by the Lands Department. In 1917 a Proclamation was in force under the Native Land Act, 1909, prohibiting the sale except in favour of the Crown. In July, 1922, the Commissioner of Crown Lands recommended that no action should be taken towards the acquisition and subdivision of the property. In January, 1929, the then Commissioner of Crown Lands reported adversely on its acquisition and subdivision for settlement because of the high cost involved, and he recommended that the prohibition against alienation be removed.

In September, 1929, the Head Supervisor to the Native Trustee, Mr. C. F. Jacobs, inspected the property and reported that it was in a disgraceful condition and that the only way to save it for the Native owners was to set up a trust. To enable the Native Trustee to accept such a trust section 45 of the Native Land Amendment and Native Land Claims Adjustment Act, 1929, to which we have already referred, was enacted. Pursuant thereto, and upon an undertaking by the Native Trustee to grant to the Native owners an annual payment equivalent to the rent previously paid to them under the lease, the Native Land Court made an order which had the effect of vesting the control and management of the station in the Native Trustee for the benefit of the beneficial owners. About this time a Government valuation (dated 1st March, 1930) showed the capital value of the property to be £62,964. The farming of the station has been directed by the Head Supervisor, Mr. Jacobs, who makes periodical visits. A European manager and shepherds are permanently employed on the property. Native labour is engaged for shearing and crutching.

147. The following figures explain the estimates of expenditure and the actual expenditure and receipts since the Native Trustee took over the management:—

——	To 31st May, 1931.	1st June, 1931, to 31st May, 1932.	1st June, 1932, to 31st May, 1933.	1st June, 1933, to 31st May, 1934.
	£	£	£	£
Estimates	47,600	32,600	23,000	10,000
Expenditure (includes capital expenditure and maintenance)	67,983	38,577	21,678	12,414
Receipts	6,290	10,591	12,936	20,489

148. The total expenditure by the Native Trustee for capital and maintenance to 31st May last has thus been £140,652, though by reason of receipts the amount outstanding at any one time would have reached, but may not have exceeded, £100,000. These amounts have been expended under the sole direction of one man, the Head Supervisor to the Native Trustee, Mr. C. F. Jacobs. The Deputy Native Trustee paid three visits to the property (once in 1930, 1931, and 1932 respectively), but, as he does not hold himself out as having farming experience, his visits were of no value for the purpose of checking the expenditure against the work done. In our view, the Native Trustee showed great negligence in permitting the expenditure of such a large sum of money upon the advice and supervision of one man alone, particularly if the services of expert officers from other Government Departments would have been available on request, as we have no doubt they would have been. We understand that advice was taken on the subject of the control of rabbits, but that does not affect our general criticism.

149. The moneys expended to 31st May, 1932, included £18,160 paid to the Native Trustee by the Unemployment Board. During February, 1931, that Board came to an arrangement with the Native Trustee whereby, in order to relieve acute unemployment in the City of Wellington, the programme of scrub-cutting and clearing tauhinu was greatly accelerated. Of the sum of £18,160, £5,500 was paid as a free grant, and the balance, £12,660, was granted as a loan at 4 per cent. for three years. In addition, the Unemployment Board lent to the Native Trustee £2,340 for clearing-work on the Motuweka Station. The Native Trustee states that his Head Supervisor forecasted that the cost would exceed the cost under the contract system, that he (the Native Trustee) was not enthusiastic about the arrangements, but he agreed to them in order to assist the Unemployment Board in its difficulties. In the result, 471 men were provided with work during the winter of 1931. The area cleared at Aohanga was 4,000 acres, at a cost of £18,160, or approximately £4 10s. 9d. an acre. Allowing for the free grant of £5,500, the net cost to the Native Trustee was £3 3s. 3d. per acre. This was a poor result, as a contract for the cutting of similar scrub should not have cost more than 22s. 6d. to 25s. per acre.

150. The profit and loss accounts show the following results:—

	Loss. £	Profit. £
Period to 31st May, 1931	8,273	..
Year ended 31st May, 1932	7,554	..
Year ended 31st May, 1933	..	6,927
Year ended 31st May, 1934	..	9,374

In this last year some good prices have been obtained for a part of the wool clip.

The liabilities at 31st May, 1934, were—	£
Native Trustee	70,510
Unemployment Board loan	12,660
Survey liens	2,591
Other creditors	2,674
	£88,435

The book value of the stock on hand at 31st May last, which comprised 28,506 sheep, 1,660 head of cattle, and 41 horses, amounted to £31,237.

The Native Trustee has paid the sum of £6,397 to the beneficiaries pursuant to the Native Land Court order requiring him to pay to the Native owners for a period of five years from the year 1930 a sum equivalent to the rent theretofore paid under the lease.

151. The expenditure upon a station such as this was one of the causes preventing the Native Trustee from meeting his payments to his ordinary beneficiaries, even though rents and interest due to these beneficiaries had actually been received by him and had become part of his Common Fund. In order to relieve the position the Native Trustee, being unable to obtain further moneys from the Treasury, raised from a stock and station agency company the sum of £17,000 on the security of the stock at Aohanga. With this money the Native Trustee was able to relieve to some extent the position of his ordinary beneficiaries.

152. There seems no reason why this property should not be satisfactorily held and developed for the Native owners, provided prices remain at a remunerative level. On the other hand, it is plain that, as with the Hakurenga Station, trading risks are being run. It is also plain that sheep-runs do not provide employment for many Natives, and, as we have said, they are not apt for settling many Natives on the land.

153. The only other farming scheme that has been carried on by the Native Trustee is the Tokaanu Development Scheme. Following upon the passing of section 25 of the Native Trustee Act, 1930, the Native Minister, by a notice gazetted on 11th December, 1930, revoked, or purported to revoke, his notice bringing the Tokaanu Scheme within the State Native land development provisions of section 522 of the Native Land Act, 1931, and declared that the control and management of the scheme should be vested in the Native Trustee under section 25 of the Native Trustee Act, 1930. The scheme was again brought under section 522 by a *Gazette* notice of 7th April, 1932. During the period elapsing between these notices the Native Trustee expended from his trust funds £9,703, and received credits as follows—unemployment subsidies, £333; and sundries, £210—leaving a net expenditure of £9,160. (See Parliamentary Paper, 1932, G.–10, p. 72.) When the scheme was again taken over by the State in April, 1932, the sum of £8,000 was paid to the Native Trustee, and a balance, amounting to £1,688, was paid by the Treasury to the Native Trustee on 14th May, 1932. This sum will now be included in the amount owing by the Native Department to Treasury as part of its development costs. We think that, notwithstanding the powers conferred by section 25, it was gravely open to question whether any trust funds of the Native Trustee should have been advanced upon the Tokaanu Development Scheme.

154. We deal separately with other operations of the Native Trustee in Part XIII of our Report, and, for the reasons there given, we recommend that the Native Trustee's farming and land development operations be brought to an end and that he be limited to the duties of an investment trustee for the Natives.

PART V.—THE STATE DEVELOPMENT SCHEMES.

155. We turn now to the State schemes for the development of Native land and of granting farming assistance to Natives. They may be conveniently referred to as "State development schemes." They depend on the legislation first enacted in section 23 of the Native Land Amendment and Native Land Claims Adjustment Act, 1929, and its amendments, but now contained in section 522 of the Native Land Act, 1931, and its amendments. This legislation ran parallel with the legislation for the development of unoccupied Crown lands and of unoccupied settlement lands contained in the Land Laws Amendment Act, 1929.

156. In our view, close and immediate attention is required to the situation disclosed by an examination of the legislation governing the State development schemes and the nature of the schemes actually established in professed reliance upon the authority of that legislation; and it is only because we regard the situation as serious that we have ventured to trespass on Your Excellency's indulgence by considering at some length a technical subject in a report of this kind.

157. This legislation was enacted (in the words of the statute) "for the purpose of the better settlement and more effective utilization of Native land or land owned or occupied by Natives and the encouragement of Natives in the promotion of agricultural pursuits and of efforts of industry and self-help"—section 522 (1). For these purposes, two methods were authorized by the section:—

(i) The method of development for the purpose of rendering Native land fit for settlement authorized by subsection (3) and the provisions subsidiary thereto; and

(ii) The method of making advances on the security of land authorized by subsection (7).

We refer first to the second of these methods.

158. Subsection (7) is enacted, as the subsection states, "for the purpose of assisting Natives to farm lands owned by or leased to them." For that purpose the Native Land Settlement Board (formerly the Native Minister) is authorized to make advances, bearing interest at a prescribed rate, secured by way of mortgage over land, to an amount not exceeding three-fifths of the value of the land included in the mortgage. There may be collateral security over chattels, but the amount of the advance is definitely limited to three-fifths of the value of the land included in the mortgage.

This provision proved practically useless, and was used in only four cases.

159. With regard to the second method, although we are not a Court of construction, we find it necessary to take a view of the operations which have been authorized by section 522. In our view, the powers conferred by subsection (3) of section 522 and its subsidiary provisions may be summarized so far as they affect the position we are investigating, as follows:—

(*a*) For the purpose of rendering any Native land or any land owned by Natives fit for settlement, the Native Land Settlement Board (formerly the Native Minister) may decide to apply the provisions of section 522 to that land. Whenever that decision is made, the Board must publish in the *Gazette* a notice of its intention in that behalf. Thereupon, the Board obtains control of the land, because no owner may thereafter exercise, without the consent of the Board, any rights of ownership so as to interfere with the development operations. Penalties are provided for wilful trespass after a warning to leave the land and for wilful obstruction of development operations; and the fact that a person has an interest in the land does not prevent his act being an offence.

(*b*) When control has been obtained in this manner, the Native Land Settlement Board may either itself, or by its delegate, a Maori Land Board or the Native Trustee, undertake the improvement of the land. Such improvement includes the bringing of waste land to grass and maintaining it for the purpose of rendering the land fit for settlement. But it does not appear that any operations are authorized other than those required for the purpose of rendering the land fit for settlement.

(*c*) The Native Land Settlement Board may, pursuant to subsection (*c*), authorize the purchase of live-stock for depasturing on such land or upon land adjacent thereto or intended to be used in connection therewith, and may authorize the sale of any live-stock or the produce or the increase thereof. The control of these operations of purchase and sale in respect of live-stock by the Native Land Settlement Board itself shows that this power is incidental to the development operations. Subsection (3) (*c*) does not, it seems to us, contemplate that the land has ceased to be development land under the control of the Board for the purpose of rendering that land fit for settlement. In other words, the stock whose purchase and sale is authorized is "bulk stock" for the purpose of rendering the land fit for settlement. No power can, in our view, be spelt out of the section to buy stock for the purpose of making advances to Native farmers on lands which have reached the stage of settlement. It follows from this that any profit on the use of the stock as part of the process of rendering the land fit for settlement is a proper set-off against expenditure for that purpose. Only the net cost of development is chargeable against the land when rendered fit for settlement.

(*d*) All moneys expended in the foregoing development operations are charged by statute upon the lands in respect of which the expenditure is made. The Native Land Court may make charging orders in respect of such expenditure, and these charging orders may be registered against the land. For the better protection of the security the Board may pay any outstanding liabilities due and payable in respect of any land to which the development operations under the section are being applied or intended so to be.

160. The foregoing are the essential provisions of the section with reference to development operations. It is necessary now to consider the position which arises when the purpose of the operations has been fulfilled and the land has been rendered fit for settlement. It appears to be a question of fact as to when that stage has been reached in respect of any particular area of land; and that question must be determined on the particular circumstances affecting each area. Clear language would be required to limit the rights of the owners beyond that stage. In our view, there is no such language. There is no power of control which amounts to permanent expropriation, or expropriation so long as the Board (formerly the Native Minister) thinks fit. The power of control which is granted only extends to prevent the exercise of the rights of ownership in so far as the exercise of those rights would interfere with or obstruct the carrying-out of any of the works required for the purpose of rendering the land fit for settlement. When that stage has been reached the right of control ceases, and the rights of ownership on the part of the Native owners are unabridged with the exception that their land which has been rendered fit for settlement remains charged with the moneys properly expended in achieving that object.

161. The only provision made in the Act of 1929 to meet this situation was that contained in subsection (3) (*g*), which provided that any land "dealt with under subsection (3)" might be declared by Order in Council to be subject to Part XVI of the Native Land Act, 1909, which related to Native land for Native settlement. This provision is repeated as subsection (3) (*g*) of section 522 of the Act of 1931. Consequently, it is open to the Governor-General in Council to declare that any land "dealt with" under subsection (3) shall be subject to Part XVI of the Act. If such an Order in Council were made, the land would cease to be land under section 522 and would become land under Part XVI. It would then become inalienable by the owners, but could be leased to Natives under leases for terms up to fifty years, but land so dealt with would, for practical purposes, be land which would have a registerable title and land in respect of which the owners would be able to arrange their own finance for farming purposes. No doubt, they would be entitled to an advance under section 522 (7) if the title were in such a state as to justify the taking of a mortgage, and, no doubt, they would be entitled to obtain advances from the Native Trustee or any other person who would make advances to them, but, in general, these advances would be strictly limited to a proportion of the value of the land, and, after the amount charged for the development work on the land had been deducted, there would be little value left for the purpose of raising money for working capital. It is not surprising then that no lands have been declared to be subject to Part XVI of the Act.

162. The only other power which may conceivably be invoked to meet the situation which arises when Native land has been rendered fit for settlement is that given by the Native Land Amendment and Native Land Claims Adjustment Act, 1930, section 9 (12), now section 522 (14) of the Act of 1931. Under that provision a Maori Land Board may, and must if directed by the Native Land Settlement Board (formerly the Native Minister), enter into a contract with a Native for milking, farming, or cropping on shares upon any land being administered or dealt with under section 522 for such term and upon such conditions as the Board thinks fit. Land "being dealt with" under the section seems to refer to land not yet fit for settlement and in respect of which the power of control by the Board still exists. The words "any land being administered" create a possible difficulty. They might appear to imply that the land had been "dealt with" (and so rendered fit for settlement) but was yet subject to control (and so "land being administered"). But the rights of owners cannot be limited by a mere implication of that kind. The fact is that the wording of this subsection follows the wording of subsection (18) added by section 7 of the same Act to section 3 of the Native Land Amendment and Native Land Claims Adjustment Act, 1928. That section referred to Native land in respect of which a Maori Land Board had power to carry on any agricultural or pastoral business or any other business connected with the land and the word "administered" was there appropriate. But though, in respect of a State development scheme, the word "administered" is not appropriate in that sense, it might be appropriate if the development work were being done by a Maori Land Board or the Native Trustee as the delegate of the Native Land Settlement Board. Moreover, the word "administered" assumes a valid basis for administration. We think it clear that the word "administered" in subsection (14) cannot extend the right of control over the exercise of the rights of ownership. It follows that the authority given to a Maori Land Board to enter into sharemilking contracts on State development land can properly apply only to lands which are still being rendered fit for settlement. Although this is so we think that the Native Minister did, in fact, assume that at all times he retained control over Native land in respect of which a *Gazette* notice had been published whether it had been rendered fit for settlement or not. He thus explained the object of the section:—

> "We may get on a scheme men who are good fencers, milkers and so on but inexperienced farmers; and opportunity should be given to test them out and see what sort of a job they make of actual farming operations." (*Hansard*, Vol. 226, page 614.)

According to our information, no such sharemilking, farming, or cropping contracts have actually been entered into. But, in any event, control over lands which have been rendered fit for settlement can only be exercised with the consent of the Native owners.

163. We noted at the beginning of our examination that the legislation authorizing the State development schemes ran parallel with the legislation under the Land Laws Amendment Act, 1929. The latter legislation did not in 1929 make provision for allotting the land, but power was taken by section 10 of the Land Laws Amendment Act, 1930, to allot to individuals any Crown lands or settlement lands, which, in the words of section 10, "have been prepared for settlement by the carrying-out of works authorized." Similarly, where a Maori Land Board was administering or dealing with any Native land under section 3 of the Native Land Amendment and Native Land Claims Adjustment Act, 1928 (*i.e.*, any land in respect of which the Board could carry on any agricultural or pastoral business or any other business connected with the land), it was authorized by section 7 of the Native Land Amendment and Native Land Claims Adjustment Act, 1930, to act as the agent of the owners for the purpose of granting a lease of that land to a Native for such term and at such rent and subject to such conditions as the Board might think fit. The Board was also authorized by the same section, in lieu of granting such a lease, to enter into a contract with a Native for milking, farming, or cropping on shares. But the only power taken in 1930 in respect of the State development schemes was the power to enter into a contract for milking, farming, or cropping on shares; and that was a power which must be limited, as we have indicated, to the period required for rendering the land fit for settlement. As the power to declare Native land rendered fit for settlement subject to Part XVI of the Act has proved unsuitable, experience has shown that the existing legislation is not sufficient to provide for the proper control of the farming of the land by the Natives after it has been rendered fit for settlement.

164. It does not appear that any close examination of the powers conferred by the legislation was made by or on behalf of the Native Minister while he was administering the schemes. He appears to us to have felt that he was meeting the needs of the Natives. He followed such lines of activity as he found suitable and he explained the whole matter frankly to Parliament in Parliamentary Papers 1931 G.–10 and 1932 G.–10. In the result the actual course of the development operations has only partially followed the lines laid down by the Legislature and is only partly under the authority of the legislation.

165. The following kinds of schemes for development and farming assistance were used by the Minister:—

(1) The grant of four mortgages authorized under subsection (7) of section 522.

(2) Development schemes authorized by subsection (3) of section 522. This type of development scheme is thus described by the Minister himself (Parliamentary Paper, 1931, G.–10, page xvi).

> "The first conception of a land-development scheme is that of a compact connected area, comprising, it may be, a number of title subdivisions, but so situated as to present a block capable of being treated as an economic unit and of being subjected to a carefully conceived settlement plan."

The Minister proceeded,—

> "For such a scheme budgets of expenditure can be fairly closely estimated and development proceed on a face according to an easily understood plan."

A scheme of this class was the first scheme commenced—viz., that at Horohoro, near Rotorua. The Native Minister himself regarded this type of scheme as the class of scheme for which the legislation was enacted. In Parliamentary Paper, 1932, G.–10, at page 24, he said,—

> "The scheme of the Native-land legislation was framed for the conditions prevailing at the time and was built round a study of the possibilities of such areas as Horohoro."

166. (3) Unit development schemes: Large areas of Native land, particularly in the North Auckland District, have been gazetted as areas to which the provisions of section 522 (3) were to be applied, but the object was not to develop the area gazetted, because the organization of a development scheme based on a compact area was not possible. The object was to assist individuals or families who lived within the large gazetted area and who were settled on or entitled to work small holdings. Advances were made to an individual as such or as the representative of a family. Such a person was called a "unit." The advances took the form of seed, material, manure, stock, dairy utensils, implements, and in some cases the discharge of liabilities. The procedure involved a report from a Consolidation Officer or Farm Supervisor and a decision by the Native Minister as to the amount of assistance to be given (if any). In each case it was assumed that the value of the supplies constituted a money advance charged on the small area occupied by the unit or the family he represented. It was because these small areas could not be defined by title descriptions that the large areas which comprised them all were gazetted so as to establish what was termed "the basis for authorization of expenditure from development funds." See 1931, G.–10, page xvi, and 1932, G.–10, page 6. Now these advances to individuals were not within the powers conferred by subsection (7) of section 522 which was the only authority for making advances to individuals from development funds. The Native Minister recognized this. In evidence he said that the North Auckland conditions were not visualized when the legislation was schemed out. Again, when writing to a Consolidation Officer on 1st June, 1931, giving him instructions with regard to a visit he was about to make with a Native Trust Office Supervisor to the Bay of Plenty District, the Minister, referring to the Native Trust Office Supervisor, said,—

> "He will have to throw over some of the ideas of his office, which are based on registered and registerable land securities, and attune himself to scheduling the minimum requirements of men whose landholdings are deemed sufficient by the Consolidation Officer and which can be subject to a charge and to the policy of giving the assistance in the form of material, seed, fertilizer and stock that have to be supplied within the financial year."

However, the charge on the land which is provided for by subsection (4) of section 522 only arises in respect of moneys expended for the purposes of subsection (3)—*i.e.*, on Government account for the purpose of rendering land fit for settlement. The Minister's procedure permitted advances to Natives on the Natives' account, and that was not authorized. It appears, therefore, that no charge on the land has been created in respect of these advances to units. There still remains, of course, such security as may be afforded by an instrument by way of security where that has been taken. But, in our view, wherever the development schemes have taken the form of advances to units which do not comply with subsection (7) of section 522, they are not authorized by the legislation; and subsection (7) covers only four cases. We think, however, that the judicious assistance which has been rendered by the Minister and the Native Land Settlement Board in the manner described has been of great value and that it should be validated.

167. (4) The "blanket" unit scheme: This is merely a variation of the system of advances to units outside subsection (7). It comprises a group of units where the annual appropriation for them consists of their summarized requirements instead of an individual appropriation for each of them. This system is also unauthorized.

168. The total amount of money advanced to units from the State development funds without, in our view, the necessary legislative authority was at 31st March, 1934, £201,031.

169. We do not think it necessary to consider in detail the position where a timber area on Native land has been gazetted for the supply of posts but not for the development of the land itself. We think that legislative steps should be taken to authorize such a procedure. Nor do we consider it necessary to discuss in detail the legal position with regard to base farms for the supply of stock to settlers. As base farms, they are likely to be lands which have been rendered fit for settlement and, if so, if they are gazetted Native lands, they cannot be held against the owners as base farms. Nor is it clear that they can be purchased, because the only power in that respect is to purchase land for the purpose of rendering Native land fit for settlement, and we understand that the main object of purchasing a base farm is to supply stock to units occupying land which is settled or has become fit for settlement. We think that the acquisition or gazetting of base farms should be properly authorized.

170. *Summarized*, our main review of the legislation and of the schemes actually established shows:—

(1) That there is no power to make advances to a Native except upon the security of land pursuant to subsection (7) of section 522 and then only upon mortgage in an amount not exceeding three-fifths of the value of the land comprised in the mortgage.

(2) That the amount advanced to Natives outside the authority of subsection (7) of section 522 is not charged on land. The only security is that afforded by such instruments by way of security or bailments as have been taken or granted.

(3) That the lands of "units" are not subject to control even though they are within gazetted areas because no moneys have been spent on them on Government account for the purpose of rendering them fit for settlement. Moreover, most of such lands are probably already fit for settlement, being already settled.

(4) That where, in respect of an authorized development scheme, Government moneys have been expended on Government account in developing Native land and the purpose of rendering that land fit for settlement has been achieved, there is no continuing control over the exercise by the Native owners of their rights of ownership. Leases or sharemilking contracts can then only be granted or made by the Native owners themselves. Control can only be acquired under the existing legislation in the following ways:—

(*a*) By the making of an Order in Council declaring the land to be subject to Part XVI of the Act, a procedure which has proved unsuitable; or

(*b*) By taking such steps as are available to enforce the charge which is imposed in respect of moneys properly expended on Government account in developing the land for the purpose of rendering it fit for settlement. (In this respect, the question of registration before enforcement requires consideration. See section 522 (5).)

171. We propose now to consider the State development schemes in respect of which money has been expended. They number in all seventy-six. This total is arrived at by regarding the Oraka and Kawhakaputaputa schemes in Southland as one scheme. They are worked together and are treated as one by the Native Department. The total also includes the Kaihau scheme which is gazetted as a State development scheme although it is financed by the Waikato-Maniapoto District Maori Land Board. There are two additional gazetted schemes—viz., Okauia, comprising 1,451 acres at Matamata; and Ohinepuhiawe, comprising 96 acres at Bulls, but no expenditure has been incurred in respect of either of them.

172. In his closing address, Mr. Finlay read a lengthy statement concerning all the development schemes and claimed for them a great success. We have investigated his statement but we find that it is based upon insufficient data. From the data supplied to us by the Native Department at our request, we have compiled a summary of the development schemes which we attach to our Report—Appendix I. This summary represents the position of the schemes as accurately as it can be stated from the records supplied to us and is intended to enable a general view of the State development schemes to be taken. We realize, however, that the data supplied are defective in certain respects and the remarks we have made in the summary against some of the schemes will show this. We think it proper to state here the reasons which render it impossible to appraise the work of development done on many of the State schemes with any approach to accuracy.

173. In the first place, the records of the Native Department are lacking in sufficient information as to the nature and value of the improvements which had been effected on many of the lands before the State development schemes were commenced. For example, dairy farming had been established for many years past on the lands of the Ruatoki, Whakatohea, and Torere schemes of the Bay of Plenty. The records of the Department do not show sufficiently what the nature and value of development was before the State moneys were expended and it is impracticable to assess, upon the records available, how much credit should be given to the development scheme for the additional development secured by the State expenditure. The same comment may be made with regard to the Mohaka scheme and to the unit schemes in the North Auckland District. In that district over two thousand dairy cows were being milked before any development-scheme moneys were used to assist units in developing or further developing their lands.

174. Although the Ruatahuna development scheme is a minor one, it affords a striking example of the comment we are making. In 1931, Natives living on the area were practically destitute. To assist them, the Native Minister made an arrangement for the fencing of areas which had already been cleared and grassed. The fencing material was to be paid for by the Minister from the Native

Land Development Fund and the labour was to be paid for by unemployment contracts. The cost was made up as follows :—

	£
Accident insurance	26
Bush-felling	143
Scrub-cutting	121
Fencing material	508
Fertilizers	77
Grass-seed	142
Surveys	4
Sheep-dip, mustering and droving	81
Shearing expenses	141
Sundries	17
	1,260

From the official record supplied to us, it would appear that 2,500 acres of land had been developed at a cost of £1,260, whereas it is clear from the facts that the greater part of the development-work had been done before the gazetting of the land.

175. The records concerning the Motatau Base Farm afford another example of our comment. This farm was purchased about the middle of 1930. Prior to the purchase, a Farm Supervisor inspected the property and reported (*inter alia*) as follows :—

> " The farm is in good order and well grassed except for 60 or 70 acres of short fern not yet properly crushed."

In August, 1931, another Farm Supervisor made a report upon the farm from which we take the following extract :—

> " Section 8 (*a*)—210 acres. The section comprises 40 to 50 acres of good flat in pasture. This portion has been top-dressed and the pasture is fairly good. The balance of the section comprises easy hill country, 100 acres being good limestone and 60 acres of chalky clay country. This portion is all in grass, danthonia predominating. Section 9—233 acres. Twelve acres of rich flat is in paspalum. The hill country on this section is mostly in danthonia with English grasses in parts. A large area (say 150 acres) has gone more or less into fern. Sections 11 & 12—about 150 acres low lying swamp in raupo, bullrushes, scrub, and kahikatea, stock do not graze on this part at any period of the year."

Finally, in our attempt to get sufficient data in connection with this farm, we were supplied by the Head Office of the Native Department with a description of the farm which contained the following details :—

> " Total area 770 acres—area developed 130 acres—area under development 50 acres. Area not developed 590 acres."

Such conflicting information reduces considerably our confidence as to the records of the state of development when land was brought under a State development scheme.

176. In the second place, although it is correct in arriving at the amount of the indebtedness of any unit on a scheme to give credit for (*a*) an unemployment subsidy, (*b*) the proceeds of the sales of stock, and (*c*) the profits derived from farming operations, it is incorrect to make deductions on account of these items in arriving at the cost of development. That cost should be assessed when the lands have reached what may be regarded as the developed stage—*i.e.*, as we understand it, when they have been rendered fit for settlement. Parts of certain of the development schemes have, in our view, reached that stage—*e.g.*, parts of the lands comprised in the Horohoro, Waimiha, Kaihau, Waipipi, and Ranana development schemes. In these cases, such parts are, in the ordinary sense, " developed." If the cost to that stage of development were available, as well as the records of previous development work, it would be possible to determine whether the lands had been developed at a reasonable cost. But no such cost is available from the records of the Department. These lands are being farmed by the Department and the expenditure and receipts due to such farming operations are still being dealt with as part of the process of development.

177. From the foregoing comments it is plain that we can give no general appreciation of the schemes on the basis of a comparison between the results of the development work carried out with State funds and the expenditure incurred in producing those results. The remarks which we have made opposite the respective schemes in our summary in Appendix I indicate the extent to which we can go, on the evidence, in assessing them. In some cases, good work has been done and at a very reasonable cost. In other cases, the evidence shows that poor results have been obtained, having regard to the amount of money expended. Among the causes has been mismanagement, such as a failure to use initially or seasonally sufficient fertilizer and an inefficient stocking at critical periods. In other cases again, the evidence shows that a large amount of labour and money must still be expended to bring the scheme lands up to the standard of a " developed " farm according to the usually accepted meaning of that term.

178. With regard to the summary in Appendix I, it must not be assumed that the figures showing the stock on particular areas as at the 31st March last are indicative of the stock-carrying capacity of the respective areas. The reason for this is that the store cattle and the sheep are continually being moved from one area to another in connection with the control of the pastures and the crushing of fern, second growth, and weeds.

179. It will also be noted from the summary that no pigs (except a few on the Motatau Base Farm) are owned by the Native Department, although we saw many on the various development areas. The pigs are, we understand, the private property of the units, and any profits derived from them are retained by the units. We are advised that any average dairy-farmer should earn from pigs an amount equal to at least £1 per cow per annum.

PART VI.—MATTERS ARISING OUT OF OUR INQUIRY INTO THE STATE DEVELOPMENT SCHEMES.

180. In this part of our report, we propose to deal with certain matters which arose out of our inquiry into the State development schemes. We deal firstly with the policy of the schemes and the position of the Native Minister, Sir Apirana Ngata.

The Policy of the Schemes and the Position of Sir Apirana Ngata.

181. While the schemes may appear to be only schemes for developing land and granting farming assistance which might be applied equally to European and Maori, they are from the Maori point of view, according to the thesis developed in Parliamentary Paper G.–10, 1931, a part, though a very substantial part, of a movement to create a new life and culture for the members of the Maori tribes. It is essential to appreciate this underlying policy in order to understand the methods adopted by the Native Minister and his personal position in relation to the establishment and working of the schemes. We proceed to deal with these matters.

182. For years past many Maori people, particularly in the North Auckland District, have lived in a primitive fashion in isolated settlements, depending very largely for food-supply on their community cultivations eked out by supplies taken from river, sea, lake, and bush. In other parts of the country they have lived isolated in separate homes, depending on a small cultivation and the wages derived from casual employment. In other parts, notably on the East Coast, they have undertaken farming on European lines on their own account. All these people have continued to own large areas of waste Native lands. These have become prolific sources of noxious weeds and are notoriously useless for rating purposes. It is plainly to the interest of both European and Maori that this state of things should be altered and improved. The Maori has not, however, regarded the position as seriously as the European, and the situation has been and is complicated by the varying attitudes towards the Native-land problem taken among the Maori people. The phrase "the Maori people" is often used as though it comprised 70,000 individuals of one mind. This is far from the truth. In relation to the Native-land problem, the tribes, divisions of tribes, and religious sects among the tribes have held, and hold, diverse views. The Minister's approach to the problem of securing the general acceptance of a policy of Native-land development subject to a charge was therefore one of difficulty and delicacy. To induce Maori co-operation on a large scale some positive scheme which would make a general appeal to the Maori was required.

183. The solution propounded by the Native Minister has been expressed in Parliamentary Papers, G.–10, 1931, and G.–10, 1932. In summary we may say that his object is to establish a new culture for the Maori people, to mould their life to a new form. The reason for this may be gathered from the following quotation from a statement by Dr. Peter Buck (Te Rangihiroa) in Parliamentary Paper G.–10, 1931, page xiv :—

> "Our cousins, the Hawaiians, are being rapidly absorbed, if not already, into the Nirvana of American citizenship. Our remote kinsmen, the Samoans, are in the rut of customs so deep that able-bodied men sit round providing coconut sennit and parcelling out governing positions among themselves over a mandated country. Between the two there should be a balance that moulds together the assimilable good of each culture. It seems to me, gazing round the Pacific from the metaphorical top of Maunaloa, that the Maori race are the only branch that are struggling to maintain their individuality as a race, and moulding European culture to suit their requirements."

184. In the new culture proposed there is to be combined that which the Maori selects as suitable in the culture of the European and that which shows a tendency to persist in his own culture.

185. Settlement on the land as farmers of dairy cattle and sheep is, for present purposes, that which the Maori has selected from European culture. Now that will constitute a powerful influence towards a completely European mode of life, particularly where it involves the settlement of units in separate homes on separate areas which are expected to pay their way as a part of the modern industrial system of New Zealand. At present only a tribal attachment to Maori ways is opposed to such an influence. To quote Dr. Buck again from the same parliamentary paper :—

> "Our experience with our own people has been that we have had to study the idiosyncrasies of individual tribes and avoid the assumption that they all think alike because they are Maori. The advantage that knowledge of one branch confers is that of giving the possessor a quick insight through allied dialect and custom and thought to an appreciation of the manners and customs of a kindred people. The tribal independence has always been present. Though coming from approximately the same area, it is probable that the canoes came from different islands. It may be that our canoes brought little differences with them from their home islands. These they maintained in the new land. I have always felt, since my Polynesian wanderings, that New Zealand was composed of a number of islands in spirit though connected by land. The area was too large for one man to subdue and create one absolute autocracy, such as happened in some of the Polynesian groups. Besides, we bred too warlike a spirit for one canoe area to submit to another for long."

To this we may add that the differing attitudes among the tribes towards the European since his arrival in this country have tended to uphold the tribal consciousness.

186. In the view expressed in the parliamentary paper, then, the tribal consciousness alone is not sufficient to withstand the influences towards the adoption of those features of European life which the Maori does not wish to have but which will be engendered by engaging in the activity of modern farming for profit. How is this situation to be met? The answer given is that it is needful to create a consciousness of race. This may be done by mingling Maori tribesmen in the newly selected activity of farming. That will produce a spirit of emulation and race consciousness. To quote Dr. Buck again from the same parliamentary paper, G.–10, 1931, p. xiv :—

> "The East Coast effort, which commenced as a purely local tribal attempt, is bound to stir the manhood of other tribes to thought and effort, lest they be shamed. Emulation must be inspired. The tribal spirit and canoe rivalry should blaze up, and out of this will emerge a race consciousness."

The race consciousness may also be created by emulation in the Maori Arts.

187. Thus the evoking of a racial consciousness through the spirit of emulation, in work and in the activities of leisure, is not only to be a motive-power in the new farming activity, but is also to be a safeguard against the encroachment of those European ways which would otherwise destroy those manners and customs of the Maori which show a tendency to persist and which he desires to keep. Those manners and customs appear to comprise a political, social, and artistic life centred in meeting-house and *marae*, the influence of chiefs, and the care by the tribe as a whole of each member thereof. They appear to extend also to-day to the discussion on the *marae* of business matters which may be of advantage to many of the tribe as individuals. We note, as an example, the discussion of the Native Minister with Ngatiporou regarding the purchase of fencing-posts from Whangaroa, to which we make reference at a later stage in our report (para. 519).

188. It is necessary now to appreciate the method of approach used by the Native Minister. As we have pointed out, the Maori still thinks tribally, and although it is easy to speak of "the Maori people" or "the Maori world," these phrases do not, for the purposes of organization, represent a living reality. It is still necessary for the purpose of initiating any general activity to approach each tribe through its own leaders on its own *marae*. That, too, was necessary for the Native Minister, as a Ngatiporou, approaching the members of other tribes.

189. It is necessary also to appreciate that the Native Minister was himself a Maori. The psychological factors in the situation, which he recognized, were the result of tribal habits of thought and feeling to which he was himself subject. These habits involved a care for his own tribe and the support of those of other tribes who assisted him.

The Organization and Administration of the State Development Schemes.

190. We deal now with the situation which arose and developed when Sir Apirana, with the policy and in the personal position we have set out, became a Minister of the Crown and the head of an organization for the establishment of Native-land development schemes with State funds.

This organization comprised the following :—

(*a*) The officers of the Native Department at Head Office and in the Districts ;
(*b*) Certain private persons :
(*c*) Native leaders and Native workmen.

191. As to (*a*), the officers in the Districts were those attached to the Maori Land Boards. The Maori Land Boards, though part of the Native Department, were corporate bodies administering Maori funds. They were enabled by statute to act as delegates of the Native Minister (now the Native Land Settlement Board) in exercising control over the Government development schemes. Attached to both the Head Office and the Maori Land Boards were consolidation officers. The process of consolidating titles had proved too slow to meet the needs of the times and the process was virtually suspended when the development schemes were commenced. The consolidation officers then became land-development officers. In addition, farm supervisors were appointed and were attached to Head Office and to the Maori Land Boards. Some of these were farmers who acted as part-time officers.

192. As to (*b*), certain private persons acted as part of the organization. On the East Coast, Mr. Goldsmith assisted the Native Minister from a very early stage. At later stages, the Waiapu Farmers' Co-operative Co., Ltd., the Ngatiporou Co-operative Dairy Co., Ltd., and Mr. Fenn also acted as agents of the Native Minister or the Department. In the Waikato, Mr. D. D. Wilson, of Frankton Junction, acted as a special vendor of stock to the Department. At various places, private farmers acted as farm advisers in an honorary capacity.

193. As to (*c*), it will be convenient to refer later to the work of the Native leaders and the Native workmen.

194. Neither the Under-Secretary nor the Chief Clerk was experienced in the control of the field or office work of a land-development activity. The Minister was experienced in the field work, but not in the office work. He assumed personal administrative control of the field work. With certain important qualifications, to which we refer later, we think he was justified in doing this. His methods of approach and his personal position had great advantages for the adoption of his policy. We may refer, for example, to the initiation of the development schemes at Horohoro, near Rotorua.

195. The reasons for the selection of Horohoro are told in the parliamentary paper we have quoted—among such being the existence of compact areas and the fact that, pursuant to Government policy, the Department of Agriculture was about to commence on behalf of the Lands Department, the development of pumice lands at Ngakuru. The Minister's headquarters at Rotorua were at Mr. Tai Mitchell's house. Through Mr. Mitchell, the consent of the Native owners was obtained :—

(1) To the development of their waste lands subject to a charge for expenditure in favour of the State, the enforcement of which might result in the loss of their lands ; and
(2) To the development and settlement of some of those lands by a contingent of Maoris from Wairoa accustomed to development work.

Both these results were remarkable achievements. The first was in accordance with the European view of the solution of the problem of rendering the waste Native lands useful, and the second was in accordance with the Minister's own view regarding the need for the spirit of emulation in assisting to produce good work and also in assisting to establish the new culture for the Maori.

196. In the same way, the Minister approached the Waikato tribe through the influence of Te Puea Herangi and Te Rata Mahuta, and thereby obtained the consent of some among that tribe, which had long been opposed to the European and to European methods, to the development of their lands, subject to a charge in favour of the State. And so with other tribes.

197. When development began, the Minister's methods included unswerving loyalty to the Native leaders, and he appears to have held their co-operation and the co-operation of the rank and file.

On the other hand, the Minister's methods and personal position placed him in a position of great difficulty in the fulfilment of his duties as a Minister of the Crown. It is apparent that the trend of his policy and methods influenced him in disregarding the Head Office of the Department with regard to the establishment of the development schemes. Although the arrangements for commencing operations at Horohoro extended throughout a year (1929), Head Office knew nothing of consequence until the Chief Clerk was instructed, in December, 1929, to *Gazette* the necessary areas of land. In the words of the Chief Clerk, "Horohoro came down, as it were, from the clouds."

Moreover, the Minister, although himself a member of a tribe, was, as a Minister of the Crown, bound to refrain from using State funds, without lawful authority, in the interests of his tribe. He was also bound to restrain himself, and to restrain the leaders of other tribes who assisted him, from adopting methods which meant a lack of control over State funds and stores. We regret to say that the Native Minister failed not infrequently in these matters, as a reference to our examination of the proved Audit complaints will show.

Again, the Minister's loyalty to the tribal methods of approach and support caused him difficulty when a difference arose between a Native leader and a European supervisor. In our view, the Minister supported the Native leader whether he or she was right or wrong.

198. Furthermore, the Minister disregarded the ordinary channels of communication with the supervisors and Native officers. We think that the Minister's assistance was necessary in making the preliminary surveys of many of the schemes, in securing the co-operation of the Native leaders and workmen, in inspiring them in their work, in consulting with the Field Supervisors and Native officers. In these respects direct communication between the Minister and the persons in the field was natural and desirable. But we cannot accept the view that authority to expend State funds or to adopt courses of action which involved the expenditure of State funds, whether in relation to development, or farming, or the purchases of stock or land, should have been given orally by the Minister without regard to the proper channels of communication. If, in special circumstances, it was necessary for him to give on the spot an oral authority for expenditure, or an instruction which involved expenditure, it should have been forthwith recorded and transmitted through the proper departmental channels. Yet, so little was this done that schemes were frequently started of which Head Office knew nothing until the accounts section had received an account to be charged against such schemes. This observation applies particularly to the Waiariki District, but there was also much irregularity of this kind in the Tairawhiti and Waikato Districts.

199. Although the Minister proposed in April, 1930, that a Native Land Settlement Branch of Head Office should be set up, and although it did exist under the Chief Clerk, Mr. Shepherd, this branch was never more than a pale shadow of the Minister. It was never permitted to operate as a departmental branch subject to proper departmental check without interference from the Minister, or to be a proper departmental channel through which the Minister's instructions went to subordinate officers as a matter of course. As early as 1930 the Minister explained his attitude in the memorandum in which he proposed the establishment of the Native Land Settlement Branch at Head Office. The Minister said:—

> "I should hate to see the policy hampered or wrecked by red tape in matters within the scope and under the control of the Department. I feel already that delegation to the Boards, while securing due observance of Treasury regulations, is likely to clog action and delay operations that depend on the run of the seasons."

In a letter to the Chief Clerk covering the memorandum the Minister said:—

> "I am determined not to brook red tape from the Department or delays from the Boards or fancy stuff from the supervisors."

In justice to the Minister, it should be said that the "fancy stuff" to which he went on to refer was a too-elaborate design for houses for the Waipipi settlers. Yet the attitude of the Minister to the Department, revealed by these letters, was such as to render regular departmental administration impossible.

200. Influenced by his method of approach, by his success in the field, and by his enthusiasm, the Minister launched scheme upon scheme without any reasonable regard, as a Minister of the Crown, to the need for properly accounting for State funds. He was in a hurry long before the unemployment situation became pressing in the late autumn of 1931. Our examination of the Audit complaints will show our view of his responsibility in this matter. In his evidence the Minister admitted that the requirements of Audit and Treasury were being complied with to-day, and he said:—

> "At the start, if we had had about one-third of the schemes, the whole thing would have been quite all right."

The crux of the position lies here, and we may state our conclusion at once. We agree that a Native-land development administration must be sympathetic, patient, and friendly, but we are clear that no such administration supported by the funds of the State is justified which fails to ensure as part of the process of development—

(1) Proper accounting for Government moneys and stores; and
(2) Administration which is subject to proper departmental check and which is of such a kind that it may be carried on by successive Governments.

201. The Minister established an administration which did not reasonably meet these needs, and if that administration had not been reorganized in December, 1933, its position would have become so confused that a responsible Minister would not have been justified in seeking further aid from State funds. That would have meant the loss of the development schemes and the money already spent.

202. Before dealing with the specific matters which concern our recommendations, we desire to record our view of the work done by the Native leaders and workmen.

203. *Native Leadership.*—We have explained how Native leadership was necessary to secure the acceptance of the Native Minister's policy by the various tribes. It was necessary also to secure the development of Native lands subject to a charge in favour of the State. Good leadership also secured an enthusiastic start and helped to maintain a level of hard and continuous work. A great part of the development work has been work of a kind to which the Native workers were accustomed —bush-felling, clearing, scrubbing, fencing, draining, and the like—and the institution by the Native Minister of the contract system constituted, of itself, a powerful inducement to continuous labour. As and when, however, the development schemes reach the farming stage, the contract system is not so applicable, and Native leadership should be used where practicable in support of competent supervision. Nevertheless, care should be taken to see that State funds are not expended or advanced in circumstances which may permit a Native leader, whose feelings may have changed, to exert his or her influence to render Native farming difficult or impracticable. In saying this, we do not wish to minimize in any way the services which have been rendered by the Native leaders. On the contrary, a great tribute is due to many of them for their leadership. Among these we may mention the Native Minister himself, Te Puea Herangi, Mrs. Whina Gilbert, Raharuhi Pururu, and Hoeroa Marumaru. There were many others. We pay this tribute gladly, notwithstanding the fact that we are obliged to criticize severely certain aspects of the work of the Native Minister and some of his assistants.

204. *Native Workmen.*—A great tribute is due also to the Native workmen for the work accomplished by them. They have worked very hard indeed for a small immediate return. It is true that actual development work was work of a kind to which most of them were accustomed, but, speaking generally, they have done it very well. The Natives who are now units on the development schemes have shown, in general, great diligence and every desire to make good farmers. We may mention that we were very favourably impressed by the cleanliness of the milking-sheds and utensils.

205. *Specific Matters affecting our Recommendations.*—We deal now with certain matters which affect our recommendations regarding the State Development Schemes.

206. The Native has no inherited "stock" sense. This must be implanted and trained within him. Nor has he, in general, sufficient farming experience to be entrusted with the direction of farm work. A thoroughly capable Native farm supervisor like Hoeroa Marumaru, of Ranana, is an exception. Great emphasis must therefore be placed on the fact that continuous and firm but tactful and sympathetic supervision of the farming operations is essential to their success. The need for such supervision was agreed by all witnesses on the subject, whether pakeha or Maori. The supervisor need not, we think, necessarily be a departmental officer. Moreover, when a Native is properly qualified to act as a farm supervisor in any particular locality, the Native Land Settlement Board should show its confidence, other considerations being equal, by appointing him as a supervisor.

207. Advances to units, which take the form of judicious assistance by the supply of material, seeds, stock, manures, and the like, under proper supervision, have proved a very useful form of farming assistance, though not at present authorized by the statute. The arrears of interest are small. This form of advance should be validated.

208. We deal in Part IX of our Report with the poor accounting methods of the Department. In many cases Native units had not received, at the time of our inquiry, a statement of their indebtedness for considerable periods, even for as long as two years. They are much concerned that they have been unable to find out their liability to the Government. This state of affairs should be brought to an end as soon as possible.

209. In poor country the control of noxious weeds is only economically possible when large herds or flocks can be used from time to time on small areas. Many of the development schemes are on such country. It would be difficult, if not practically impossible, for a Native unit to arrange for the control of noxious weeds on his own account.

210. Opinion is still divided as to the profitable use of pumice country, but as this is a matter of Government policy we express no opinion upon it. We note, however, that the use of "bush sick" country for small farms requires the provision of "licks" or other chemical preparations, and, it may be, the use of "change" country for the stock for a time. In general, it would be difficult, if not practically impossible, for a Native to provide "change" country for the stock farmed by him.

211. It is most necessary in the conduct of farm operations that there should be no delay in the provision of what is required for seasonal operations. Having regard to the volume of work accomplished, there were very few delays before the necessary reorganization in December, 1933, but the evidence shows that supplies in a few instances have been delayed since that reorganization and that there has been the waste of a preliminary operation. The very necessary control of budgeting and farming operations must be adjusted to the conduct of a business dependent on the run of the seasons

212. The position with regard to the charge to secure expenditure on land under development is at present in a serious and unsatisfactory position. We have explained that no charge at present exists with regard to advances outside the scope of section 522. We note here that no practice exists of obtaining the order of the Court charging the land in respect of proper expenditure under section 522 (4). This may not be immediately important, as a charge exists under section 522 (3) (*e*), and an order of the Court may be obtained at any time. It appears, however, that the charge may be enforced only when an order of the Court is obtained and registered. Registration against title will be difficult in many cases unless surveys are made and a system of provisional registration is instituted.

213. While the Natives have been made to understand that the charge against their lands can be enforced if the moneys expended or advanced are not paid no enforcement of the charge has as yet been considered necessary, and in practice units have been changed over by the Minister or the Maori Land Board, with or without the consent of the persons interested in the land, upon the basis that the retiring unit became automatically freed from liability under the charge and that the incoming unit become automatically subject to the liabilities of the outgoing unit. If such a question were raised in litigation in Court, such views might not be acceptable, and this matter requires consideration, particularly in settling the terms of a lease.

214. Where development-scheme lands have been gazetted and, as such, have become subject to a charge for expenditure, a later notice has been gazetted which has purported to remove or cancel the former notice. This procedure has been freely practised. There is no authority for it in section 522, and we think it clear that section 25 (*h*) of the Acts Interpretation Act, 1924, does not apply. If the practice is a convenient one, then, as the validity of a charge for State funds is involved, we think that legislation should be enacted to provide proper safeguards—for example, preserving the charge on the land in respect of which the money was actually expended or transferring it to land of similar value gazetted in substitution for the land on which the money was expended. The fact, as shown hereafter, para. 463 *et seq.*, that Mr. Tai Mitchell caused private lands to be brought under the Maketu Development Scheme for fencing purposes and then proposed to have these lands removed from the scheme after the fences had been erected, illustrates the need for safeguarding a charge, even though no lands are removed in future for a like reason.

215. Confusion exists upon the subject of title and tenure. A "guarantee of eventual legal occupation of individualized holdings" is part of the general conception of the development schemes—see, for example, Parliamentary Paper G.–10, 1931, page xx. But, although some units are now ready for individual holdings, and some have been recommended for such by the Presidents of Maori Land Boards, no step has been taken to put their title or tenure on a proper basis. The matter is complicated in various ways:—

216. (*a*) The policy of consolidating titles is, of course, a very valuable one, but it has proved too slow in some districts and impracticable in others. Survey fees are often prohibitive, having regard to the small subdivisional areas involved. In some districts certain sects are averse to consolidation and make it impracticable. On the other hand, the Minister has claimed that the development schemes under section 522 can meet the situation. The following passage is taken from Parliamentary Paper G.–10, 1932, page 2:—

> "The Deputy Chairman of the Unemployment Board, Mr. Jessep, has commented recently on the problem of Unemployment in relation to Maoris and their lands, and stressed the need for speeding up the individualization of Native-land titles as a condition precedent to settling the owners on their lands. Experience has shown that the ordinary methods provided below, including even the method of consolidation of titles, do not act quickly enough for the emergency that causes Mr. Jessep concern. On the other hand, the Development Legislation passed in 1929, and re-enacted by Section 522 of the Native Land Act, 1931, provides for individualization development, and settlement as parts of a complete plan with finance provided by the State."

We are satisfied that, even apart from the unemployment situation, the method of consolidation of titles will not meet the present situation under the development schemes. Where consolidation can be completed without a delay which would be unfair to a unit of proved capacity to farm his land under supervision, the title should be put in order by that process. Where that cannot be done, and we are confident that it cannot be done in many cases, we submit that our recommendations on this matter in Part VII should be adopted.

217. (*b*) The farming of land under development may require a nominated unit who is not the sole owner or a part owner of the land. Judge Acheson and others object to an occupier who has no interest in the land, and it appears that there have been troubles in certain districts over this matter. Nevertheless, we think that if there is no owner available with farming experience it is essential that the land which has been developed with State funds should be forthwith farmed. Otherwise the expenditure will be lost. That situation will require a nominated occupier without rights of ownership holding under a leasehold tenure. The owners will, of course, receive the rent payable under the lease. We submit, later, a recommendation on this matter.

218 (*c*). No surveys sufficient for the purposes of the Land Transfer Act have been made of any of the unit areas on the development schemes. It would appear to be necessary to make provision for this. It would then be necessary, as suggested to us by the Chief Judge, to create a provisional or special register for the leases.

219 (*d*). The area for unit occupation will no doubt generally comprise Native land in which the owner has an interest, but it may also comprise Crown land or land in which the unit has no interest. The land-holding will be composite as regards its ownership but that presents no real difficulty. The leases may be given by or on behalf of the proper owners as required.

We think that the terms of a lease should be settled by the Native Land Settlement Board upon a recommendation (if required by the Board) by the Native Land Court, opportunity being given to all persons interested in the land to be heard by the Court. The Native Land Settlement Board could be made the statutory agent of the Native owners for the purpose of granting the leases. With regard to the form of a lease, we have received special assistance from Judge Browne, Judge Harvey, and the Chief Clerk of the Department, Mr. Shepherd. The two Judges have prepared a draft lease and Judge Browne has also submitted a form of lease which he considered suitable for use on the Ranana Scheme. We consider that these draft leases may well serve as the basis for consideration by the Native Land Settlement Board, and by the Native Land Court in making any recommendation to that Board, with regard to the tenure of any particular unit.

It may be that a special tribunal would be more suitable than the Native Land Court of a District for making a recommendation to the Native Land Settlement Board, but upon the information before us we think that the Native Land Court itself is the more suitable and economical tribunal.

220 (*e*). The charge for expenditure requires allocation to units on a fair basis. We requested the Chief Judge to consider this matter and we are indebted to him for a memorandum on the subject from which we make the following extracts:—

> "Experience has shown that individualization of title carried out on a comprehensive scale is practically impossible. The Court costs and that of surveys and providing access would soon eat up the estate. The more pratical method seems to be to encourage family groups to assemble their various interests in land into one locality and consolidate the holdings into suitable areas for useful occupation.
>
> "(1) So far as an owner unit in severalty is concerned, advances to the unit, whether for improvements, stock, or otherwise, could well be charged upon the freehold.
>
> "(2) Where an owner unit is one of a family group in whose interest the development is being carried on, it is assumed that the most fit member of the group will be chosen, and he should have a lease which would entitle him to hold, free from tribal restraint, but there should be on record somewhere (on the lease itself for preference) that he holds on behalf of his co-owners and himself. The charge in this case should include all improvements to land. How far other advances are properly chargeable to the land will depend upon what benefit the rest of the family group get from it.
>
> "(3) Where an owner unit is farming on his own account subject to payment of rent to the remaining owners, the charge should be against his leasehold interest and his personal freehold interest in the land, together with those of such of his family as concur.
>
> "(4) Where the unit is but a nominee he should be given a lease and the interest in such lease be charged. There may, however, be improvements which add to the permanent value of the land. There should be some compensation payable for these and to that extent the freehold might be charged in the discretion of the Court, Section 97 of the Native Land Amendment Act, 1913, recognizes the principle of charging improvements made by the lessee in favour of a State mortgagee, but I do not approve of that course as it often works injustice.
>
> "(5) Where development is undertaken in anticipation of future occupation of units the whole cost should in the first instance be charged to the land as a whole with power to the Court to later apportion and adjust such liability according to the benefit accrued to the various portions. It is assumed that leases granted will either be loaded with the cost of the permanent improvements or that rent will be charged upon the full value (including improvements)."

These views of the Chief Judge will be valuable for consideration by the Court or body responsible for making the allocation.

With regard to the machinery for effecting the allocation, subsection (4) of section 522 would, no doubt, apply at present to expenditure for development purposes on Government account for the purpose of rendering Native land fit for settlement. Legislation is necessary to make the section apply to all expenditure for development and farming purposes.

221 (*f*). It may be difficult in some cases to put titles or tenure on a proper basis. We are indebted to the Native Minister for his views on this subject and as to the course which, in his opinion, the question of titles is likely to take. We think that his memorandum, which is of some length, should be recorded for careful consideration, and we attach it to our Report—Appendix V.

222. The Native Minister has told us that the Natives were definitely told at the commencement of the development schemes that they were risking their land, and that there never was any question of "writing-off." We find, however, that in certain cases unsuitable areas have been selected for development operations; that in some cases there has been mismanagement; and that in other cases poor results have been obtained having regard to the money expended—and this notwithstanding the reduction of development costs chargeable to units by the expenditure of unemployment moneys. It may be found that, in consequence, some "writing-down" of the liabilities against various lands will be equitable and necessary.

223. The effect of the depression since 1930 does not raise a matter which we can regard as one of Native-land administration. It raises a matter of general policy which applies to all State and private loans and advances. We think it beyond our scope to make any recommendation as to what course the Government should pursue in relation to Native-land development alone.

224. Experience has shown that the control of the Native Land Settlement Board over the farming operations and expenditure of the State Native-land development schemes should be continued in respect of any Native land involved, even though it has been rendered fit for settlement, until, at least, the development expenditure charged on that land has been repaid. We are satisfied that the Natives in general desire such continued supervision, that there is no real objection to it, and that it is necessary.

225. The Native Land Settlement Board has now control over the farming expenditure of the State development schemes and of those of the Maori Land Boards and the Native Trustee. It has also a certain control over the investments of the Maori Land Boards and the Native Trustee. The total capital involved is about £1,500,000. Having regard to these facts, we think that the Native Land Settlement Board should be reorganized.

PART VII.—RECOMMENDATIONS REGARDING THE STATE DEVELOPMENT SCHEMES.

226. We make the following recommendations regarding the State development schemes.

227. (I) No new development schemes should be commenced unless they are regarded as necessary until the existing schemes have been established on a satisfactory basis. For example, we should regard as necessary a scheme commenced to settle the surplus settlers at Te Kao where the existing development scheme has proved incapable of supporting them. If the development policy proves to be successful, the tendency should be to proceed gradually and not to press the schemes on Natives who, if they fully understand the schemes, do not wish to have them.

228. (II) The Native Land Settlement Board should be reorganized (by legislation where required) as follows:—

(i) The Valuer-General should be excluded. (NOTE.—This gentleman or his Department may always be called on for advice where required.)

(ii) In lieu of those members, not exceeding two, who may be appointed by the Governor-General, there should be substituted such other members experienced in farming and business, not being less than three nor more than four, as the Governor-General may appoint. (NOTE.—For the present, we think that one of these members should be a Native.)

(iii) (*a*) The Native Land Settlement Board should meet not less than ten times in the year.
(*b*) The Board should have power to set up an Executive Committee of the Board, including at least two members appointed by the Governor-General, and such Executive Committee should be enabled to exercise such powers as the Board may delegate to it.

(iv) The following alterations should be made in the general organization under the Board:—
(*a*) A competent person should be appointed by the Board at a suitable salary to act as a General Manager and Supervisor. (NOTE.—We think this most important.)
(*b*) A Head Supervisor should be appointed in each of the following Maori Land Board Districts: Tokerau, Waikato-Maniopoto, Waiariki, Tairawhiti. (NOTE.—With regard to the Aotea, Ikaroa, and South Island Maori Land Board Districts, we recommend that such head supervision should be provided as the Native Land Settlement Board thinks necessary.)
(*c*) Sufficient supervisors, who are competent and otherwise suitable for the work, should be appointed in each district. (NOTE.—One of our members, Mr. L. W. Nelson, has worked out a scheme of reorganization for the Tokerau District, and we respectfully submit it in Appendix VI. We think that this scheme merits the serious consideration of the Native Land Settlement Board.)

229. (III) The method of granting, under proper supervision, advances to units not within the scope of section 522 is sound and should be validated by legislation. This will involve: (*a*) The validation of the expenditure of all moneys hitherto advanced upon the intended security of the land as from the date of such advances; and (*b*) the creation of statutory charges, as intended, upon the separate lands in respect of which such moneys have been expended. Provision should also be made for valid advances of this kind to units in the future. The legislation should authorize advances to units on current account. All securities heretofore taken in respect of such advances should be validated by legislation.

230. (IV) Legislative provision should be made for the maintenance of all charges upon the land, notwithstanding the determination or transfer of any lease or notwithstanding any change in the ownership or occupation of the land.

231. (V) Provision should be made by legislation for the removal of *Gazette* notices existing under section 522, where such removal is necessary, under safeguards of the kind we have indicated in Part VI and such other safeguards as may be necessary.

232. (VI) The power of control by the Native Land Settlement Board over Native lands which have been or shall hereafter become subject to a charge for development or farming expenditure should be continued by legislation until all moneys so charged shall have been repaid, whether such lands shall in the meantime have been rendered fit for settlement or not.

233. (VII) Legislation should be enacted to enable the Native Land Settlement Board to nominate an occupier for the development or farming of Native land, whether such occupier is an owner in such land or not, and to permit of such nomination being made, at the discretion of the Native Land Settlement Board, upon consideration of a recommendation of the Native Land Court of the District, after an opportunity has been given to all persons interested to be heard.

Similar provisions should be made in respect of persons for milking, farming, or cropping on shares.

234. (VIII) To meet the case of any Native unit (and the case will, we think, be common) who cannot by the process of consolidation, without unfair delay, obtain a title or tenure to the area which he occupies and which he is able and willing to farm under proper supervision, legislation should be enacted to the following effect:—

(*a*) For surveys to define the area of unit occupation. (NOTE.—We think it will be necessary for the Government to consider the extent to which it will bear the cost of such a survey.)

(*b*) For the Native Land Settlement Board to act as the agent of the owners in respect of Native land and as the agent of the Crown in respect of Crown land to grant leases in a manner similar to that provided by section 7 of the Native Land Amendment and Native Land Claims Adjustment Act, 1930, and upon such terms as to tenure as the Native Land Settlement Board shall determine, with power to the Native Land Settlement Board to require for its consideration a recommendation in that behalf by the Native Land Court of the District after the Court has given an opportunity to all persons interested to be heard. (NOTE.—No right of appeal from such a recommendation appears to be necessary, as the Court would only make a recommendation and the Native Land Settlement Board would have a discretion.)

(*c*) For a system of provisional or special registration of such leases.

235. (IX) Legislative provision should be made to extend the provisions of subsection (4) of section 522 to enable an allocation to be made among units not only of expenditure for development purposes on Government account to render land fit for settlement, but also of expenditure on Government account for farming purposes.

Where advances have been made under "blanket" schemes to a group of units, on units' account, and it is desired to allocate those advances among them individually and charge the respective allocations upon separate lands, legislative provision for that purpose is also necessary.

236. (X) The farm organization under the Native Land Settlement Board should be such as to enable the proper treatment of the land of units which is affected or is likely to be affected with "bush sickness" or "noxious weeds." Provision should be made not only for the supply of "licks" and chemical preparations, but for "change" country for the use of a unit. Provision should also be made for the use by a unit on his small area of comparatively large herds or flocks at intervals in order to ensure proper and economical control of pasture and noxious weeds.

237. (XI) The financial organization in relation to the budgets of the Native Land Settlement Board should be such as to enable farming operations to be carried out with due regard to seasonal requirements. The accounting organization should also ensure that statements of account are supplied to all farming units at regular intervals.

238. (XII) The necessary information and valuations should be obtained in due course to enable the Native Land Settlement Board to consider and determine whether any, and, if so, what, "writing-down" or adjustments should be recommended by it in respect of any of the lands upon which units are to be settled.

PART VIII.—WHETHER THE SCHEMES ARE LIKELY TO ACHIEVE THE RESULTS INTENDED OR ARE JUSTIFIED BY THE BENEFITS WHICH THEY CONFER UPON THE MAORI PEOPLE.

239. We are directed to report on the probability of the development schemes achieving the results intended or of their being justified by the benefits which they confer upon the Maori people.

240. We have referred fully in Part IV of our Report to the two stations which may be regarded as schemes of the Native Trustee for the purposes of Native land development and farming. They are negligible as a means of settling Natives on the land; and we recommend in Part XIII of our Report that the Native Trustee should be limited to the functions of an investment trustee. In these circumstances, we think it unnecessary to make further reference here to the schemes of the Native Trustee.

241. We have been at pains to ascertain the number of the Maori people so far directly benefited by the State and Maori Land Board development schemes. We attach to our report certain summaries relating to these schemes—Appendices II, III, and IV. Appendix II has been supplied to us by the Under-Secretary of the Native Department, and we are indebted to all concerned for the trouble which has been taken to compile it. Appendices III and IV have been compiled by us from information supplied to us by the Department. The following statement is based upon the information contained in these summaries.

242. The number of units receiving assistance by advances to their account under the State development schemes (a form of assistance which, as we have shown, requires to be validated) is 1,145. The number of units receiving similar assistance under the Maori Land Board schemes is limited to the

fifty units at Te Kao (para. 50). The total of the units on both kinds of schemes is therefore 1,195. The number of prospective units occupying subdivisions on the comparatively large compact development schemes of the State, developed on Government account, is 100. The Maori Land Board schemes, apart from Te Kao, are not subdivided. The total number, then, of units or prospective units on all the schemes is at present 1,295. These are, in many cases, the heads of families.

243. The total number of Native adults benefiting by the State and Maori Land Board schemes, whether they contain at present units or prospective units or not, is 3,748, and the total number of Native minors so benefiting is 4,990, a total of 8,738. Of this total, the Maori Land Board schemes benefit only 139 adults and 242 minors; and, of these, 117 adults and 217 minors are on the Te Kao Scheme, as to which see para. 21 (*ff*) (*supra*).

244. These, then, are the Maori people who have so far been directly benefited by the schemes of the State and the Maori Land Boards. To a large extent the persons benefiting are the families of the units or prospective units, but a reference to Appendix II will show that this is not so on the areas which are not yet subdivided. In general, these areas are either still in course of development or are used as base farms, sheep stations, post-supply areas, or nurseries. Prospective units have not been selected for these areas.

245. We have summarized the expenditure on the State Development Schemes in Appendix III, but we have already given the reasons why we cannot express any general view as to whether the cost of development to the present time, which has resulted in benefit to the number of Natives mentioned, has been generally satisfactory or not (paras. 172–177). We have expressed in Appendix I our views on the results so far as we consider we can express them. Furthermore, having regard to the present state of farm prices, we think it is not practicable for us to deal with the future as it will be affected by farm prices. We must consider the present question as it affects benefits and prospects on the other lines which are open to us.

246. It is clear that assistance to units to work their small holdings, under supervision, by means of advances to their account, has been a much more effective means of settlement than the development of the large areas. We have already commended this type of assistance.

On the other hand, the development of comparatively large waste areas for later subdivision was the initial object of the schemes. The intention was and is to develop such areas to the state of profitable farming and so to provide a suitable means of life for the occupiers, to enable them to meet their rating and other liabilities, and to secure the control of noxious weeds. So far, much development work has been carried out to these ends and it has issued in farming on some of the lands.

247. Viewed narrowly, the work of development, as distinct from farming, has only been a continuation of the kind of work which the Maoris have done so well in the past. This work has given employment during a critical period to many Natives, and the work was given partly for that purpose. The development work so accomplished will be justified by its results if it is profitably held.

248. Development work, where followed by farming work, has also shown that many Natives are anxious to acquire the capacity for handling stock and to settle upon their lands as developed lands. This result also provides justification for the institution of the schemes.

249. There is no doubt also that the various development schemes have made for the physical improvement of the Natives affected by them. The Natives have undoubtedly benefited by the provision of sustained work on the large development schemes, by the provision of assistance to units on farms, and by the inspiration of hope which the schemes have induced. Child-welfare has been definitely advanced and the Native population has continued to increase. If the development schemes succeed, the Maori units will become settled on developed farm lands in permanent homes, and it is clear that in such circumstances their physical, mental, and moral improvement is likely to continue. Such benefits are of great human, as well as industrial, worth. They are worth striving for and they need no special commendation from us.

250. Whether good farming will be successfully achieved under the schemes depends ultimately:—

(1) On whether the lands of varying quality which are developed can be profitably farmed by sound methods, having regard to the prices payable for farm products; and

(2) On whether the personal qualities necessary to good farming will be evoked under the policy of the Schemes.

The first of these questions is common to all farming of similar lands. It is not, specifically, a question of Native land administration, and we make no comment upon it. The second of these questions is within our scope to the extent that we may explain the position which exists and state the qualities which we think are necessary.

251. We have shown that the fundamental object of the schemes is, from the Maori point of view, to create a new form of Maori life which will both supply the incentive to good farming and yet preserve for the Maori those features of his life which show a tendency to persist and which he desires to keep. We have shown that the object of the schemes is, from the European point of view, to ensure that the Maori shall be satisfactorily settled on Native lands, to improve areas which are otherwise prolific sources of noxious weeds, and to render those areas capable of paying rates. It is common to both points of view that the schemes shall result in the settlement of Native lands by Maori settlers who shall be good farmers of stock. The ultimate test of this matter seems to be whether the communal elements of the new culture which is proposed, affecting not only leisure but work, will be an aid or a hindrance to that end.

252. At our first public sitting on 16th March last we made the following statement:—

> "The Commission is authorized to inquire into questions of administration. It is not set up to speculate upon questions of policy. It is to inquire into the administration of a policy already laid down, but, within those limits, it will inquire into the matters referred to in clause 1 (*a*) of the Commission—viz., the probability of the Maori people achieving the results intended by the development schemes and of their being justified by the benefits they confer on the Maori people."

Since the making of this statement we have made inquiry of witnesses as to the proper objects of the development schemes in order that we might properly understand them, and we have been assisted by evidence led by Mr. Finlay.

253. The Native Minister's thesis in Parliamentary Paper G.–10, 1931, has been supported before us by His Lordship Bishop Bennett, Bishop of Aotearoa, by Judge Acheson, and by Dr. I. L. G. Sutherland, of Victoria University College. Te Puea Herangi has told us that she wants to educate the people for farming in accordance with their customs and traditions. On the other hand, the report of the meeting of educated Natives held at Wanganui in Easter week 1927, which is quoted in 1931, G.–10, page vii, was prepared by Sir Apirana Ngata and Sir Maui Pomare, and that report declares for a policy of Europeanization and makes definite claims of much progress to that end. That view is supported by the conclusions of Dr. Raymond Firth at the close of his book "The Primitive Economics of the New Zealand Maori" (quoted, to be dissented from, in Parliamentary Paper G.–10, 1931, page vii) and by various witnesses who gave evidence before us, including Mr. Tau Henare, M.P.

254. Dr. Sutherland thought that the Native Minister had changed his view since 1927. We put this matter to Sir Apirana Ngata, and the following extract from his evidence shows his position:—

Question (Chairman): "Perhaps you might explain if you have changed your opinion since 1927 with regard to the future of the Maori race and the relation to the schemes.

Answer: "I have not. It is simply that they have misunderstood me. I have not changed in any detail at all.

Question: "The difficulty is that in many respects G.–10 is not consistent with the report of the meeting at Wanganui in 1927. You and Sir Maui Pomare prepared that report?

Answer: "Yes. The thing is to harmonize the two views.

Question: "Here the indication is that you and Sir Maui Pomare really contemplate that the legislation should be directed towards helping the Maori to become Europeanized with regard to his land and his home life and everything else—that is the tenor of the report of the meeting, and the rest of G.–10 is in the opposite direction; it is in the direction of helping the Maori to reclaim his Maori life instead of becoming Europeanized.

Answer: "There is a misunderstanding. We say that the Maori should be given the opportunity to live the life of the pakeha if he so desires; this conference was a conference of educated men, and we addressed ourselves to that element there, and you know they are right through the country to-day. The best men are the men who are setting up as individuals—we have Mr. T. Carroll in the Court here to-day—he is like that, but there is no man more enthusiastic outside to keep up the communal Maori life of the Wairoa people. They get together in connection with matters that concern the district as a whole—we can get the question down to that—that even in their economic life we are seeking to give the Maori the most suitable life of the pakeha, but in their social life we are seeking to retain for reasons of sentiment the old Maori customs and not to destroy altogether the *tangi*—their way of observing respect for the memory of their dead. Then I think we have arrived at the real solution between G.–10 and the Wanganui report.

Question: "In trying to put myself in the position of the Maori I can quite well conceive that I would want to retain the pride of my race just as a Scotchman, a Welshman, or an Irishman, but at the same time, as State money is being provided for this work, and as a return of that money depends on ability and the amount of work performed, it is necessary to see that the whole system is not given a communal bias which would really cause a deterioration in the work of an individual farmer—do you agree with that?

Answer: "Yes, once you get to the point when we can say we have finished weaving around you the spirit of your ancestors to make you do your best in the job of development.

Question: "You would definitely agree that these schemes should not be used to give the Maori a basis of communal bias which would detract from the work of individual farmers?

Answer: "Quite right, and having said that there is a period in the development when we say most definitely that in order to get the best effort from them we should consult his leaders and appeal to their pride of race.

Question: "Some of the experiences we have had include those in which individual farmers have been stopped from going ahead apparently by the influences of the leader. We want to be satisfied that the leader shall not exercise a deterring effect if a man wants to farm on his own.

Answer: "The opportunity should be afforded to all and a leader should not get in the way."

255. It is clear, of course, that the Maori settler cannot, in general, be regarded as a European. He needs and should evoke more sympathy, patience, understanding, and friendly firmness. Yet, for many years now, the Maori people have been surrounded by influences which tend to what is called "Europeanization," and the future must be affected by the present state of education among the young. As the result of information supplied to us by the Director of Education and the Government Statistician, we can say that the Maoris of to-day are showing great eagerness to have their children educated. The number of Maori children attending school at the end of 1933 was as follows:—

Attending Native primary schools	6,446
Attending public primary schools	8,700
Attending Native mission schools	552
Attending Native secondary schools	241
	15,939

The average attendance in the Native primary schools, which, speaking generally, may be said to provide for the Maori children in the more isolated localities, was, for the last four years, 90·5 per cent.

No census has been taken since 1926, but, on statistical calculation from the figures of that census, the estimated number of Maori children of the age of six years and under the age of fourteen years at 31st March, 1934, was 15,350.

From these premises it is reasonable to conclude that over 90 per cent. of the Maori children of school-age are to-day being educated in the State primary schools, and that must be an important factor in the development of Native farming in the future.

256. In the light of our discussion, we are not clear whether it is in accordance with the Minister's views, quoted above, that a Native should or should not become Europeanized. The statutory provisions which permitted a Native to become Europeanized were omitted from the consolidating Native Land Act of 1931, although they existed in the legislation which was consolidated.

257. Having stated the nature of the evidence bearing on policy, which we have had before us, we respectfully adhere to the view expressed in our opening statement: that it is not within our province to make any recommendation as to policy. We think that for the purposes of comment we should view the matter from an administrative standpoint and refer only to those qualities which we think are required of Native units if they are to succeed in the industry of modern farming for profit. In our view, these qualities are individual ability, initiative, energy, and persistence combined with a willingness to learn from the farm supervisor; a proper thrift; and a freedom from the need of observing tribal customs of hospitality and the like which involve the bearing of undue economic burdens and the loss of time from necessary farming operations. If any policy be adopted which fails to develop these qualities, then we think that the development schemes will not permanently achieve the results intended or be justified by the benefits which they confer upon the Maori people. If, however, effect is given to the recommendations which we have the honour to submit, and if the general policy underlying the schemes, whatever it be, does develop the qualities we have mentioned, then, the question of farm prices apart, we think that the schemes are likely to achieve with permanence the results intended and that they will be justified by the benefits which they confer upon the Maori people.

PART IX.—THE FINANCIAL ADMINISTRATION OF THE STATE DEVELOPMENT SCHEMES.

258. We consider now the organization of the Native Department in relation to the finance and the accounting system of the Native land development schemes. In these respects the organization was defective, and, in relation to the accounts, so defective that it reached the verge of a breakdown.

259. The Native Department is not, any more than is any other Department, an independent unit. It is subject to control in certain respects by the Treasury and the Public Service Commissioner, and also to a checking process by the Controller and Auditor-General. The Treasury is charged under the Public Revenues Act, 1926, with the issuing of instructions with regard to the accounting for public moneys and for public stores as if they were public moneys. Treasury Regulation 103 provides that the accounts kept by the various Departments shall be considered subsidiary to the system of Treasury accounts, and that the Treasury shall direct the manner in which each Department shall keep its accounts. The necessary forms for all books, accounts, and documents required by Departments for carrying into effect the provisions of the Public Revenues Act shall be such only as are approved or prescribed by the Treasury. The Treasury is also given an ample power of control and inspection of a Department's accounting system, its books and forms.

The Treasury is therefore, under the Public Revenues Act, ultimately responsible for the accounting system of any Department as it affects public moneys.

260. The Public Service Commissioner has a more extensive duty than the Treasury. The Commissioner is charged under the Public Service Act, 1912, with the responsibility of ensuring the establishment and continuance of a proper standard of efficiency and economy in the Public Service; and to ensure this by the inspection of any Department and the investigation of the work of each officer and of the efficiency, economy, and general working of the Department, both separately and in relation to other Departments. The Public Service Commissioner has power to make regulations, and by Regulation 39 he has provided as follows:—

> "39. The Permanent Head shall be responsible for the discipline, efficiency, and economical administration of the Department, and the officer in charge of a branch shall be responsible to the Permanent Head for the proper management of such branch."

By Regulation 218, each head of a Department is required to provide for the inspection of each office under his control, such inspection to be at irregular periods, but to be made at least once in each year.

It will thus be seen that the Public Service Commissioner is generally responsible for the efficiency, economy, and general working of a Department, but that the Permanent Head is made responsible to the Public Service Commissioner in respect of these matters.

261. The general result of the foregoing provisions is that the Permanent Head of the Treasury (in respect of the control of public moneys dealt with by a Department) and the Public Service Commissioner (in respect of the efficiency, economy, and general working of a Department) are entrusted with powers of control over other Departments.

262. The position of the Controller and Auditor-General is different. He exercises an office which is critical but not necessarily constructive. He stands apart from the Departments, and is not responsible in any respect for the system of accounts adopted by them, or for their efficiency, economy, or general working. He may make as many reports as he pleases, and he is required by the Public Revenues Act to send these reports to the Minister of Finance. In practice the Controller and Auditor-General usually forwards copies direct to the Treasury and to the Public Service Commissioner.

263. It has not been generally regarded as necessary that all the methods of check which we have mentioned should be operating at one and the same time. The Controller and Auditor-General and the Public Service Commissioner appear to have carried out a continuous inspection of the Native Department in recent years. In 1925 the Treasury augmented its own staff of inspectors in order to keep more closely in contact with the activities of the Government Departments, but we gather that during the present period of depression the Treasury has not had sufficient officers to spare to make independent inspections of the Native Department.

264. The foregoing system of departmental control and check makes no provision for the intrusion of the Minister in charge of a Department into the administration of that Department. This is so because a Minister of the Crown is expected to be concerned with departmental policy and not with departmental administration. The system of administration should be such as will continue irrespective of the party in power and irrespective of the personality of the particular Minister for the time being in charge of the Department. If, therefore, a Minister takes it upon himself to interfere in the administration of his Department, or in important branches of his Department, and the results are unsatisfactory, a situation is created which the administrative system of control and check is not designed to meet. The Permanent Head of the Treasury and the Public Service Commissioner cannot be expected by virtue of their own offices alone to control such a Minister. Nor can the Controller and Auditor-General. They must all have recourse to other Ministers whom they may approach, but the Controller and Auditor-General, by virtue of his freedom from responsibility for any part of the administration of a Department, holds a key position. He is also, as we have said, under a statutory duty, and therefore has a corresponding right to forward his reports to the Minister of Finance, and he may send them as often as he pleases. It will be seen at a later stage of our Report that the Native Minister did interfere in the administration of the Native Department in important branches of its activity, and that he did so with unfortunate results. It will also be seen that the reorganization of that Department was in reality brought about by the reports of the Controller and Auditor-General. Eventually, these reports brought the Controller and Auditor-General, the Permanent Head of the Treasury, and the Public Service Commissioner into conferences with Ministers of the Crown, and the reorganization of the Department was begun at the end of November, 1933.

265. Before dealing directly with the financial organization of the Department, we refer generally to the sources of finance for the development schemes and the budgeting system to obtain that finance.

266. Until the 31st March, 1933, these sources of finance were the loan-moneys in the Native Land Settlement Account. Since the abolition of that account on that date the moneys required have been charged against the Public Works Fund. These moneys were voted annually by Parliament, and the following table sets out the amounts so voted and the amounts actually expended. It should be noted that the item "Native Land Development Expenses (Administration)" covers the cost of supervision. This cost has not been regarded as interest-bearing, but the rest of the expenditure has been so regarded.

	Vote.	Expended.	Overexpended.
	£	£	£
1929–30	25,000	6,561	
1930–31, Native land development expenses—Administration	7,320	7,100	
Development of Native lands	82,770	80,769	
	90,090	87,869	Nil.
1931–32, Native land development expenses—Administration	6,779	7,507	
Development of Native lands	158,723	239,980	
	165,502	247,487	81,985
1932–33, Native land development expenses—Administration	5,285	10,201	
Development of Native lands	185,761	234,503	
	191,046	244,704	53,658
1933–34, Native land development expenses—Administration	12,551	10,940	
Development of Native lands	181,103	174,589	
	193,654	185,529	Nil.

267. In connection with the amounts overexpended the Native Minister made this statement to the Commission regarding the position at the end of the financial year 1932:—

> "Towards the end of the financial year it was seen that the vote was overexpended. It was not unusual at that time in the Departments which depended for their credits-in-aid on revenue derivable from or dependent on land or interest on money lent on land securities. The Under-Secretary reported a shortage in the amount of credits-in-aid received, which was responsible for the Vote being overdrawn, the main shortage being represented by the inability of the Boards to pay their administrative expenses.
>
> "'Of the sum of £9,333 due from this source the sum of £3,494 only has been received. . . Unless the Native Trustee can provide the Boards with the requisite funds to meet these liabilities, it will be necessary to seek authority for a grant from Unauthorized.'"

This explanation is inadequate to explain an overexpenditure of £81,985.

268. In his oral evidence the Minister said that the reason for the overexpenditure of £82,000 was that moneys from the Unemployment Fund were late in coming in during that year. But we have ascertained from Head Office that all the unemployment subsidies approved by the Native Minister to the 31st March, 1932, amounted to only £22,614, or £4,614 in excess of the Unemployment Board's grant. We have also ascertained that the certificates of completion (upon the receipt of which these unemployment subsidies became payable) which were received prior to the 31st March, 1932, in respect of the work so subsidized, amounted to only £13,363, and that of this amount £10,746 had actually been recovered from the Unemployment Board by the 31st March, 1932. It follows that the actual amount due by the Unemployment Board to the Native Land Settlement Account at the 31st March, 1932 was only £2,616. It is very plain that the explanations given are inadequate. The fact is that the budgeting system was defective.

269. *Budgeting.*—Prior to 1933–34, the Native Minister prepared provisional estimates about March in each year based upon detailed estimates received from his field officers and upon his own knowledge. But development schemes have been undertaken where no trace can be found on the files of any plan of work or of any estimate of the total cost of development or of the number of separate holdings to be provided. There was, therefore, no proper check on expenditure. With regard to advances to units, the reports of the supervisors were not always complete. In some cases applications for assistance by units have been made with merely the name of the block, the name of the owner, and the amount of money required, and with or without a bare recommendation from the supervisor. It is to be said in favour of the Minister and the supervisors that the supervisors were insufficient in number, that they were hard pressed with their field duties, and that the Minister himself possessed a detailed knowledge of the schemes. But proper budgeting is an essential part of proper financial control. Steps have now been taken to reorganize this part of the work.

The Financial Organization and its Operation.

270. We deal now with the financial organization of the Department and its operation until the reorganization of the Department in December, 1933. The organization for dealing with the funds comprised—

(*a*) Head Office;
(*b*) The District Offices of the Maori Land Boards; and,
(*c*) In the Tairawhiti District, as from the 1st April, 1932, to October, 1933, Messrs. J. D. Fenn and Charles Goldsmith.

271. In Head Office the accounting system was briefly as follows: All payments except wages were made through Treasury on vouchers certified in the Districts. Ledger accounts were opened for each scheme to record all purchases, sales, transfers, and working-costs. At 31st March, 1934, there were approximately 3,000 open ledger accounts. Statements of cash receipts by District Offices reached Head Office monthly and were incorporated in the prescribed Treasury Cash Receipt-book, the Chief Clerk being the Official Receiver. Contact was maintained with the Districts by means of schedules and returns and reconciliations were effected when opportunity arose. The private ledger recorded in total the expenditure and receipts on schemes and units.

272. In the Districts by March, 1932, the method of accounting for development schemes and units was a system of branch accounts whereby—

(1) Wages were paid out of special bank Imprest Accounts opened in the names of the Registrars:
(2) Stores ledger records were to be kept for receipt and issue of material and live-stock:
(3) Proper ledger accounts were to be opened for individual Maori settlers:
(4) Records were to be kept of tractor-working, truck-running, working horses, &c.:
(5) All receipts were to be lodged with the bank to the Public Account.

In the result the only financial books of account kept in the Districts were loan-ledgers for unit advances. All other accounting was undertaken in Head Office. It may be noted that in the smaller Districts—Aotea, Ikaroa, and South Island—the accounting officers appear to have acted on their own initiative and to have installed a more or less complete system of accounts. The same comment may be made concerning the accounts kept by the officers of the Tokerau District, which were only unit and not development accounts.

273. The accounting system actually installed was, apart from the difficulties which arose in putting it into operation, defective in the following respects:—

(i) The development scheme ledgers in Head Office did not record advances to units. On the contrary, they classified expenditure under headings such as live-stock, fencing-materials, &c., for each scheme as a whole. Where units were in occupation on a development area the expenditure for each unit was not charged to his individual account but to the scheme as a whole, necessitating at some future time a dissection of the accounts.

The following examples show the position—

(*a*) *Horohoro Scheme.*—For the purposes of book-keeping, this was a development scheme without units, and ledger accounts were kept for buildings, fencing-materials, stock, chattels, credits, &c.

(*b*) *Kawhia Scheme.*—This scheme includes the Mangaora development area, but it has for book-keeping purposes eleven units. Nevertheless, a series of accounts was kept similar to Horohoro. Fencing, for example, included the fencing on the Mangaora area as well as on the area occupied by the eleven units.

(*c*) *North Auckland Schemes.*—Four schemes in the North Auckland District, containing hundreds of units, were grouped in the Head Office under a series of accounts as in the case of Horohoro. The accounts thus kept were useful for general statistical purposes but not for indicating the position of a unit.

(ii) Total accounts for advances to units, showing expenditure and receipts, were built up in Head Office from District Office returns sent in periodically, but these accounts were outside the system of double-entry book-keeping—*i.e.*, they were memorandum accounts only. For a long time the total expenditure and receipts for units in the Board offices were not reconciled with the Head Office totals.

(iii) The system of stores records in District Offices consisted of the usual stores cards and forms, but they were not governed by a general stores account in the District financial ledger as they should have been.

(iv) The development-scheme ledgers in Head Office were posted from District Office returns instead of from actual receipts and expenditure.

(v) With the exception of the base farms, for which memorandum trading accounts were kept, no distinction appears to have been made between capital and revenue.

274. The accounting system which we have described was never satisfactory and for practical purposes it had broken down by at least the beginning of 1933. The chief causes of that breakdown were as follows:—

(1) *The Centralization of Accounts.*—Land-development was not only a new activity for Head Office, but it was one which required an accounting system extending from Head Office through the District Offices to the supervisors and the foremen in the field. Special accounts, new regulations, and new forms were required. The settlement of these depended in a material way on the question whether the detailed accounts were to be kept in the District Offices or centralized in Head Office. The Head Office Accountant, Mr. Lawless, recommended decentralization, but he has placed it on record in a memorandum to the Under-Secretary of the 24th March, 1932, that by direction of the Minister the accounts were kept mainly in Head Office, and that under that system there was a certain amount of overlapping which was unavoidable. It appears that the Minister's reason for his attitude was that he desired to know from Head Office at the end of each month the actual financial position of each scheme, not in the gross but with detailed items, in order that he might the more effectively control the schemes.

275. The Minister's attitude was supported by Mr. Shepherd, but for a separate reason. In Mr. Shepherd's view the District Offices, with one exception, were not competent to keep the detailed accounts. He maintained this view as late as May, 1932, when, immediately after the visit of Audit Inspector Scott to Gisborne, Mr. Scott, Mr. Shepherd, and Mr. Lawless (the Head Office Accountant) had an interview with the Native Minister. Among other matters the Audit Inspector urged the decentralization of accounts to Districts and the Minister then indicated to the Chief Clerk that it would be advisable to put the Audit Inspector's views into effect. The Chief Clerk replied that he could not rely on the heads of his staff in the District Offices because they were inexperienced. This interview occurred after a reorganization which took effect as from the 1st April, 1932, and to which we refer later. It might seem then that, from about the middle of 1932, the responsibility for centralized accounting lay with the Chief Clerk, but that view is subject to the qualification that the Minister, who had constituted himself the administrative head and had himself established the inexperienced heads in the Districts, might have caused a reorganization with competent staff which would have permitted decentralization. The development schemes were then so numerous that decentralization was necessary in the interests of economy and good accounting.

276. (2) *Defective Stores Control.*—"Stores," as defined by section 2 of the Public Revenues Act, 1926, include any article of a consumable or non-consumable nature required in carrying out the services of a Government Department, and also vehicles, live-stock, and, indeed, all Government personal property of any kind whatsoever.

In our judgment it has been established that no sufficient opportunity was given to Head Office by the Native Minister to frame proper rules for the control of stores before development work began on the first scheme at Horohoro. The preparation of these rules takes time and requires consultation with the Treasury. Head Office was, in fact, without an accountant from August, 1929, until the 1st February, 1930. Some point was made of this on behalf of Head Office, but, while it is a factor in favour of Head Office, we think, nevertheless, that there was undue delay on the part of that office.

277. When development work started at Horohoro the Native Department had no stores rules or forms suitable for land-development. Nor were the officers of the Department in the Maori Land Boards accustomed to such forms, for the Maori Land Boards, using Maori moneys, were not subject

to Treasury regulations. It was not until July, 1930, after an expenditure of £16,347 had come to charge in connection with the development schemes, that special stores forms were designed in collaboration with the inspectors of the Public Service Commissioner and the Treasury. It was not until the end of September of 1930 that these forms, as amended, had been approved by Treasury, circulated, and explained to the Districts. At that time sixteen development schemes had been commenced, situated in the following Districts: Tokerau, Waikato-Maniapoto, Tairawhiti, Waiariki, Aotea, and South Island. Undue delay in the preparation and settlement of these forms is alone sufficient to account for a great deal of the confusion which occurred over the issue, safeguarding, and receipt of stores, not only with regard to the schemes existing in September, 1930, but with regard to the schemes subsequently established.

278. (3) *Defective Stores Records for Live-stock.*—The Native Department's rules formed a basis for the establishment of live-stock records, but until the reorganization of the Department in December, 1933, no attempt was made to adapt them to dealings with live-stock. In Head Office live-stock accounts were opened in the ledger for each distinct type of stock in each scheme. Bulk-stock accounts were opened for each class of stock purchased for each District. Purchases and transfers in were debited to these accounts in both number and amount, and sales and transfers out were credited in both number and amount. Head Office also had a monthly live-stock-return form which made provision for reporting deaths and natural increase. This form was not properly complied with in any District, but the position was, we think, worst in the Waiariki District. At Rotorua the stores ledger-cards were, in December, 1933, defective in the following respects:—

(i) The purchases and sales entered on the cards were incomplete.
(ii) No deaths had been written off.
(iii) No natural increases had been written up.
(iv) No attempt had been made to balance the cards with the stock-sheets.

The cards accordingly represented only an incomplete record of sales and purchases and a search of the other records in the office disclosed little information of value. The only person with helpful information was the farm supervisor, who kept a note-book. The evidence which we took showed, however, that when one supervisor took over from another there was no check on the live-stock, and it is clear that the note-book could not be relied upon in the place of the proper office records. When the Controller and Auditor-General gave evidence before us, one portion of the live-stock account at Rotorua, relating to ewes only, appeared to show that out of a total of 27,492 ewes purchased, no less than 3,530 were unaccounted for, and that did not include the natural increase.

279. The work of reconciling the figures for all the Districts with the figures in Head Office was begun in December, 1933, and was still proceeding to the date of the writing of this report.

It is plain that, in the important matter of stores records for live-stock, Head Office should have insisted on its monthly live-stock return and District Offices should have been required to keep proper records and accounts.

280. (4) *General Lack of Control by Head Office over the Accounting System.*—Apart from the defects in the accounting system, the system did not work smoothly. The accounting officers in some of the District Offices thought that the system designed by Head Office was defective or unsuitable, and that they could keep better accounts for their own Districts if left to themselves. This did not make for smooth working, and, indeed, in the Tairawhiti District a certain amount of hostility seems to have been shown towards the methods of Head Office. Head Office, however, having established a system, should have required it to be carried out. It did not do so with grasp and firmness. Head Office Accountant was a young man, and he does not appear to us to have been experienced in farm accounts. He saw that the accounts should be decentralized, but he did not have the authority that he should have had. The Chief Clerk, Mr. Shepherd, was Controller of Stores, Purchasing Officer, Approving Officer for expenditure, Official Receiver, and Imprestee. In other Departments the Accountant usually holds these positions with the exception of that of Purchasing Officer. Furthermore, Head Office Accountant was not supported in his views on decentralization by the Under-Secretary or the Chief Clerk, and he felt bound to comply with the view of the Native Minister on this accounting question. In these circumstances the Accountant can scarcely be blamed for not decentralizing the accounts and for the lack of proper control over the accounting.

281. Again, Head Office had no effective control over the stores accounting in the field. The field supervisors were busy men, but they were expected to do clerical work in obtaining receipts for stores and the execution of documents by way of security. For the most part they were too busy to do it. Some were also not suited to it, and one of these, C. M. Wright, opposed the institution of the stores forms settled with Treasury and supplied in September, 1930. He claims that he was justified in his opposition because the forms were subsequently altered, but this is what occurred at the time. Wright was in charge of development schemes at Rotorua and in the King Country. When the stores forms arrived at Te Kuiti he impounded them and refused to use them. Head Office Accountant advised the Under-Secretary that Wright's action was a flagrant obstruction to the smooth and effective working of the schemes and was also an unwarranted attitude towards Head Office instructions, which had been based on Treasury and Audit requirements. Wright, however, was neither dismissed nor forthwith supplied with clerical assistance. This was not surprising, as he seems to have had several masters. He thus describes his position:—

> "I was a field officer attached to Head Office in Wellington but under the control of the Registrars at Rotorua and Auckland and nominally under the control of the Presidents of the two Boards. I was also under the direct instructions of the Native Minister."

Administration of this kind was likely to fail.

282. (5) *Inefficiency of the Office Reorganization of April, 1932.*—In February, 1932, the Under-Secretary, after discussion with the Native Minister, submitted to him a memorandum of a plan for "Native-land development office organization" affecting all the Districts except Aotea, Ikaroa, and South Island, where there were few schemes. The Under-Secretary's memorandum commenced as follows:—

> "With a view to giving effect to your wish that payments for material, &c., supplied for development schemes be expedited and generally that the organization of the work be strengthened by rearranging the office staff to ensure that more effective direction of the work be given in each district office; and, after discussion with you on the matter, the following staff rearrangements are suggested for your consideration."

The plan was then set out in detail. Except with regard to the Tairawhiti District, to which we make separate reference, the rearrangements provided (1) For the appointment of clerks—not the Accountants of the Boards—to be the special accounting officers for development work, although development work was regarded at the time as the most important work of the Boards; and (2) for the appointment of Native field officers to be the officers in charge of development, except at Te Kuiti and at Rotorua. The Under-Secretary's memorandum concluded as follows:—

> "The above suggestions will, if given effect to, place a definite responsibility on the officers mentioned for the prompt completion of the special development work assigned to them. They are not to form separate compartments within the office or district, but are to be units of the organization with definite duties and responsibilities and subject to the oversight and supervision of the senior authority in each district but without power to change the personnel without approval of Head Office."

283. The Minister referred the memorandum to the Under-Secretary with certain notes—viz., that the South Auckland accounts should be detached from the Auckland office and detailed to another office; that a field officer, Mr. Tukere te Anga, should overhaul and keep up Te Puea's accounts; that Native officers, Messrs. P. H. Jones and H. Tai Mitchell, should be appointed field officers in charge of development at Te Kuiti and Rotorua respectively in place of Messrs. Wright and Scott suggested for those places respectively by the plan. The Native Minister's notes duly became part of the plan, save that the South Auckland accounts were not detached from the Auckland office, but the name of the officer previously suggested by the Under-Secretary was omitted and the Registrar at Auckland was to select an accounting officer for Te Kuiti in the King Country sub-district.

284. This plan came into operation on the 1st April, 1932. It appears from the memoranda sent to the Registrars at Auckland and Rotorua respectively at the end of March that the reason placed in the forefront for the rearrangement of duties was the need for prompt payment for stock, grass-seed, and materials as there had been complaints of delays in the making of payments. Better co-ordination between field and office staffs was another reason given; and the Native Minister relied on this ground before us in support of these office rearrangements.

285. The fact is, however, that the plan set responsibility at large. The Under-Secretary appears to have realized this, and on the 8th April, 1932, he sent a memorandum to the Registrars at Auckland and Rotorua in an endeavour to retrieve the position. This memorandum contains the following passage:—

> "Possibly the position of yourself, the Accountant, and other officers not specified requires some amplification, as it may be felt that with the new order of things your responsibility for the due performance of development work is lessened. You and Mr. Watson are the executive officers of the Rotorua staff, and on you is cast the definite duty of seeing that the various sectional and other officers are punctual in the performance of their duties. It is hoped that there is a full realization on the part of the executive officers of their responsibility."

Mr. Watson was the Accountant at Rotorua. The memorandum then inquired whether the Registrar had conferred with the sectional clerks and field officers in charge of development as to their requirements in the way of clerical assistance and concluded as follows:—

> "Any suggestions made to you by these officers should be given careful and sympathetic consideration as complete success of the work of the office depends in a great measure upon the unanimity existing between the various officers and sections. Should any difference of opinion arise in connection with staffing, the matter should be referred to me for decision together with a full statement of the facts."

286. It is plain that the Under-Secretary's letter did not cure the division of responsibility. The Registrar was no longer in full charge of his own office. Furthermore, we do not understand how this reorganization, which placed junior officers in charge of the development accounting work, was expected to improve the accounting position. The position of the accounts of the Rotorua office in April, 1932, may be gathered from the summary of the Audit complaint of the 6th April, 1932, set out in para. 349, *infra;* and referred to the Native Department on the 10th May, 1932.

287. By the aforesaid plan of reorganization the Tairawhiti District was divided into four areas. In the Northern Waiapu Area Mr. Charles Goldsmith was placed in charge of both the field and the clerical work, with headquarters at Tikitiki. In the Southern Waiapu Area Mr. J. D. Fenn was placed in charge of both the field and the clerical work with headquarters at Ruatoria. In the Gisborne Area the Registrar, Mr. Harvey, now Judge Harvey, was placed in charge of all the work. In the Mahia, Wairoa, and Mohaka Area Mr. A. Turi Carroll took charge.

288. The Under-Secretary advised the Registrar at Gisborne by letter of the 15th March, 1932, that Messrs. Goldsmith and Fenn were to be required to keep proper records of payments made by or through them and also proper loan accounts in respect of all expenditure on development in the areas assigned to them. He also stated that Messrs. Goldsmith, Fenn, and Carroll would act as certifying officers for unemployment contracts. The letter concluded with the following statement:—

> "Of course, as Registrar, the whole development is still under your general supervision and control and it will be necessary for you to see that the new arrangement works smoothly."

The Registrar at Gisborne, Mr. Harvey, did not like the new arrangement, but he ascertained that the last paragraph of the letter had been added by the Chief Clerk, and was not in accordance with the desire of the Native Minister. He thereupon treated the paragraph as a nullity, and considered, in accordance with the view of the Native Minister, that he should not have control over Messrs. Goldsmith and Fenn.

289. On the 13th May, 1932, the Under-Secretary advised Messrs. Fenn and Goldsmith separately and directly that, as from the 1st April, 1932, District Offices had been instructed to forward to Head Office schedules of expenditure in respect of development schemes under their control, and he asked each of them for a statement for their district. The Under-Secretary thus treated each of them as being in direct communication with Head Office as an officer controlling a separate district. About a year later, on the 17th May, 1933, the Under-Secretary wrote to each of them pointing out the limitations on their authority to draw moneys from the Post Office, and stating that the Registrar at Gisborne had been asked to advise the Under-Secretary whether the accounting records relating to the schemes in their sub-districts respectively were kept by them or by his office. The same letters also show that Head Office was then directing these persons to make their returns to the Gisborne office for the purpose of incorporation in the district expenditure statement. This is an example of the lack of control and of definition by Head Office. It was due, in this case, to the unrecorded desire of the Native Minister being allowed to prevail over the written instructions inserted by the Chief Clerk in the Under-Secretary's letter.

290. (6) Another profound cause of difficulty was the lack of sufficient clerical staff both at Head Office and in the District Offices to cope with the continuous increase in work caused by the rapid and continuous launching of development schemes. Although the ordinary work of the Department connected with the alienation of land had decreased, the arrears of work both at Head Office and in the Districts at the time of the reorganization in December, 1933, amply prove our statement, for the existing staff had been working overtime continuously. Up to the 31st March, 1933, sixty-five development schemes had been commenced, and, in addition, the Auckland office had charge of the Te Kao Dairy Scheme, the Rotorua office of the Tihiotonga Station, and the Gisborne office of the Anaura Station. The following table shows the extent to which the office staff of the Department had altered in the offices mentioned to meet the increase in office work caused by land-development:—

——	31st March, 1929.	1930.	1931.	1932.	1933.	1934.
Head Office	12	13	14	17	20	32
Auckland	29	35	38	33	33	33
Rotorua	17	20	19	20	22	27
Gisborne	16	17	17	18	20	31

NOTE.—The figure 32 for Head Office in 1934 is arrived at by taking the total number of the office staff of the Head Office of the Department at 31st March, 1934—viz., 61 (which number includes the staff added to the Department on amalgamation with the Native Trust Office), and deducting therefrom the number of staff properly attributable to the accession of the Native Trust Office—viz., 29.

291. We are satisfied that representations in writing were made for an increase in staff by the Auckland and Rotorua offices, and also that oral representations were made by the Gisborne office to Head Office and to the Native Minister. We are satisfied also that the Chief Clerk at Head Office was seised of the need for more staff both at Head Office and in the Districts.

292. The crux of the staffing question depends not so much on the requests from the Districts as on the representations made to the Native Minister and to the Public Service Commissioner by Head Office for more staff. In Head Office itself, the granting of more staff after about the middle of 1931 depended on the provision of more accommodation. Both the Minister and the Under-Secretary were aware of this, and so also was the Public Service Commissioner. The time was one for great economy in the Public Service, and Cabinet was insisting that departmental votes should not be increased. In January, 1932, the National Expenditure Commission was set up, and it was expected that its recommendations would affect questions such as the staffing and accommodation of Departments. Indeed, as the result of action taken by the Public Service Commissioner the affairs of the Native Department were investigated by a special committee for the National Expenditure Commission. We think that due weight should be given to this position, and we are not disposed to say that blame should be attached to the Minister, or the Under-Secretary,

or the Public Service Commissioner for a failure to provide additional staff and accommodation until after the National Expenditure Commission had reported and until sufficient time had elapsed to enable the Native Department to be reorganized in the light of the Government's decisions upon the Commission's recommendations.

293. The National Expenditure Commission made its report, including its report on the Native Department, on 1st July, 1932. It was laid on the table of the House on 30th September, 1932. The Commission recommended the amalgamation of the Native Trust Office and the Maori Land Boards with the Native Department, and they concluded their review by stating that it would be futile to attempt to enumerate the economies which would result from their recommendations for the reason that the Department was understaffed in certain directions and an extensive redistribution of duties would be entailed.

294. The Government decided to amalgamate the Native Trust Office with the Native Department, but did not act upon the recommendation with regard to the Maori Land Boards. In our opinion, it should have been possible for the Native Minister, the Under-Secretary, and the Public Service Commissioner, by the end of January, 1933, to have known what staff reorganization was required in the Native Department. It was one of the few Departments that were expanding in a time of depression to meet the needs of the depression, and the lack of proper staff and proper accommodation for such a Department was a lack of economy itself. Giving due weight to the atmosphere of the time, we think that after January, 1933, neither the Native Minister, nor the Under-Secretary, nor the Public Service Commissioner can be excused for failure to equip the Department, both at Head Office and in the Districts, with proper staff and accommodation.

295. In order to indicate how this matter was allowed to drift during 1933, we think it necessary to draw attention to the position during that year. The Native Land Settlement Board began its work on 1st January, 1933, but it had no responsibility for the clerical work of Head Office and the District Offices. The Native Minister was the real administrative head of the Department. About February, 1933, Mr. Fenn, who was in charge of the southern Waiapu district at Ruatoria, was endeavouring to ascertain the completed costs of the grass-seed forwarded to the Ngatiporou Co-operative Dairy Co., Ltd. (This matter is dealt with separately under Audit complaints, para. 350 *et seq.*) Mr. Fenn not only wrote to the Native Minister, but went to Wellington on more than one occasion to endeavour to complete the matter. Audit Inspector Scott gave evidence that he saw a letter from the Native Minister to Mr. Fenn in which the Minister said that his costing records were out of order and that he could not supply the cost. Mr. Fenn gave evidence, and he has not been contradicted, that during a conversation with the Native Minister about February, 1933, the Minister said, "I am afraid our accounting system has broken down." In our opinion this statement, made in a matter in which Head Office and the Gisborne office had prepared statements of account, must be taken to represent the Native Minister's view of the state of the accounting system in his Department at that time. It is, therefore, instructive to note how the accounting system was described in Parliamentary Paper, G.–10, 1932, which was laid on the table of the House on 9th March, 1933.

> "In the present statement the development schemes that were in operation on the 31st day of March, 1932, are dealt with in detail from their inception, while the fullest possible particulars relating to the lands comprised in each scheme and summarized analyses of the expenditure are set forth in the schedules. In the comments on this mass of data it is pointed out that payments for work done and for material, seeds, and stock supplied during the period under review, and the effective results in enclosed pastures, sheep and cattle, buildings, implements, and equipment assembled in the statement do not, and cannot in the circumstances, present a complete picture. Payments made up to a conventional date for closing accounts do not show all costs actually incurred to that date, nor are the results calculated or measured in such a way as to enable average costs to be assessed with precision. Over such a wide field of operations and with the amount of detail to be organized the lag in accounting must be allowed for."

"The lag in accounting" was not a proper description of the accounting system at that time.

296. Notwithstanding his view of the accounting system in February, 1933, the Native Minister refused in June of 1933 to approve the provision of additional staff at Rotorua on grounds which we find it difficult to credit. By the end of May, 1933, thirty-eight different development schemes had been commenced at Rotorua, and work was commenced on three more in June of that year. The Registrar at Rotorua applied on 13th June for assistance and said that he could not meet Audit requirements without additional staff. Head Office thereupon proposed that the following additional staff should be appointed to Rotorua: A Chief Clerk, an administrative clerk on the Rotorua section of development work, and an additional clerk on the Bay of Plenty section of development work. These recommendations were placed before the Minister by the Chief Clerk, but the Minister would not agree to them on the ground that the Rotorua office had plenty of staff and that the extra staff would merely increase the number of hands through which matters would have to pass and so make for greater delay. If regard be had to the circumstances we have already stated, and to the report of 6th April, 1932, from the Audit Office on the Rotorua Office (para. 349 *infra*), which had by this time been long before the Native Minister, it is difficult to resist the conclusion that the reason given by the Minister was not ingenuous. The Chief Clerk being refused, referred the matter to the Under-Secretary and asked him what he was going to do about it. He did nothing.

297. It is also instructive, as well as pathetic, to note that when the accounting situation had become desperate in September, 1933, and the Native Minister informed the Chief Clerk that he would be held responsible for producing certain figures relating to bulk live-stock purchases for the forthcoming

parliamentary paper G.–10, the new Accountant from the Native Trust Office, Mr. Jellicoe, took the extreme step of stating in writing that he would not accept responsibility for delay unless provided with additional staff. According to the Chief Clerk's evidence, the Native Minister had said on this occasion that he did not care what the Chief Clerk did, so long as he got the figures. The Chief Clerk then disregarded the Under-Secretary, went to the Public Service Commissioner and obtained forthwith ten new accounts clerks from the Post and Telegraph Department and accommodation for them. What was thus done *in extremis* by the Chief Clerk with the Minister's authority should have been done long before by the Under-Secretary, or by the Native Minister, or by the Public Service Commissioner.

298. When Mr. Jellicoe, the Accountant from the Native Trust Office, was transferred to the Native Department in July, 1933, the accounts work in Wellington was then over six months in arrear, the annual accounts for 1932–33 had not been completed, the District Offices were greatly behind with their work, and the accounting system was on the verge of collapse. Three urgent matters required attention —viz. (1) The complete reconciliation of live-stock on the schemes, (2) the verification of departmental stores and property purchased for development operations, and (3) the more effective control and costing of motor-vehicles. Over and beyond these were the important problems of decentralizing Head Office accounts, of properly controlling District Office accounts, and of properly safeguarding departmental property.

299. It is difficult to assess accurately the responsibility for the pass to which the accounting system had come by the year 1933. The Treasury, the Public Service Commissioner, and the Under-Secretary all had their responsibilities, but the official process of correction was upset by the interference of the Native Minister in a system not designed to suffer or resist him as a personal controller not only of field staff, but of office staff and administration. The Under-Secretary was the Chief Judge, and was out of his element and ineffective as the Under-Secretary. The Treasury appears to have been too busy to carry out independent inspections, and, in the circumstances of the time, Treasury was probably justified in relying on the inspections of the Public Service Commissioner and the reports of the Controller and Auditor-General. This does not relieve Treasury from responsibility for the form of the accounting system, but Treasury did not control staff, and, without adequate staff in the Districts, decentralized accounting would not have been satisfactory. Treasury seems to have left the initial steps of reorganization to the Public Service Commissioner. Having regard to the duties of Treasury during the period in question, we think that this was not without justification.

300. The Public Service Commissioner did carry out inspections and did control staff. The evidence shows that the Public Service Commissioner reasonably met every request for staff made to him, and we think it clear that the Minister could have had more staff than he asked for. The Minister has had no complaint to make against the Public Service Commissioner on this point. The Public Service Commissioner's inspector, Mr. Pearce, as well as the Audit Inspector, recommended the decentralization of accounts. This was resisted by Head Office Accountant, who said it would not be in accord with the Minister's wishes. We think that the Minister, judged by his conduct, never really varied from this position, and his appointment of junior officers in the Districts as accounting officers under his staffing reorganization of April, 1932, and their retention in those positions, support this conclusion.

301. But, whether the accounting system was to be continued as it was, or whether it was to be decentralized to Districts, an overhaul of staff and accommodation, and an increase therein, were undoubtedly necessary. Mr. Pearce either failed to appreciate this or, if he did appreciate it, failed to express it adequately until apparently about August or September, 1933. If Mr. Pearce had reported to his chief, as he should have done, the Public Service Commissioner might have acted sooner than he did. There is this to be said for both the Public Service Commissioner and Mr. Pearce: that they were dealing with a Department whose effective administrative head was a Minister; that they were probably diffident of pressing on a Minister staff which he did not want; that they also considered that the Under-Secretary and the Chief Clerk were inexperienced in administration of the kind required by the Department's land-development activities and were too compliant with the Minister's methods; and that, if additional staff were sent to the Department, these senior officers could not make the best use of that staff.

302. The Public Service Commissioner told us that as the result of several Audit reports and of his own Inspector's observation, he had conferences with the Controller and Auditor-General and Treasury, and that in September, 1933, after interviewing the Right Honourable the Minister of Finance, who was Acting Prime Minister, he interviewed the Native Minister and either requested or required a change of Head Office from Parliament Buildings to Government Buildings, and the appointment of a new Under-Secretary. The Minister resisted him, stating that, in the event of these views being carried out, it might be necessary for him to consider his position as a member of the Government and that he would require to see the Prime Minister in connection with the matter. This situation is complicated by the fact that the Native Minister claims that he should have been approached by his colleagues, and not by the Public Service Commissioner. Whether or not that should have occurred as well, a matter which is not within our province, we think that the Public Service Commissioner was justified in his interview, because he was endeavouring to fulfil his statutory duty to organize the Native Department efficiently. The evidence does not show that the Native Minister had even had a hint at this time of the frauds on the East Coast, but his attitude of resistance to reorganization, having regard to the Audit complaints which had come before him by September, 1933, shows an adherence, which is quite indefensible, to a system, or lack of system, which had produced such results.

303. No reorganization took place at once. The Public Service Commissioner interviewed the Prime Minister on his return to New Zealand and explained the serious nature of the situation. No action having been taken, the Public Service Commissioner, after further conferences with Treasury

and the Controller and Auditor-General, set out the position by a letter to the Prime Minister of 16th October. As a result, Chief Judge Jones was retired as Under-Secretary, the position of Native Trustee was brought under the Public Service Act, and Mr. Pearce was, on 27th November, 1933, appointed to the dual position of Under-Secretary of the Native Department and Native Trustee.

304. Allowance may be made for the Native Minister's impatience of "red tape" in the Native Department when it was carrying on a farming activity. Allowance may also be made for the fact that the Under-Secretary and the Chief Clerk were not sufficiently experienced administrators for the new work and were too compliant. But their compliance suited the Minister's methods—it was, no doubt, difficult for them to resist him—and the situation was briefly this: that the Minister substantially interfered in a system which was not designed to receive him and was there a paramount influence retarding the operation of the usual checks applied by the Public Service Commissioner and Treasury with the aid of Audit; that he increased the field work beyond all reasonable limits, having regard to the staff which he provided or permitted for the clerical work necessarily created by such field work; and that, when he knew the accounting system was not functioning as it should, he failed to take any reasonable steps to meet the situation and even resisted the steps taken and the helpful suggestions made by others. It is painful to write in this strain of one who whole-heartedly desired by his administration to establish the Maori people on the land. Yet we have no option but to place on the Native Minister himself, whether he realized fully what he was doing or not, the major responsibility for the breakdown of the financial organization of the Native Department.

305. The complaints of the Controller and Auditor-General specify in detail the defects and irregularities which arose in or in connection with the administration of the development schemes. The general position with regard to many of these complaints, such as the accounting system and the records for live-stock and stores, has already been explained. Other complaints concern Maori unemployment moneys and one concerns a land purchase, which is illustrative of the methods adopted in buying land. We think it advisable to deal with these subjects before proceeding to consider the complaints of the Controller and Auditor-General.

Unemployment Funds.

306. The Unemployment Board set up under the Unemployment Act, 1930, found difficulty in dealing with unemployed Natives. On 30th April, 1931, the Board passed the following resolution:—

> "That, owing to the difficulty of the Unemployment Board and local committees in dealing with unemployed Natives who have been admitted as contributors to the Unemployment Fund in the Maori districts of New Zealand, the Board recommends to the Minister of Finance that a grant of £10,000 be made from the Unemployment Fund to supplement the funds at the disposal of the Native Department in the relief of unemployed Maoris: such grant to be administered by the Native Department organization, and the local unemployment committees not to be required to grant relief work to Maoris workers except in those few isolated cases of Natives who are working and living as Europeans in the larger cities, on the waterfront, and in industry. This grant to cover the period until 30th September, 1931, and details of operation to be referred for action to the Finance Committee with Sir Apirana Ngata."

The Minister of Finance approved this recommendation subject to the following conditions:—

(1) That the men were engaged on development work in the country; and
(2) That the amount of assistance did not exceed that provided under the Unemployment Board's Scheme No. 5.

307. We were informed by Mr. Bromley, a member of the Unemployment Board, that the maximum assistance or rate of pay referred to in this letter was represented by two, three, or four days' work per week at 14s. per day, and that this assistance was given in different classes as follows:—

The A class man was a single man and the maximum amount £1 8s. per week.
The B class man was a married man with up to two children, and the maximum amount £2 2s. per week.
The C class man was a married man with two or more children and the maximum amount £2 16s. per week.

308. The grant to the Native Department led to the creation of a small subdepartment with headquarters at the Minister's office. Major Dansey acted as officer in charge of Maori unemployment at Wellington until December, 1931, when he was transferred to Rotorua, and his duties were assumed by Mr. Balneavis, Private Secretary to the Minister. Officers were appointed in the different districts to assist in the work. Captain W. T. Pitt was classified as District Controlling Officer, Gisborne. Mr. A. Turi Carroll was appointed part-time Welfare Officer to supervise the Wairoa area. Persons appointed to act in honorary capacities were Mr. W. Walker, a half-caste farmer, of Waipawa, who was designated Supervisor of Marae and Farm Improvement for the Hawke's Bay district; Mr. Bob Tutaki, a half-caste Native of Hastings, who was charged with the duty of organizing Maori labour in the Hastings district; Mr. Rore Rangiheuia, Secretary of the Harbour Board, Foxton, who was made District Controlling Officer in the Manawatu district; Mr. Hone Macmillan, who occupied a similar position in the Levin-Otaki district; Mr. Tukere te Anga, who was a Welfare Officer in the Waikato area, with headquarters at Ngaruawahia; and Mr. P. H. Jones, a supervisor in the Maniapoto area, with headquarters at Te Kuiti.

309. On the East Coast, Mr. Charles Goldsmith, manager of the Waiapu Farmers' Co-operative Co., Ltd., at Tikitiki, acted as officer in charge of the Waiapu district until 1st April, 1932. On 21st February, 1933, he was appointed by the Public Service Commissioner a part-time farm supervisor as from 1st April, 1932, at £75 per annum, with headquarters at Tikitiki; and Mr. J. D. Fenn,

manager of the Waiapu Farmers' Co-operative Co., Ltd., at Ruatoria, and secretary of the Ngatiporou Co-operative Dairy Co., Ltd., was on the same date also appointed by the Public Service Commissioner part-time farm supervisor as from 1st April, 1932, at £75 per annum, with headquarters at Ruatoria. Each of them as part of his duties had charge of Maori unemployment relief in his district. The authority of each to act depended on an appointment by the Native Minister until the Public Service Commissioner's appointment of 21st February, 1933.

Principles of granting Relief.

310. The organization in the field was, in general, responsible for submitting to the Native Minister cases for relief, and the Minister was responsible for the recording of applications and for the allocation of relief. The allocation of relief, involving the approval of the unemployment subsidies, depended on the principles upon which that relief was to be administered. The Native Minister informed us that he was bound by the principles and precedents of the Unemployment Board itself, and that he understood that neither women nor youths were to be employed.

311. As a result of action taken by Mr. Jessep, the Deputy Chairman of the Unemployment Board, certain specific conditions were attached to the grants of unemployment money to the Native Department as from 19th October, 1933. These conditions were :—

(1) That the expenditure was to be limited to wages subsidy. (This restriction was subsequently modified to admit expenditure on horse-hire and horse-feed under contracts in which the use of horses was an essential adjunct to manual labour.)
(2) That wages subsidies were paid only to those Maoris who were contributors to the Unemployment Fund and not in arrears with their levies.
(3) That all labour had been engaged through the Board's certifying officers from the register of unemployed Maoris.
(4) That the amount of relief given over a period in individual cases would generally not exceed the maximum ration of relief that might be given under the Board's No. 5 Scheme.

312. It was emphasized before us that these conditions represented only alterations in procedure. It may therefore be taken that the requirements that relief should be limited to wages subsidies within the maximum limits to duly registered Maoris not in arrear were part of the principles of relief involved in the first grant of £10,000. Condition No. 3 represented a change in procedure in that in lieu of the engagement of labour by the organization we have referred to, labour was to be engaged by the Unemployment Board's own certifying officers.

313. At our sitting in Wellington on 28th June, 1934, Mr. Walter Bromley, a member of the Unemployment Board, produced in evidence a copy of a recommendation which the Unemployment Board had just then made to the Minister of Finance, and which is in the following terms :—

"Urgent.

"Memorandum for—

"The Right Hon. the Minister of Finance,
"Wellington.

"Maori Unemployment Relief.

"An application has been received by the Unemployment Board from the Native Land Settlement Board for a grant of £75,000 from the Unemployment Fund for the relief of Maori unemployment during the financial year ending 31st March, 1935.

"The Unemployment Board has now considered this matter and has agreed to make a grant of £75,000 accordingly, subject to the following conditions.

"The responsibility for the expenditure of this money will remain solely with the Native Land Settlement Board, and no conditions will be imposed by the Unemployment Board other than that the recipients of wages subsidies are to be registered and accepted by the Unemployment Board as contributors to the Unemployment Fund.

"The Native Land Settlement Board has undertaken so to frame its policy or expenditure as to afford the greatest measure of relief to unemployed Maoris, with the object of releasing the Unemployment Board, as far as possible, from the expenditure of a like amount in relief to unemployed Natives. The Native Land Settlement Board has also given an undertaking that, as soon as possible after 31st March, 1935, it will furnish the Unemployment Board with a summary of the works undertaken, together with an estimate of the relief afforded to the Unemployment Board in other directions as a result of the expenditure of this grant.

"Authority has also been given for the expenditure of the unexpended balances of grants made prior to 31st March, 1934, on the same conditions as will apply in respect of this grant of £75,000.

"As this arrangement represents a departure from the procedure adopted in the past, and will result in the Native Land Settlement Board having full control of the expenditure of that portion of the Unemployment Fund set aside for this purpose, I shall be pleased to receive your endorsement of the policy decision of the Unemployment Board as outlined herein.

"Hon. Sir Apirana Ngata.
"Copy for your information.

"(Sgd.) Jas. S. Jessep,
"Deputy-Chairman, Unemployment Board."

314. We were informed by Mr. Bromley that this recommendation meant that the Unemployment Board would hand over £75,000 entirely without condition so far as the use of the money was concerned. In effect, Mr. Bromley stated that the restrictions previously imposed, particularly those of October, 1933, had been found unworkable, and that it was better for the Board to take the action which it now proposed. Mr. Bromley also gave evidence that in the administration of unemployment relief no hard-and-fast rule could be followed. He said, for example, that, in order to ensure that wages would be available for unemployed men, it might be necessary in certain cases to purchase plant or materials—*e.g.*, picks, shovels, and tents for miners, or to subsidize wealthy persons to induce them to undertake work which they would not otherwise undertake. He said that the Unemployment Board had had to do this and it had also had to find work in cases for women and even for youths. He said that the Board had found that, in order to maintain the morale of the men, it was necessary to pay more on contract work than on the usual rates of wages pay. He also stated that the Board had found it necessary, as in the case of Public Works co-operative contracts, to increase the rates of pay if it should turn out that the job had been underestimated. In the result, he indicated that, judged by the experience of the Unemployment Board itself, if the Native Minister had found it necessary to do any of the things he mentioned, he did not think that the Unemployment Board would have objected, and that it really was a matter for the Native Minister whether women were assisted or youths, or, indeed, any one. The ultimate test was the wisdom of the expenditure in relieving unemployment amongst Maoris.

315. As we have indicated, the Native Minister did not accept this wide discretion, and we accept his view that he understood that he was not entitled to employ women or youths with unemployment moneys. Indeed, on file N.D. 1/9/38 there is a memorandum by the Native Minister under date 22nd July, 1933, on an application approved by the Registrar and a supervisor, in these words,

> "An unemployment contract for the ten acres cannot be subsidized if it is to be done by Miriama herself—being a woman; but I would approve a grant to her of £10 from development funds."

With regard to the employment of youths, we make comment under the Audit complaints (para. 485 *et seq.*).

316. In finding work for the Maori unemployed men, the Minister generally acted on the principle of placing the individual Maori on contract work on farms much on the lines of the Unemployment Board's Scheme 4B. (Under that scheme a subsidy was granted to a farmer for development work providing he employed registered unemployed.) The ratio of subsidy to the estimated labour-costs of the contract was determined by the Minister, whose policy prior to 31st March, 1933, was to grant subsidies ranging, with few exceptions, from 25 per cent. to 50 per cent. of the contract price. Since 1st April, 1933, subsidies of 100 per cent. have been regularly granted.

317. Another method of securing relief for Maori unemployed was adopted in some cases. The Native Minister informed us that he discussed a policy of labour loans with the Commissioner of Unemployment, and they considered it permissible to grant a loan to a private employer to induce him to undertake development work and so to employ labour. In this respect, security for the loan was important, but, in considering the question of security, the Unemployment Board itself would take into account the plight of the farmer as well as the plight of the unemployed man. These loans were loans made to farmers on land already settled with the object of inducing them to undertake further development. European farmers were granted these loans in those areas where work subsidizable in accordance with the principles of the 4B Scheme was not available, as at Tolaga Bay and in the district from Mahia to Wairoa. In the Wairoa district, which had suffered severely from drought and earthquake, loans as well as grants had to be made before work could be arranged. Some of these loans were not properly secured, but we have been informed that these have now been fully repaid.

318. No point is to be made of the fact that private employers were subsidized. The original authority from the Minister of Finance referred only to development work in the country, and this has been considered on all occasions as entitling the Native Minister to subsidize not only the Government development schemes, but development work undertaken by Maori Land Boards, the Native Trustee, and private individuals.

319. The Audit Department has made various complaints concerning the details of the administration, and we deal with these at a later stage. It is well to look, in the first place, at the general results obtained. The Native Minister submitted a comparison between the administration by the Unemployment Board of its 4B Scheme and the administration of the Maori grant. The following table, supplied by the Native Minister, shows a comparison in the administration of relief from May, 1931, to 31st October, 1933, between the two schemes.

> *Scheme 4B.*—Total subsidies, £104,870; number of men, 10,525; average per man, £9 19s. 4d.
> *Maori Grant.*—Total subsidies, £113,948 8s. 11d.; number of men, 13,160; average per man, £8 13s. 2d.

The Minister supported this summary by a schedule giving detailed costs. The number of men assisted does not imply the number of separate individuals. On each occasion that a man has been assisted he is treated under both schemes, for statistical purposes, as a separate individual. On this

basis a comparison between the administration of the two grants is definitely in favour of the administration of the Maori grant, and the Native Minister is to be congratulated on the result shown by the comparison.

320. The following comments should, however, be made:—

(1) By reason of a difference in living standards, the lower average amount received under the Maori grant may have ensured, relatively, a better standard of sustenance than the higher average amount received under Scheme 4B.

(2) There is no assurance so far as the Waiariki and Tairawhiti Districts are concerned that all the work was done under the contracts. The certifying officers did not in some cases verify for themselves before payment that the work was done but took the word of the contractor.

(3) Upon the face of the information we have obtained it would appear that the administration of Maori unemployment relief was partial and that a number of Natives in particular districts were assisted at the expense of Natives in other districts who did not have the relief granted to them that they should have had on a fair and equal distribution of relief.

321. The estimated Maori population for the whole Dominion to-day is 72,883, of whom 69,734 reside in the North Island. The number of males, according to the census of 1926, between the age of twenty and sixty-four years is 16,135, and, of these, 11,850 became contributors to the Unemployment Fund. The following table, prepared to 31st December, 1933, shows the classification of these contributors according to the Maori Land Board Districts and the allocation of the subsidies on unemployment-relief contracts for the benefit of Maoris amongst the seven Maori Land Board Districts. It must be clearly understood that the subsidies allocated are the subsidies which are spoken of as "authorized" or "granted." Such subsidies are not necessarily paid to the amount authorized or granted. When all the returns are available it will be found that some contracts have not been commenced or completed, and that others have been reduced or varied, with the result that the subsidies paid will be less than those authorized. Nevertheless, the authorizations are a good guide to the distribution of relief and the best guide to the intention of the distribution.

District.	Native Contributors to the Fund.	Scheme Subsidies (Amount authorized).	Private Subsidies (Amount authorized).	Total subsidies (Amount atthorized).
	Number.	£	£	£
Tokerau (North Auckland) ..	3,200	23,692	691	24,383
Waikato - Maniapoto (South Auckland)	1,600	4,800	137	4,937
Waiariki (Rotorua and Bay of Plenty)	2,450	40,386	1,298	41,684
Tairawhiti (Gisborne)	2,375	14,693	29,378	44,341
Aotea (Wanganui)	600	640	1,730	2,370
Ikaroa (Wellington, Hawke's Bay, and Manawatu)	1,225	262	145	407
South Island	400	..	408	408
	11,850	84,473	33,787	118,530

322. The following table, based on the division of the number of contributors in a district into the amount of the subsidies authorized for that District, shows the average amount of authorized unemployment subsidy which may be attributed to each contributor for that District:—

	£ s. d.
Tokerau	7 12 5
Waikato-Maniapoto	3 1 9
Waiariki	17 0 3
Tairawhiti	18 13 5
Aotea	3 19 0
Ikaroa	0 6 8
South Island	1 0 5

The average authorized subsidy per contributor for all the Districts at the date mentioned (31st December, 1933) is approximately £10.

323. We have had no sufficient evidence to enable us to apply these tables with confidence. We did learn that there were many Natives in the Tokerau District who were in a poverty-stricken condition, and it appears that that District has the largest number of actual contributors. With regard to the Waikato-Maniapoto District, we were informed by the Native Minister that there would always be difficulties in regard to unemployment work and subsidies with the Maori population

of this District. He stated that he found it impracticable to subsidize work on the schemes under the control of Te Puea Herangi because of the objection of many who really required assistance to the signing of any Government documents whatever, the ground of objection being not so much the amount of the contribution to the Unemployment Fund, but the idea of having to pay a tax on their own written request. With regard to the scheme at Waahi, the Minister stated that the men on the section occupied by Tonga Mahuta refused to accept any assistance from the Department or from Tonga, partly on the ground adopted by those on Te Puea's schemes and partly out of a feeling of what was due to a member of Mahuta's family. This was, however, only a small scheme. If regard be had to the tables we have supplied which concern Maoris who did actually register and signify their willingness to pay a tax, the Minister's explanations do not seem adequate.

324. With regard to the Waiariki District, the Natives there met with good fortune. There were many development schemes in that District, and the unemployment-moneys were used to assist them.

325. With regard to the Tairawhiti District, it may be noted that at the beginning of 1931 the District suffered from the effects of the Napier and Wairoa earthquakes, and also from a drought. In the beginning of 1932 the District again suffered from a drought. We have had no sufficient evidence to enable us to judge conclusively whether the extent of the unemployment relief granted was justified when compared with that granted in the Tokerau and Waikato-Maniapoto Districts, but we think we should refer particularly to the applications from the Waiapu area of the Tairawhiti District.

326. Messrs. Goldsmith and Fenn were considered to be competent organizers who knew the Waiapu district and had an intimate knowledge of every Maori therein, as well as a sound knowledge of farming and land development. Goldsmith was a half-caste Native who had undertaken work in connection with development schemes since April, 1930. The only evidence which we have with regard to his methods is that he seems to have made application personally to the Native Minister for unemployment subsidies, attaching to his application lists showing the names of the farmers or stations where the work proposed to be undertaken was to be done, and showing also the number of men it was proposed to employ. So far as we know, he did not forward written applications from farmers themselves for subsidies, although that procedure is required under the Unemployment Board's Scheme 4B. As from 1st April, 1933, all labour carried a subsidy of 100 per cent. During his term of office Goldsmith drew from the Post Office £11,586, which he paid into the banking account of the Waiapu Farmers' Co-operative Co., Ltd. Goldsmith was guilty of criminal acts in his handling of unemployment-moneys. They commenced in the very month of his formal appointment, April, 1932. Mr. Fenn was innocent of any connection with Goldsmith's frauds.

327. The procedure at Ruatoria, where Mr. Fenn was in charge, was as follows: Messrs. Kemp, the farm supervisor, and Poananga, a temporary clerk in the Native Department, prepared the details of work which they proposed should be done for the purposes of the unemployment subsidy. These details were collected on a foolscap sheet and attached to a form signed by Fenn, and in some cases by Kemp, as the person recommending the proposed work. The forms themselves were blank at the time of signature, but it may reasonably be taken that the signature referred to the work on the attached sheets. The form with the attached sheets was then sent to the Native Minister at Wellington. He altered the details as he thought fit, generally omitting some of the contracts and reducing the price of others. The altered estimates were then typed in the Minister's office on to the form signed by Fenn. The form as amended was then signed by the Native Minister as an authority for the work to be done. The form was then returned to Fenn, who saw what had been placed above his signature.

328. The letting of the contracts pursuant to the authority so received was entrusted in the main to Poananga, and in part to Kemp. There was no invariable system of personal inspection to ascertain whether the contracts had been completed for the purposes of a certificate of completion to enable the subsidy to be drawn. Sometimes the contract was inspected and sometimes it was not. According to Mr. Fenn, "If we knew the man was regarded as responsible and had no row to hoe in the contract itself, we took the owner's word." The next duty was to pay the men. Fenn drew the money from the Post Office, and, so far as his instructions went, he could have put the money in his pocket until he found the men to pay. We think that in a remote district no rigid procedure could readily have been laid down, and that the Department was justified in trusting both Fenn, and, at the time he was appointed, Goldsmith. No blame is, then, to be cast on Fenn for paying the money into the banking account of the Waiapu Farmers' Co-operative Co., Ltd.

329. Mr. Fenn stated that he thought that the Waiapu Farmers' Co-operative Co., Ltd., would be some thousands of pounds to the bad over its advances to men who were about to be employed and were employed on unemployment contracts. We invited Mr. Fenn to support his contention that the company would lose heavily in that its profit on the stores which it did sell would be outweighed by the amount it had had to write off. He has failed to do this, and, in addition, it was made clear on the re-examination of Mr. Fenn that the Ngatiporou Co-operative Dairy Co., Ltd., had a store in connection with its operations and that it deducted payments for stores bought from the Waiapu Farmers' Co-operative Co., as well as from itself, from the cheques of milk-suppliers.

330. The following table shows the position in the Northern and Southern Waiapu districts from the inception of the Maori Unemployment grant until December, 1933, with regard to (*a*) applications

for Maori unemployment subsidies (nearly all of which were submitted by Messrs. Fenn and Goldsmith), and (*b*) the subsidies granted by the Native Minister on these applications :—

—	Applications.	Subsidies granted (*i.e.*, authorized but not all necessarily paid).
	£	£
Northern Waiapu—		
Development schemes ..	9,523	4,317
Private	14,944	11,438
	24,467	15,755
Southern Waiapu—		
Development schemes ..	4,933	1,823
Private	7,604	6,411
	12,537	8,234
Totals	37,004	23,989

Northern Waiapu was granted nearly twice as much in unemployment subsidies as Southern Waiapu. The proportion of private subsidies granted in relation to the total number of private applications is much greater in both districts than the proportion granted for the development schemes in relation to the total number of development scheme applications.

The above table excludes the areas south of Tokomaru Bay; and, therefore, excludes the Gisborne, Wairoa, and Mohaka areas. The total subsidies granted for the Tairawhiti district to 31st December, 1933, amounted to £44,341 (para. 321), so that the balance granted for the areas in the Tairawhiti district outside Waiapu was £20,352. The Native Minister claimed before us that there was a fair distribution of relief in the Tairawhiti district. It would not appear so. In a letter as late as 3rd March, 1933, to Mr. Fenn, the Native Minister said :—

> " I minuted a note to you *re* U. contracts at Mangahanea before receiving the material for the contracts in this evening's mail. I am compelled to slow down with the grant. I am not inclined to keep the Waipiro people—they had their turn some time back. I am also cutting out the Hiruharama country. The Coast has had a good run, and other districts must get their turn."

General.

331. On the face of our examination, there was a partial distribution of Maori unemployment funds, but without an examination of most of the unemployment contracts and the circumstances of each of them, and without an inquiry into the use made by Maoris of other funds (an examination and inquiry which considerations of time and expense would alone, we respectfully submit, have prevented us from undertaking), we cannot deliver any concluded finding on the subject.

The System of Land Purchases.

332. When the Native Minister began buying land for development purposes numerous persons offered to sell him land. In refusing many of their offers, he said that the object of the Native land-development schemes was to bring in and develop unimproved or partly improved Native land for ultimate settlement by the Native owners or some of them. So stated, the policy was in accord with the object of section 23 of the Act of 1929, which conferred no power upon the Minister to buy land. The Native Land Purchase Board could, of course, purchase lands for settlement with State funds, and a few purchases were made by it. But the amending Act of 1930 conferred power upon the Minister himself to direct the acquisition of land.

333. This amendment was effected in the following manner: Section 23 (3) (*b*) of the Act of 1929 authorized the Native Minister, for the purpose of rendering any Native land or any land owned by Natives fit for settlement, to acquire tools, plant, machinery, or equipment, and to provide all necessary camps and buildings. This subsection was amended by section 9 (*b*) of the amending Act of 1930 by adding to it the following clause :—

> " The Native Minister, for all or any of such purposes, may direct the acquisition of any interest in land, and may from time to time authorize the disposal thereof as he may think expedient."

The addition of this power meant that the Native Minister might direct the acquisition of any interest in land apart from the Native Land Purchase Board. That Board was abolished as from 1st January, 1933, by the Act of 1932, and the Native Land Settlement Board took its place. But the Minister's power of land-purchase remained unaffected until December, 1933, when the Native Land Settlement Board was substituted for the Minister by the Native Purposes Act, 1933. The exercise of the Minister's powers was, however, subject to Cabinet approval, in that the provision of purchase-money exceeding £250 required that approval.

334. In the exercise of his powers, the Native Minister purchased in all (in round figures) 11,852 acres of land, at a total cost of £28,883. These purchases were distributed as follows:—

	Area.			Price.		
	A.	R.	P.	£	s.	d.
Tokerau District (North Auckland) ..	760	3	33	1,900	0	0
Waikato-Maniapoto District	171	1	31·3	1,433	12	10
Waiariki District	10,920	1	8	25,550	1	8
	11,852	2	32·3	28,883	14	6

335. When it is remembered that the Native Minister has declared, on the one hand, that no district in New Zealand is so favourably situated as the Waiariki Maori Land Board District for establishing compact development units (1931, G.–10, page xvi) and, on the other hand, that confiscation and sales had reduced the land-holdings of the Waikato Tribe to small scattered areas, and that a large section of the Waikato Tribe was practically landless (1932, G.–10, page 12), it is astonishing to us that it should have been possible for the Minister to spend such a disproportionate amount on the purchases of land in the Waiariki District. Even Te Puea and her party were placed on purchased land at Tikitere. It may be that the Native Minister was influenced to purchase land in the Waiariki District by the field officer of that District, Mr. H. Tai Mitchell. Mr. Mitchell appears to have been concerned in most, if not all, the purchases in the District.

336. It is proper also, we think, to point out how extensive has been the object sought to be attained by these purchases. The power to "direct the acquisition of land" for the purpose of rendering any Native land or any land owned by Natives fit for settlement clearly covers the purchase of interests in the land subject to development, and if the owners of such interests were in opposition to the development schemes the purchase of their interests would enable titles to be given to suitable occupiers without disturbance. The Minister's power to direct purchase has also been treated by him as authorizing him, on behalf of His Majesty the King, to purchase, or to direct the purchase of, land, whether European or Native, as supplementary land required for the purpose of rendering Native land more suitable for settlement—*e.g.*, by adding to the area of Native land which it was proposed to develop, or which was subject to development, in order thereby to obtain a better area for development, or better access, or to make the land more suitable for subdivision, or even to provide land not adjacent to the area under development but at some distance from it, as "change" country for bush-sick Native lands under development.

337. The Minister has also treated his power to purchase as authorizing him, on behalf of His Majesty the King, to purchase or to direct the purchase of European lands for the substantial purpose of creating a block for settlement by Natives. We are not sitting as a Court to construe the statute, but it is likely (and Mr. Finlay did not contend to the contrary) that purchases of this kind were beyond the powers conferred upon the Minister. The Ngatiawa development scheme comprises, in round figures, 5,359 acres, of which 4,633 were European lands purchased by the Minister at a cost of £9,279. Of these 4,633 acres, 3,609 acres had been purchased by the middle of May, 1931, at a cost of £7,643. The balance of the land above the 4,633 acres comprises 726 acres of Native land brought into the scheme without cost in June, 1931.

The Tikitere Development Scheme at Rotorua comprises 3,164 acres, of which 2,449 acres are European land, purchased for the most part in 1931 and 1932 at a cost of £6,577, and the balance consists of 681 acres of Native land brought into the scheme without cost in 1933 and 1934, and 34 acres purchased from a Native in January, 1934, for £34.

338. In perusing the files concerning the purchases of lands by the Minister, we have not found any file that could be regarded as containing a proper record of the transaction prior to the completion of the purchase. In some cases, the Head Office file opens with a newspaper clipping to the effect that the Native Minister has made a purchase of the land. In other cases, there is no record as to how it came about that the purchase was made. The Minister's own records likewise are incomplete. So also are those of the Waiariki District Maori Land Board, in which District the vast proportion of the purchases was made. The reason for this, in that District, is that the Minister gave instructions with regard to the purchase of lands to the local officer at Rotorua, Mr. H. Tai Mitchell, either by correspondence said to be "private," or by telephone conversation, or orally when meeting him. In the result, purchases of land, among other matters, have frequently been initiated and carried through to the point of a completed bargain before Head Office knew anything about them. When, however, it was necessary to secure the approval of Cabinet to the payment of the purchase price, the Under-Secretary would forward to the Minister a memorandum stating why the purchase should be made at the price mentioned and recommending it. But the Under-Secretary in general knew little or nothing departmentally of the information upon which he based his recommendation, and the information must often have come from the Native Minister himself. In the circumstances, the Under-Secretary's memorandum had the appearance of departmental support without the substance of it.

339. The Native Minister informed us that, in the case of practically all the purchases in the Rotorua district, he or his officers had always the report of a supervisor or a Government Valuer, and in some cases both, before the purchase was completed. He could not, however, explain the general absence of these records from the files, assuming that to be the case, as we have found it to be.

PART X.—THE COMPLAINTS OF THE CONTROLLER AND AUDITOR-GENERAL.

Duty of Audit.

340. Section 12 of the Public Revenues Act, 1926, reads as follows:—

> "It shall be the duty of the Audit Office to audit all accounts relating to the receipt, custody, or expenditure of the public moneys or public stores; and it shall be the duty of the Treasury and of all persons in the Public Service, and of all other persons whomsoever, to afford all such information as the Audit Office at any time requires, and to answer all such questions as may be addressed to them or any of them by the Audit Office touching any public moneys or stores, or any account thereof, or any other matter which may enable the Audit Office to fulfil the duties imposed thereon by this Act."

We were informed by the Controller and Auditor-General that, in addition to the audit of accounts, it is his duty to exercise control in such a way as to ensure that the directions of Parliament shall be strictly adhered to, and also to call attention to any cases which come to his notice, in the exercise of his statutory functions, in which improper or imprudent expenditure or loss or waste of public moneys or stores has occurred through faulty administration.

341. In the exercise of these duties the Controller and Auditor-General has laid various complaints before us. They are very numerous, and it would be impossible without taking an undue amount of time and space to state in detail every report, the evidence in respect thereof, and our reasoned findings thereon. We therefore do not think it necessary to report on complaints which have not been proved. These comprise criminal charges where the verdict has been "Not Guilty," and also allegations such as those relating to the purchase of posts from Davey, the dealings with Rongo Kingi Wetere the loss of sheep *en route* to Maketu, the purchase of horse-driven hay-presses, the purchase of King's property, and the use by Captain Pitt of his official motor-car. Nor do we report on complaints which, though proved, we regard as not pertaining to the primary functions of Audit, such as a criticism that certain schemes are not likely to be successful, or that units are not likely to remain on the schemes on account of uncertainty as to title, or that there was an inadequate water-supply for dairy herds, or that there was a poor percentage of lambs.

Nor do we report on complaints where the policy of the matters complained of may be justifiable in particular cases—*e.g.*, the granting of concessions to workmen, free houses, electric light, mutton and butter; or, for example, the raising by the Minister (after the fashion of a Public Works co-operative contract) of the wage on an unemployment "contract" in order to enable the workers to pay for meat where apparently the price of the "contract" had been originally fixed too low; or, for further example, the suspension for some months, by the Minister, of the operation of an order on a unit's cream cheque given by him to the Department. Nor do we report on complaints which we regard as of minor importance having regard to the difficulty of establishing the new policy of land-development—for example, that contractors were obtaining benzine-supplies at Government contract rates, or that interest on stores on hand had not yet been brought into account. All these items of complaint, some of them repeated in various forms, which we omit from any detailed consideration, number forty-one. We desire to say, however, that where the Audit Office has brought evidence is support of its complaints we think that the Audit Inspectors were fully justified, on the evidence then available to them, in making such complaints.

342. Without including here complaints in respect of the funds available to the Maori people, referred to in Part XII of this Report, items of complaint which have been proved number eighty. We respectfully submit a summary of them in the order of time in which the reports containing them were made. We find that the facts stated in these summarized complaints have been proved. Some of these complaints relate to the same subject-matter, such as stores records, but they show that after an interval of time the position had become worse—not better. We have therefore treated them as separate complaints, as we have done in respect of the forty-one mentioned above. To some of the complaints we append an explanatory note. For the better appreciation of the bearing of the facts of a complaint upon the efficiency of the administration, we state the date of the commencement of development work in a District—in general, where the office of that District is first mentioned. The date of commencement is the date when moneys were first expended. That date may then be compared with the date of the complaint. Some of the complaints concerning accounts and stores will be understood in the light of our general treatment of the accounting system. Others require separate treatment having regard to the importance which they assumed during our inquiry, and we deal with them hereafter in separate paragraphs of our Report.

343. In order that it may appear how, as already indicated, the reporting of the Controller and Auditor-General's complaints brought about the conferences of the Controller and Auditor-General, the Permanent Head of the Treasury, and the Public Service Commissioner with Ministers, which resulted in the reorganization of the Native Department, we have stated in summary form (as stated to us by Treasury and so far as is known to Treasury) how each complaint was reported by the Controller and Auditor-General to the end of September, 1933, and, if it was then referred to Treasury, how it was dealt with by Treasury.

344. All the following eighty complaints have been proved. The date first given is in each case, the date of the Audit report making the complaint.

345. *20th January, 1932: Complaint as to Rotorua Office, Waiariki District.*—(Development operations commenced January, 1930.)

Re Stores:—

(1) The stores system and the ordering of stores was unsatisfactory. In some cases the Stores Clerk knew nothing of the fact of stores having been ordered and delivered until the question of payment arose.

(2) The tracing or accounting for issues of stores was impossible from office records. The stores records were much in arrears.

(3) The purchase of live-stock and the disposal of same was obscure.

Re Wages:—

(4) The arrangements in connection with the payment of wages and the internal check on such payment were poor and insufficient.

NOTE.—This complaint referred to the fact that in some cases the wages were handed to the foreman (who had already prepared the time-sheets) to pay the workers. That method permitted the introduction of "dummies" without fear of detection. In most cases, however, the time-sheets were made up by the stores clerk, and he also paid the wages. That was a weak system also. When paying wages the stores clerk was usually accompanied by the supervisor, and his presence was a check on "dummying." But where the supervisor was not present and the stores clerk did not know the workers the system was again weak.

Reported 14th March, 1932, to the Minister of Finance;
Treasury; and
Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Department for action	17/3/32.
Reminder to Native Department	11/5/32.
Reply covering explanations of officers concerned	10/5/32.
Referred to Controller and Auditor-General	20/5/32.
Further memorandum from Audit covering reply of Audit Inspector to Department's comments on report	25/6/32.
Referred to Native Department for action in connection with Economy Committee	1/7/32.

346. *5th February, 1932: Complaint as to Ranana Development Scheme (some sixty miles from Wanganui), Wanganui Office, Aotea District.*—(Development operations commenced May, 1930.)

Financial Accounts:—

(5) There was no Control Account and the accounts were in no way reconciled with those of Head Office.

(6) No interest was charged on stocks held, and there was no charging of units for services rendered of a communal nature comprising the use by a unit of implements or horses the property of the scheme as a whole.

(7) There was delay in allocating wages not directly chargeable to specific operations or sections.

Re Stores:—

(8) There were defects in the stores accounting system, and many issues were unaccounted for. There was a shortage of 640 posts and 75 strainers, and the shortage in battens was approximately 7,000.

(9) Purchases had been made, but the Stores Control Board Regulations had not been complied with in all cases.

Reported 12th February, 1932, to the Minister of Finance;
Treasury; and
Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Minister	18/2/32.
Referred to Native Department	18/2/32.
Reminder to Department	7/4/32.
Reply with explanations	21/6/32.
Referred to Audit	29/6/32.

NOTE.—The delay with regard to the charging of units for communal services rendered to units and the charging of interest on stocks held was largely due to the lack of direction from Head Office. The shortages appear to have been primarily due to the slackness of a European supervisor before Supervisor Marumaru was appointed. It is a pleasure to record that all the officers of the Aotea District concerned with the scheme—Judge Browne, the Accountant (Mr. Brooker), the supervisor (Mr. Marumaru), and the Native units themselves set to work to remedy the position. The Wanganui Office had only the one development scheme to deal with, and it elaborated its own accounting system. Many of the shortages were traced. One Native, who disputed the value of two dog-chains, valued at 3s. 9d., voluntarily informed the departmental officers of 300 posts and 20 strainers of considerable value not charged to him, but which should have been so charged. This scheme to-day is well controlled.

347. *16th February, 1932: Complaint as to Tokerau District, North Auckland.*—(Development schemes commenced August, 1930.)

(10) Delay in the execution of bills of sale in the Tokerau District. Security for advances had not been taken until twelve months and more had elapsed since the making of the advance.

NOTE.—The delay was due to the difficulty of getting a brand registered and to the pressure of work upon the field supervisors. This matter is being given proper attention.

348. *10th March, 1932: Complaint as to Rotorua Office.*

(11) Complaint to Treasury: Native Department did not co-operate with the Lands Department in making its land-purchases, and did not obtain a late valuation by the Valuation Department.

NOTE.—The Native Minister admitted that this complaint was put before him, but said he did not think that he took any action as a result thereof. The Native Minister supposed that it would be fair to say that the Controller and Auditor-General's suggestion was disregarded.

349. *6th April, 1932: Rotorua Office.*—Complaint that, under the system of accounting at Rotorua, a complete audit of development stores accounts was not practicable. The position was complicated owing to purchases having been made and work having been carried out on verbal instructions.

The following are the detailed complaints:—

(12) Only part of the development-scheme accounting was maintained at Rotorua, whilst the major part was maintained at Head Office.

(13) There was insufficient evidence of goods for which stores orders were held in Rotorua having been delivered to the schemes.

(14) There was irregular ordering and issue of stores. Numerous stores orders were missing.

(15) Essential information for a system of cost accounting was lacking.

(16) It was not clear that certain Natives in receipt of wages were properly entitled to them.

Reported 13th April, 1932, to the Minister of Finance.

Action taken by Treasury:—

Referred to convenor Special Committee on Native Affairs (sub-committee of National Expenditure Commission) .. .. 9/5/32.
Referred to Native Department .. .. 10/5/32.

The Native Minister acknowledged that he had received this report.

350. *21st June, 1932: Waiapu District and Gisborne Office.*—(Development operations commenced at Takatahu, May, 1930; Poroporo, June, 1930; Tuparoa, April, 1931. Mohaka had been commenced January, 1930.)

Complaints as to:—

(17) Issue of development scheme grass-seed of total value of £474 15s. 1d. to Tihiomanono 4D Block (Pohutu Station). No security and no arrangements made for collection. Special reference, paras. 379 to 384 (inclusive).

(18) Issue of development scheme grass-seed of total value of £769 8s. 6d. to suppliers of Ngatiporou Dairy Factory. No security and no arrangements made for collection. Special reference, paras. 385 to 403 (inclusive).

(19) No records maintained in Gisborne of Poroporo, Tuparoa, or Takatahu Schemes of the Waiapu District.

351. *8th July, 1932: Poroporo and Tuparoa, Northern Waiapu.*—(In local charge of Mr. C. Goldsmith, of Waiapu Farmers' Co-operative Co., Ltd.)

(20) No inventories were maintained of farm implements, tools, or household furniture.

(21) No monthly summaries were prepared in connection with live-stock.

(22) Both schemes were being farmed by the Native Department, and it was essential that separate farm accounts should be prepared annually in order to distinguish the result of farming operations from the cost of development.

Reported by Controller and Auditor-General, 8th July, 1932, to the Minister of Finance; Treasury; and Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Minister and Native Department .. .. .. 25/7/32.
Reminder to Native Department .. .. 2/9/32.

NOTE.—At the stock-taking of the Tuparoa Scheme on the 31st March last, there was, according to the records, a shortage of about 1,900 sheep—about 20 per cent. This shortage will probably be reduced when a proper mustering is had, but an excessive shortage is still likely.

352. *30th July, 1932: Complaints regarding Te Kuiti Office.*

(23) Arrangements for the purchasing of live-stock were unsatisfactory and indefinite.

NOTE.—Four different persons had at different times been authorized by the Native Minister to buy stock in the King Country, and he had failed to advise Head Office or Auckland office of the fact. They were Supervisor Orr, Farm Director Wright, Mr. D. D. Wilson, of the Empire Hotel, Frankton Junction, and Mr. A. Ormsby, Native Health Officer, of Otorohanga. Close to the date of this complaint—viz., in June, 1932, a very poor lot of cattle were sent to Te Puea. Wright bought them, and he says that he bought them after they had been approved by D. D. Wilson. They were sent to Opuatia, Koheroa, and Waikarakia, where Te Puea was in charge. She complained bitterly that they were not even "dogs' meat." Mr. Craig, an experienced farmer of Waiuku, reported that quite half of them should be culled out, the balance were only fair quality, and most of them were in poor condition. Wright's statement was that he did not buy cattle for a scheme but cattle to be grazed and then sold at a profit for the Maori Land Board.

(24) The method of paying wages to workmen was unsatisfactory.

(25) Vague records had been maintained at Waimiha concerning issue of benzine to trucks and tractors, and 100 gallons of benzine were not accounted for. A building, however, was erected early in 1932, and benzine was kept properly thereafter.

(26) Stores records at Waimiha were practically worthless from an Audit point of view, but careful supervision had begun to be exercised. In general, receipts had not been obtained for stores issued, but recent arrangements were satisfactory.

(27) Stores records at Mahoenui were unsatisfactory. This report was dealt with as follows:—

Reported by Controller and Auditor-General, 12th August, 1932, to the Acting Minister of Finance; Treasury; and Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Minister	2/9/32.
Memorandum to Native Department	1/9/32.
Reminder to Native Department	31/10/32.
Reminder from Audit to Treasury	29/5/33.
Reply from Native Department	11/7/33.
Reply referred to Audit	13/7/33.

353. *23rd September, 1932: Live-stock.*

(28) Supply of bulls for North Auckland development schemes by Mr. D. D. Wilson, of Frankton Junction, at excessive cost.

Special reference, paras. 404 to 420 (inclusive).

Reported by Controller and Auditor-General, 13th October, 1932, to the Prime Minister; and Minister of Finance.

354. *November, 1932: Report of Controller and Auditor-General to Parliament.*—Report on the unsatisfactory accounting methods of the Native Department, with particular reference to the purchase of live-stock for the various development schemes.

NOTE.—We insert this only as a public announcement by the Controller and Auditor-General, based on individual items of complaint known to him.

355. *24th November, 1932: Land-purchases.*

(29) Complaint by Controller and Auditor-General of excessive price paid for McDowell's lease.

Reported by Controller and Auditor-General, 24th November, 1932, to the Prime Minister.

Special reference, paras. 421 to 428 (inclusive).

356. *7th April, 1933: Stores Control Board Regulations.*

(30) Complaint of non-observance by the Native Department of the Stores Control Board Regulations in connection with the purchase of manures and grass-seed.

Reported by Controller and Auditor-General, 7th April, 1933, to the Minister of Finance.

Action taken by Treasury:—

Circumstances fully reported to Minister of Finance	12/4/33.
Referred to Chairman of Stores Control Board	13/4/33.
Representatives of Audit and Native Department met Stores Control Board. Decided Department should co-operate with Board	9/5/33.

Special reference, paras. 429 to 431 (inclusive).

357. *1st May, 1933: Tokerau District, North Auckland:—*

(31) Complaint made of the unsatisfactory position of stores issue dockets.

NOTE.—This complaint refers to the difficulty already commented on of getting receipts from units without personal application by the farm supervisor, who was over-occupied with other work. The units were nevertheless anxious to ascertain their position.

Reported by Controller and Auditor-General, 9th May, 1933, to the Minister of Finance; Treasury; and Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Department	..
Reply from Native Department	16/5/33.
Referred to Controller and Auditor-General	25/5/33.
Request to Native Department for further information	3/7/33.
Reply	4/9/33.
Referred to Controller and Auditor-General	9/9/33.

358. *7th July, 1933: Rotorua.*

(32) Complaint that the Rotorua accounts were in an involved and unintelligible condition, and that drastic reorganization was required.

Reported to Treasury.

NOTE.—The Audit Inspector requested Treasury co-operation, but Treasury was unable to detail an officer, and, by arrangement with the Audit Department, the Audit Department's Stores Auditor proceeded to Rotorua to investigate.

359. *21st July, 1933: Rotorua.*

(33) Complaint of the irregular use of development-scheme motor-vehicles running on private and personal business.

Special reference, paras. 432 to 437 (inclusive).

Reported by Controller and Auditor-General, 11th August, 1933, to the Minister of Finance; Treasury; and Public Service Commissioner.

Action taken by Treasury:—

Referred to Native Minister	23/8/33

360. *27th July, 1933: Rotorua.*—Complaint based on report of the Stores Auditor sent by arrangement with Treasury.

(34) Work in connection with the Nursery had been begun before the Accounts Section had received advice.

(35) The position regarding live-stock purchases was unsatisfactory. There was practically no office check on the movements and disposal of live-stock. From office records there was no definite information as to either the total number of stock in the Rotorua area or of those depasturing on any scheme.

(36) The issue and accounting for stores was unsatisfactory. The absence of requisitions was conspicuous. Often the first knowledge the office had that stores had been purchased on account of the Department was derived from the account received from the suppliers of goods. Often no receipt has been obtained from persons receiving stores. Once stores had been issued to a scheme no further information appeared to be furnished regarding their subsequent distribution and use.

(37) No proper provision had been made by the office regarding the custody of implements.

(38) There was a lack of internal check regarding the payment of wages.

(39) Through lack of information and inadequacy of staff, the Rotorua office was unable to keep its office work up to date or to keep proper records or an accurate check on live-stock and other stores transactions.

Reported by Controller and Auditor-General, 7th September, 1933, to the Minister of Finance;
Treasury; and
Public Service Commissioner.

Action taken by Treasury:—
Referred to Native Department.

361. *22nd August, 1933: Tikitiki.*

(40) Complaint made *re* payment of wages to H. J. Dewes back-dated and paid to Waiapu Farmers' Co-operative Co., Ltd.

Special reference, paras. 442 to 447 (inclusive).
Reported by Controller and Auditor-General, 22nd August, 1933, to the Treasury.
Action taken by Treasury:—

Referred to Native Department	25/8/33.
Reply from Native Department	7/9/33.
Referred to Audit	11/9/33.

362. *24th August, 1933: Rotorua.*—Complaint made of unsatisfactory features regarding contracts and the payment of wages and the expenditure of unemployment relief funds. The following detailed items were substantiated in support of this complaint:—

(41) Contracts in respect of the schemes were arranged without reference to the Rotorua office, mainly on the verbal instructions of the Native Minister, given either generally or specially.

(42) A substantial rise in wages to Tupara Kingi had been back-dated.

Special reference, paras. 452 to 458 (inclusive).

(43) Maoris who were not qualified for employment upon contracts subsidized from the Maori Unemployment Relief Fund were so employed. Excluding two expert fencers, with regard to whom there were special conditions, fifteen instances were given.

(44) Pakehas were employed upon contracts subsidized from the Maori Unemployment Relief Fund.

NOTE.—This referred to a Tokaanu post-splitting contract on which, as proved by the Audit Inspector, six pakehas were employed.

(45) On a number of occasions youths were employed on works subsidized from the Maori Unemployment Relief Fund.

(46) Wages were paid to workers by Native foremen alone who had prepared the time-sheets.

(47) Wages were paid by the Waiariki Board and by that Board in turn through the Arawa Trust Board, and wages-sheets were signed in blank.

Special reference, paras. 459 to 462 (inclusive).

(48) Wages were paid to workers who had not been approved as contributors to the Unemployment Relief Fund.

This statement was supported by four instances.

The Native Minister admitted receiving this report of 24th August, 1933, and said that he explained matters generally to Mr. Park of the Treasury, but that he did not make any particular explanation of the points raised. He said that in August, 1933, the whole matter of unemployment was being reorganized. In fact, however, the principles of relief were never altered.

363. *31st August, 1933: Rotorua.*

(49) That the Rotorua Office was considerably understaffed in experienced clerical officers, and that there was a lack of internal check.

(50) The stores system was unsatisfactory.

(51) The unsatisfactory state of the records made the costing of scheme buildings almost impossible.

(52) There were incomplete records in connection with the 1932 crop of potatoes. Out of a crop of 47½ tons, only 13 tons were accounted for.

(53) Debit-notes were created in many cases after cash had been received by the office. The debit-note was based on a cash receipt and was no check.

(54) The accounting system was in need of thorough organization and for this purpose an increase in staff was essential.

364. *17th September, 1933: Rotorua.*
(55) Complaint made that chainmen's and labourers' allowances were in excess of the Public Service Commissioner's Regulations.

NOTE.—The payment of these allowances constituted an abuse peculiar to the Rotorua office. A representative list proved by the Audit Inspector showed, for example, that a chainman received 12s. 6d. per day when travelling between headquarters and his work, although according to the standard set by the Public Service Commissioner's Regulations he should have received only 9s. per day; that a plumber's labourer, described as a "water expert," received 9s. per day when there was no authority to make any payment to him at all, and if authority had been granted, the allowance would have been excessive; and that two truck-drivers received 7s. 6d. per day each when there was no authority to make any payment to either of them, and, if there had been, the allowance would have been excessive.

365. *25th September, 1933: Rotorua.*
(56) Complaint made of the irregular use of the "Tihiotonga" truck. Running on private business.

Special reference, paras. 438 to 441 (inclusive).
Reported by Controller and Auditor-General, 28th September, 1933, to the Minister of Finance; Treasury; and Public Service Commissioner.

Action taken by Treasury:—

Referred to Public Service Commissioner	30/9/33.
Referred to Native Minister	5/10/33.
Reply from Native Department	12/12/33.
Referred to Audit	7/3/34.

366. *17th October, 1933: Rotorua.*
(57) Complaint made regarding the potato crops for the years 1931 and 1932 on Rotorua scheme lands.
This complaint did not extend to Maketu or Bay of Plenty lands.
The crops amounted to over 200 tons, but, after crediting the Hawke's Bay earthquake with 50 tons, and sales with about 20 tons, there were at least 130 tons unaccounted for.

367. *4th November, 1933: Maketu.*
Complaint of—
(58) The expenditure of development-moneys outside development-scheme lands on houses and fencing.
Special reference, paras. 463 to 477 (inclusive).
(59) A check of time-sheets against wages vouchers disclosed payment to men for times when they were not working, and disclosed also double payments.

368. *11th November, 1933: Oraka and Kauwhakaputaputa, Southland.*—(Development operations commenced September, 1930.)
Complaint that—
(60) On examination of accounts to 31st March, 1933, a substantial number of live-stock (numbers given) and dead-stock (quantities given) were missing at stocktaking.
(61) No addition had been made to any live-stock by natural increase.

369. *1st December, 1933: East Coast.*
(62) Report of the irregularities and falsification of vouchers by Goldsmith.
Special reference, paras. 478 to 482 (inclusive).

370. *8th December, 1933: East Coast.*
(63) Complaint of theft by Poananga of moneys payable on a fencing contract.
Special reference, paras. 478 to 482 (inclusive).

371. *17th January, 1934: Onewhero.*—(Development scheme commenced February, 1931.)
(64) Complaint of indiscriminate benzine issues dating from May, 1931, to March, 1933. No working account for the truck had been maintained until June 1, 1932.

NOTE.—Te Puea Herangi was in charge, and she employed a communal method of work. The Auckland office should have taken control of the accounting situation from the commencement.

372. *18th January, 1934: Onewhero.*
(65) Complaint that the system of paying wages was unsatisfactory. Te Puea acted with regard to the more or less permanent hands as timekeeper, paying officer, and witnessing officer.

373. *22nd January, 1934: Kawhia.*
(66) Complaint that an unsatisfactory position existed until March, 1933, with regard to the payment of wages and contract-moneys. The clerical work on the schemes was not properly organized. In October, 1932, the Natives owed the local store-keeper £600 for stores supplied.

NOTE.—Matters were settled in March, 1933, by an assemblage of Natives accepting general liability.

(67) The position was unsatisfactory regarding the allocation of scheme stores which had been issued. No responsible officer had been available when stores were distributed to ensure a record of allocation of issues to units.

NOTE.—Matters were largely adjusted in August, 1933. On this scheme there was hostility on the part of some of the Natives to the development work, and this, to some extent, prevented the scheme from running smoothly.

374. *10th February, 1930: East Coast, Takatahu, Waiapu area.*—(Scheme commenced May, 1930.) *Complaints concerning Maori Unemployment-moneys:*—

(68) Complaint of irregularities in connection with the payment of unemployment-moneys in the Ruatoria district: Nine instances were given. Counsel for the Natives said he could give no explanation of any of them. The following are examples:—

(1) Voucher for £2 17s. in favour of K. Milner: When interviewed, Milner said he did not work on the job, but was asked to sign the wages-sheet so that Renata Pikaahu (an old-age pensioner) would be able to get tobacco and stores.

(2) Voucher for £14 5s. in favour of Tautuhi Pokai and another: The butt of the Waiapu Farmers' Co.'s cheque showed that the cheque was handed to W. Tako under these circumstances—As part of the training of a football team camped at Waiomatitini, and in order that the members might have a little pocket-money for a forthcoming tour, a job was given to them grubbing rushes on W. Tako's property; W. Tako had paid the members of the team and the voucher was put through to reimburse him; the workmen shown on the voucher never worked on the job.

(3) Voucher for £12 7s. in favour of Pine Taewa: Inquiries made showed that this cheque had been placed to the credit of K. Waimotu in the books of the Waiapu Farmers' Co-operative Co., Ltd. He had actually done the work, but was not the possessor of the requisite unemployment-levy coupon-book.

(4) Voucher for £10 18s. 6d. in favour of H. Nepe and W. Tatae: The work was done by H. Tarewai and his boys, and a cheque for £10 12s. 6d. (a deduction of 6s. having been made for "Pine") was given to H. Tarewai. The facts were—

(i) That boys were employed:

(ii) That neither Tarewai nor his boys were unemployment-fund contributors:

(iii) That H. Nepe and W. Tatae did not work on the job.

NOTE.—The nine instances stated by the Audit Inspector were the result of a wide test check of the personal accounts in the books of the Waiapu Farmers' Co-operative Co., Ltd., at Ruatoria, to ascertain whether unemployment-moneys had been correctly accounted for. These instances alone create a sense of much uncertainty with regard to other transactions with Maori unemployment-moneys in the Waiapu district. The Audit Inspector reported that Mr. Fenn, the manager of the Waiapu Farmers' Co-operative Co., Ltd., at Ruatoria, and Secretary of the Ngatiporou Co-operative Dairy Co., Ltd., was fully occupied and could be expected to exercise only a limited superficial supervision over the work for which he was certifying officer. The Audit Inspector also reported, however, that the few jobs he had personally inspected had been cheaply and well executed.

375. *26th February, 1934: Mahoenui - Te Kuiti office of the Waikato - Maniapoto District.*—(Scheme commenced September, 1930.)

(69) Complaint made that the live-stock records were incomplete.

NOTE.—It was thought that this was partly due to the fact that a proper tally could not be made because one boundary was not fenced.

(70) Towards the end of March, 1933, two officers from the Auckland office took stock of all stores on hand and discrepancies then disclosed were 176 angle posts, 6,934 fencing posts, 1,140 lb. of staples, 275 strainers, 1,780 ft. of timber for gates, 111 cwt. of plain wire and 4 cwt. of barb wire.

NOTE.—These discrepancies were covered or adjusted by stores-issue dockets dated 31st March, 1933, signed by P. H. Jones as issuing officer and R. K. Wetere, who was foreman on the job, as received in good order and condition. It is not suggested that the aforesaid items have actually been lost, but there was practically no check on the issues and the signing of the adjusting voucher only raises an assumption, not a reasonable certainty, that the material is actually on the scheme lands.

376. *29th March, 1934: East Coast.*

(71) Complaint that £71 had been paid to boys employed in cutting thistles on the roadside, payment being made out of unemployment funds.

Special reference, paras. 485 to 489 (inclusive).

(72) Complaint made—(i) That the Waiapu Farmers' Co-operative Co., Ltd., had made a payment of £422 19s. 5d. in settlement of wire and staples issued from development-scheme stocks during the period November, 1931, to April, 1932; (ii) that payment was not made until twelve days after the Audit Inspector's investigation had commenced; and (iii) that no officer of the Native Department was aware of the issue until the date of payment.

Special reference, paras. 490 to 492 (inclusive).

377. Complaints as to:—

(73) Excessive use of toll telephone by Native Minister.

This finding is subject to special reference, paras. 493 and 494.

(74) Improper charges by Native Minister against public funds for the private use of motor-cars; and of the improper allocation of car-hires between the travelling-expenses of the Native Minister and his Private Secretary.

Special reference, paras. 495 to 513 (inclusive).

378. The following additional complaints were made to the Commission during its sittings :—

(75) That it was impossible from the records to tell whether a profit of £112 1s. was or was not made by Tupara Kingi on a clearing contract.

Special reference, paras. 448 to 451 (inclusive).

(76) That a large number of boys were engaged on an unemployment contract for the levelling of the site for the Waiomatatini Meeting-house.

Special reference, paras. 483 and 484.

(77) Excessive cost of sheep for the Ruatahuna Scheme.

Special reference, paras. 514 to 517 (inclusive).

(78) Issues of posts purchased with development funds to persons and stations outside the development schemes in—

(i) Wairoa area ;
(ii) Tikitiki area ; and
(iii) Ruatoria area.

Special reference, paras. 518 to 525 (inclusive).

(79) That an excessive quantity of manure had been supplied to the Tairawhiti District in October, 1933, when the same was not required, and unnecessary storage was incurred.

Special reference, paras. 526 to 530 (inclusive).

(80) That buildings were erected by the Maori Arts and Crafts Board on land owned by Mr. H. Tai Mitchell, a member of the Board, without arrangement as to title.

Special reference, paras. 531 to 536 (inclusive).

379. We proceed now to make special reference to certain of the proved complaints of the Controller and Auditor-General.

ISSUE OF GRASS-SEED TO POHUTU STATION (Para. 350, No. 17).

380. Pohutu Station, comprising mainly the Tihiomanono 4D Block, is an incorporated block privately owned. The Native Minister, Sir Apirana Ngata, has no interest in the land, but, at the request of the owners, he has been chairman of the committee of management since the incorporation of the block. Since 1929 he had practically handed over the administration of the land to C. Goldsmith, of the Waiapu Farmers' Co-operative Co., Ltd. The land was mortgaged to the Native Trustee, and in the winter of 1931 the committee of management proposed to obtain a further advance from the Native Trustee to enable bushfelling and grassing to be done. Apparently some delay occurred with regard to the application to the Native Trustee, but in July, 1931, the Native owners desired to take advantage of the Maori unemployment subsidy. Accordingly, in that month, contracts were approved for bushfelling on 550 acres at a cost of £663 18s., under which sixteen men were to be employed, and in respect of which a subsidy of £220 was payable from the first Maori unemployment grant of £10,000. When the contracts were completed, the further advance from the Native Trustee was not available to pay wages. It was then necessary to grass the felled land, and that was done in this way.

381. On 1st October, 1931, the Native Minister sent a memorandum to Mr. Harvey, the Registrar at Gisborne, describing seed which was being sent forward as follows :—

"The above is the mixture scheme for the various schemes in your district including Tihiomanono 4D (Pohutu Station)."

The Native Minister erred in describing this station as a scheme. It was a private station of which he was the chairman of the committee of management. On 8th October, 1931, the Native Trust Investment Board approved a further advance of £500 to Tihiomanono 4D, subject to certain conditions, one of which was the consent of the Native Minister. If and when that consent had been granted, the Native Trustee intended to enter into negotiations with the committee of management regarding outstanding rates and interest. There was, therefore, little prospect of the advance being available for grass-seed. Mr. Goldsmith was advised of the approval of the further advance on 9th October, 1931. The Native Minister states that he was not aware of the approval of the loan until early in January, 1932.

382. Seed, including the seed for this station, was purchased by the Native Minister with development funds, and it was duly sown. The Waiapu Farmers' Co-operative Co., Ltd., paid the cost of fencing and subdivision on Pohutu and the cost of the sowing of the grass-seed, the total thereof being £402 10s., carrying an unemployment subsidy of £105 8s. 6d. According to the estimate made by Sir Apirana Ngata, the development of this 550 acres of Pohutu added about £4,000 to the Native Trustee's security.

383. On 16th March, 1932, an account for £474 15s. 1d., being the cost of the seed but not including interest, was rendered by the Native Department to the proprietors of Pohutu. Attempts were made by the Department to obtain payment, but without success until recently. Payment was made in the following manner : The sum of £200 is stated to have been owed to Pohutu Station by the Takatahu Development Scheme as compensation for improvements and/or the surrender of a lease or grazing-rights to which apparently a Native lessee or licensee was entitled. The owners of the Takatahu land are stated to have owed this money to the owners of Pohutu. The matter has not been investigated before us, but it has been assumed that the Minister, when bringing this Takatahu land under the development scheme, should pay this sum of £200 to Pohutu Station. He provided for it in his first estimates for the Takatahu Scheme prepared in April, 1930. That scheme was gazetted in May, 1930. The debt for the grass-seed has now been settled in the following manner :

The £200 so regarded as payable by the Takatahu Development Scheme to Pohutu Station was transferred to the credit of the Department's claim against Pohutu Station; and the balance of the account, with interest, was paid to the Department a few days before your Commissioners sat in Gisborne, on 30th May, 1934.

384. The Native Minister placed himself in a position in which his interest as chairman of the committee of management conflicted with his duty as a Minister of the Crown. We think it clear that he had no authority to enter into a trading transaction of this kind with the development-scheme stores. If he did so, he should have seen that there was proper security for payment. In fact, payment was not made until more than two years had elapsed from the rendering of the account. From the point of view of the Native Minister, he took an opportunity to assist a station of which he was chairman to improve its pastures in a substantial way during a time of great depression, and so to improve the position of its mortgagees as well as that of its owners. But these considerations cannot alter the fact that the Native Minister failed seriously in his duty as an administrator of Government funds.

ISSUE OF GRASS-SEED TO THE NGATIPOROU CO-OPERATIVE DAIRY CO., LTD. (Para. 350, No. 18).

385. At the beginning of 1932 the Native Minister commenced a campaign for dairy-farming cultivation in the Waiapu district. The importance of this matter to him and to the suppliers of the Ngatiporou Co-operative Dairy Co., Ltd., may be gathered from this extract taken from one of the written statements supplied to us by the Native Minister when giving his evidence:—

> "Either at the end of 1931 or early in 1932, the Prime Minister discussed with me my position in regard to the Waiapu Farmers' Co. I understood that the Auditor-General had directed his attention to it. I immediately decided to sever my connection with both that and the Dairy Company as Chairman of the Directorates, and announced this decision to Ngati-Porou, but I was pressed to remain in the positions until the annual meetings. I did not attend the annual meeting of the Waiapu Farmers' Co., where my resignation was formally acknowledged and accepted. I did attend the annual meeting of the Dairy Company in order to impress my view that suppliers should concentrate on the improvement of their pastures."

386. At the beginning of 1932 the Native Minister made an offer to the Maori settlers of the Waiapu district, which may be described in his own words:—

> "An offer to subsidize the ploughing, discing, harrowing, and preparation of land ready to sow in grass or lucerne was made to Maori settlers—subsidy to be 10s. per acre."

387. Apparently further assistance than the ploughing subsidy was required, as may be seen from a letter, dated 15th February, 1932, from the Secretary of the Dairy Co. (Mr. Fenn) to Sir Apirana Ngata. This letter appears on Native Department file 1/12/57. (This file was not produced to us at our public sittings, but we subsequently obtained it from the Native Department. We have ascertained that the Native Minister is acquainted with this file, as it was at his office with his knowledge while he was giving evidence; but he has informed us that he knows of no reason why the file should have been produced or not produced in relation to his statement to us any more than files relating to numerous other matters dealt with by him in evidence.) The letter is as follows:—

> "NGATIPOROU CO-OPERATIVE DAIRY CO., LTD.
>
> "Factory and Offices: Ruatoria (Waiapu County).
>
> "Ruatoria, 15th February, 1932.
>
> "Hon. Sir Apirana T. Ngata,
> "Wellington.
>
> "DEAR SIR APIRANA,—
>
> "The ploughing will take some organizing, implements and horses are going to be the trouble. We could possibly get enough ploughs, but disc harrows are scarce, so are horses that could pull a plough. Horses in hard work mean chaff. For a start we already stirred up the people with the implements to get their own places done, that is something on the way. So far there are a lot of people making their own provision for ploughing, and these people require seed. We have not waited in some cases for seed from the Government, but have purchased same here. However, it is not possible for us to finance all the seed required.
>
> "Is it possible for you to let some of these people have seed through the scheme; individually the amounts are not large, but collectively they amount to a good round sum, more than we can cope with. If we could get relief in this respect it will mean a lot, as we can tell each individual that when he has his ground ready he can get the seed recommended by Kemp. Quite a number of people are triers and need just a little help to keep them going, but there are, I am afraid, a number who are sitting back expecting you to provide them with everything they think necessary. I took this up with Kemp and told him the triers were not to be neglected, and also to see that those who were not making a shift on their own were to be informed that to obtain any help they must give some indication that they deserved it.
>
> "*Potaka.*—Kemp and Poananga went up, but were chased out by the rain. This last flood has been the worst for very many years and considering everything we got off very lightly.
>
> "Will you please advise *re* the seed, as we have a number urgently requiring it.
>
> "Yours faithfully,
>
> "JNO. D. FENN."

388. It may be noted from this letter :—

(1) That from the words " We have not waited in some cases for seed from the Government, but have purchased same here," the inference is not unreasonable that seed was expected from the Government, no doubt, for payment ;

(2) That a request was made for seed through the development scheme because the company could not finance all the seed required and, apparently, because the seed would be such as was recommended by Kemp. Mr. Kemp was a Government Supervisor appointed as from 1st January, 1932, a man well respected by the Maori people ;

(3) That, as some settlers were urgently requiring seed, the ground was presumably already ploughed.

In the result, the main inducements offered by the campaign for dairy-farming cultivation were (1) the ploughing subsidy, and (2) the supply of Government seed of the kind recommended by Kemp.

389. The file shows the following copy telegram dated 18th February, 1932, from Sir Apirana Ngata to Mr. Fenn :—

" Fenn, Ruatoria.

" WILL supply seed requirements all deserving cases. Have already instructed Department acquire for your district lucerne-seed for 250 acres paspalum for 250 acres and winter oats 150 acres. Please wire estimated quantity other seed required and where to forward.

" A. T. NGATA."

This telegram shows a decision to supply development-scheme seed to private persons who had no right to it. The Minister's argument on the point may be stated in his own words to us :—

" My argument is that if you are assisting Maoris, and Maoris not under the gazetted schemes have the cash or reasonable prospects of paying for that seed, they should benefit by the organization of the Native Department which has general application to them."

The Minister informed us that he never tried to find out whether he had authority to do what he did under the Act or not.

390. The following copy telegram of 19th February, 1932, from Mr. Fenn to Sir Apirana Ngata, is on the file :—

" Sir Apirana Ngata, Wellington.

" DAIRY company already found proportion oats and seed further requirements 30 sacks oats various deserving cases require perennial rye 1,000 lbs. Italian 500 cocksfoot 1,000 dogstail 100 paspalum, timothy, cow-grass, white clover, 200 each Kemp's mixture we will parcel out lots for individuals and see seed sown.

" FENN."

The following minute from the Minister to the Under-Secretary of the Native Department is on the foregoing copy telegram :—

" The U.S., Native.

" PLEASE arrange supply to Ngatiporou Dairy Co., Tokomaru Bay. In the case of ryegrass, I have asked the Tairawhiti Board to send the quantity 1,000 lbs. by lorry to Ruatoria.

" A. T. NG.,
" 22/2/32."

391. Pursuant to this instruction, the seed was bought, apparently by the Chief Clerk, and forwarded to the dairy company during March of 1932. We gathered from the evidence of the Chief Clerk and from the manner in which he gave it that he desired us to understand that he knew little of this matter and that, in any event, he took no responsibility for a transaction which he regarded as thrust upon the Department.

392. On 30th March, 1932, the Department's Gisborne office telegraphed to Head Office that the bulk oats were not up to sample, but that all were now sown except half a bag. This appears to show that the first phase of the dairy-farming-cultivation campaign had neared its end. It appears, however, from a letter of 3rd April, 1932, from Kemp to the Minister, that Kemp was still engaged on the work for that season. He also reported that many of the plots were already becoming green with the sprouting seed.

In his reply of 11th April, the Minister advised Kemp that he (the Minister) was establishing a depot for grass-seed at Ruatoria for use during the ensuing spring and autumn. The quantity was to be seed for 750 acres. Fenn had estimated for only 100 acres. In his closing address to us, Mr. Finlay stated that Kemp required the balance. Ploughing was, of course, necessary before the sowing seasons, and the Minister advised Kemp in these words :—

" The best news you people can give me just now is that you have created an organization that will result in preparing 500 acres of land to be laid down in various kinds of pasture next spring and autumn."

The Minister also said—

" The time has now come for our people to realize that their methods of farming only carry the business half-way, and so far as dairying is concerned just short of what the dairy cow and the factory require."

393. A large part of the seed for this depot was supplied in April, most of the balance by August, and a little in November, 1932. The grass-seed was taken over by Supervisor Kemp and stored in the shed of the Waiapu Farmers' Co-operative Co., Ltd., at Ruatoria. No arrangements for payment for the seed were made by or with the Native Minister, and no instructions were given with regard thereto.

394. But when Audit Inspector Scott was in Ruatoria in May of 1932 he learned the position and arranged with Mr. Fenn that the cost of the seed to each supplier should be deducted from his cream cheques during the ensuing season provided that the cost of the seed was supplied by the Native Department to the dairy company by August. Registrar Harvey was present when this arrangement was made, and he gave evidence that on 25th May, 1932, he went into the matter with Mr. Pearce, at that time an Inspector of the Public Service Commissioner's Office, and Mr. Taylor, of the Treasury, and that the result of the conference was that they thought the money expended would probably be returned by 31st March, 1933. Audit Inspector Scott reported the matter to the Controller and Auditor-General along with other matters on 21st June, 1932. It was referred to the Native Department on 30th June. The Native Department referred the matter to the Gisborne office. The Native Minister ceased to be chairman of directors of the dairy company on 6th August, 1932.

395. On 22nd October, the Native Minister placed on the file the following memorandum :—

"Urgent.

"Memo. for Mr. Shepherd.

"To enable the cost of this seed to be recovered, it is necessary that costs be known this month so that deductions may be made from cream or stock cheques this financial year.

"A. T. Ng.,
"22/10/32."

On 26th October, the Under-Secretary advised the Registrar at Gisborne of the cost of the grass-seed and incidental expenses as known to Head Office. It was not until 25th November, 1932, that the Registrar at Gisborne informed the Under-Secretary that he had sent a statement to Mr. Fenn setting out the cost of the grass-seed with incidental expenses. Fenn replied on 28th November disputing the direct liability of the dairy company, and stating that part of the seed was used on development schemes and part was still in stock. He added that the Department must be paid, that no time was better than the present, and that the company should be supplied with the cost per pound or bushel of each kind of seed supplied, and so let the company make a start on the cream returns for the month of November. It was not until 16th December, that Registrar Harvey supplied the weights and prices of the various lines of seed supplied since March, 1932. This was close to the Christmas holidays, and the Gisborne file does not reveal any reply from Fenn.

396. On the contrary, Registrar Harvey's original letter to Fenn of 16th December appears on the Native Department file (Head Office) with the following minutes upon it. The first, dated 1st February, 1933, from the Native Minister (who apparently made the letter available to the Department):—

"Mr. Shepherd,—Is this costing finished yet ?"

The second, dated 15th February, 1933, by the Chief Clerk :—

"Hon. Native Minister.

"Statement of costings herewith showing comparison with Mr. Harvey's charges."

Nothing further appears to have been done until 27th February, 1933, when Fenn wrote a letter of that date to the Native Minister, as follows :—

"Would you be so good as to hurry up those who are responsible for forwarding the revised prices. I wish to get a definite price so that each person, also the development schemes, can be charged correctly."

397. It was about this time that Fenn saw the Native Minister personally in Wellington, when the Native Minister said that he could not supply the particulars as his accounting system had broken down. All that the Minister did, however, was to make this minute on Fenn's letter of 27th February :—

"Mr. Shepherd.

"In the list you had compiled Mother seed Ryegrass is shown as costing the Department 1. 6·45 p. lb. Does this mean that we have ever bought rye-grass at 26/- per bushel ? I know as a fact the highest price paid in Gisborne for seed, and mother seed was 10/6. The policy of the Dept. is to supply seed at cost. Your list would appear to show that we made bad purchases last year. I must now ask for all relative vouchers & invoices.

"A. T. Ng.,
"3/3/33."

On 13th March, 1933, the Under-Secretary sent the Minister full details of the cost and expenses of the grass-seed as known to Head Office. A copy of this was sent to the Registrar at Gisborne on 22nd March, 1933. The file does not show any further attempt at that time to settle the cost of the grass-seed.

398. It appears from a return supplied to us by the Gisborne office that the total *cost price* of the grass-seed purchased for the Ruatoria depot was, in round figures, £1,531, that the *value* of the amount issued to the development schemes was, in round figures, £513, and the *value* issued to private individuals £1,089. As at 19th June, 1934, payments in reduction amounting to £423 15s. 8d. had been made, the first payment on account, of £144, being made on 3rd March, 1933, the date of the Minister's last minute on the file. It seems strange that no payment on account was secured before this date. We find it difficult to believe that if all parties had been willing to ensure repayments from the cream cheques, substantial repayment could not have been arranged throughout the season, a safe margin being left for any subsequent adjustment.

399. We refer now to the ploughing and cultivation subsidies. In the autumn of 1933 they were increased from 10s. to 15s. per acre. It is plain to us that this subsidy was a general offer to Maori settlers in the Waiapu district and was linked in a business way with the prospect of grass-seed from the development scheme as recommended by Kemp. There is nothing in the arrangements which indicates to us that the Native Minister directed his attention to the provision of a subsidy to relieve unemployment by means of the ploughing and cultivation contracts. On the contrary, Fenn's letter of 15th February, 1932, shows that the eager suppliers at that time had already ploughed their land and that a good many suppliers were apparently not interested in obtaining a subsidy by ploughing, but were sitting back waiting for the Native Minister to provide them with everything they thought necessary. In our view, the subsidy offered cannot reasonably be described as an unemployment subsidy. It was available to Maori farmers, whether male or female, and whether well-to-do or not, of the Waiapu district. Farmers who were regarded as well-to-do, and women, who were suppliers, benefited by it.

400. Mr. Finlay, on behalf of the Native Minister, submitted to us that there was no evidence that the Maori farmers did not employ persons who could be regarded as Maori unemployed or persons in need of sustenance, though such persons might not be registered. But most of the ploughing schedules show small areas with one person as the person to be employed, and it seems likely to us that such a person was the farmer himself. However this may be, the comments that we have to make, and they are grave, are these: that the administration of the Maori Unemployment Fund in this matter was not directed to the relief of Maori unemployment as such, but to the improvement of the pastures of Maori farmers; that rich and poor alike were entitled to the subsidy; and that if any of them did employ an unemployed Maori who required sustenance, whether registered or not, there is nothing to indicate that the subsidy was granted by reason of that fact.

401. The procedure for payment of the subsidy confirms the view that it was not. The total amount of Maori unemployment subsidy paid on the ploughing contracts was £336 6s. 2d. Farmers themselves did not apply for the subsidy, but were asked to sign wages-sheets which in the aggregate reached that sum. Applications for the subsidy were completed in the name of Mr. Fenn, or in the name of Mr. Kemp, as the case might be, including reference to the unemployment coupon-books of these two gentlemen respectively. Certificates of completion were obtained from time to time, and in the middle of October, 1932, the first of these applications issued from the Minister's office for the purpose of obtaining these subsidies. The issue of these applications continued during 1933. In the result, the total sum of £336 6s. 2d. was paid to the Ngatiporou Co-operative Dairy Co., Ltd., from the Maori Unemployment Fund. The dairy company then returned this sum to the Native Department in part satisfaction of the seed supplied by the Department to the dairy company. This procedure shows that no farmer who was promised the unemployment subsidy expected to receive the cash to reimburse him or her for his ploughing and cultivation expenses, or for the wages of persons employed in such work, much less to relieve his or their needs of sustenance, as Maori unemployed. The proper inference is that these farmers regarded the subsidy as a contribution to the whole cost of the ploughing and sowing, which necessarily included the cost of the grass-seed.

402. In the foregoing circumstances, we have no hesitation in accepting the written statement of Supervisor Kemp, made to Audit Inspector Scott, on 20th November, 1933, as follows:—

> "I did not know that these subsidies were payable to the person who employs unemployed labour. I cannot state whether unemployed Maoris were employed or not . . . My instructions from the Native Minister were that Maori settlers doing ploughing work and sowing grass seed were to be paid ten shillings per acre, and in some cases fifteen shillings."

Similarly, we have no hesitation in accepting the written statement of Mr. Fenn, made to the same Audit Inspector on the same date, as follows:—

> "In regard to issue and disposal of grass-seed, I ordered sufficient to sow approximately 100 acres. We received sufficient to sow considerably over 700 acres. The seed was all forwarded by the Native Minister so far as I am aware.
>
> "The grass-seed was issued to various farmers round the district, and was issued to the best of my knowledge with the full consent of the Native Minister.
>
> "The Native Minister also understood that ploughing subsidies were being returned to the Department in part settlement of grass-seed in cases where the settlers ploughing received grass-seed. These settlers are mostly suppliers to the Ngatiporou Dairy Co., but are in the majority of cases not under any Development Schemes."

403. It is plain that the whole operation was directed by the Native Minister for the assistance of Maori farming in the Minister's own district of Waiapu, and not to the relief of Maori unemployed who required sustenance. This constituted a grave breach of his administrative duties, however advantageous in the long-run the dairy-farming-cultivation campaign might prove to be to the Native farmers in general of that particular district.

Live-stock Transactions between the Native Minister and D. D. Wilson (Para. 353, No. 28).

404. Until the passing of the Native Purposes Act in December, 1933, the Native Minister had power under section 522 (3) (*c*) to authorize the purchase of live-stock to be depastured on lands used for or in connection with development works, and to authorize the sale thereof. The words "authorize the purchase" and "authorize the sale" appear to imply a departmental procedure of purchase and sale authorized by the Minister. This was evidently the view taken by the Stores Control Board when the Chairman wrote to the Native Minister on 12th December, 1931, stating that the Stores Control Board had decided to grant exemption to the Native Department for the

purchase of live-stock only. The exemption was granted to the Department as such. Nevertheless, the Minister treated the power to "authorize" as including a power to buy and sell conferred upon himself personally, though his purchases were made on behalf of the Department. It was this power which the Minister relied upon in his stock transactions with one D. D. Wilson, of the Empire Hotel, Frankton Junction. Although an inference might be drawn from the form in which instructions to Wilson have been given (as recorded on the files) that the Minister looked on Wilson as a buying agent for him, it must be accepted on the evidence that Wilson was an independent vendor, and that he is not accountable for any profit made by him.

405. The purchases from Wilson were made between 19th August, 1931, and 18th September, 1932, and the amount paid to him was £10,072 5s. 1d. The process of bargain and sale involved in these purchases was carried out by the Minister independently of Head Office. Head Office arranged the payment. The Under-Secretary told us that he did not regard it as his business to find out the system under which the stock was purchased from Wilson.

406. The Native Minister stated that he selected Wilson because he was dissatisfied with a purchase of stock made by Supervisor Wright. The Minister said that he had known Wilson for some years, that he was a good judge of stock, knew the stock resources of the Waikato well, and was always there when stock was offered for sale. The Minister added that he could also arrange with Wilson to go over the properties for which stock would be required, or for which any stock acquired by him for resale to the Department were intended, and the Minister stated that he regarded this as distinctly advantageous. Wilson said, however, that he knew little more about the development schemes than an ordinary citizen, and, although he did write a letter of 12th March, 1932, showing an inspection of some of the lands in the Waiariki District, we have no evidence that he inspected the schemes to any effective purpose. Wilson was, in fact, a veterinary practitioner who was a fair judge of stock.

407. The terms made between the Minister and Wilson were that Wilson was to quote the Minister suitable cattle upon request. We are at a loss to know why this system was adopted. Wilson could have acted as agent for the Department. He would then have been remunerated by a buying commission, as was Mr. William Craig, farmer, of Waiuku, who bought some stock for the Department; Wilson would then have been bound to study the interests of the Department. Alternatively, a satisfactory supervisor could have been obtained to purchase stock through the recognized stock and station companies, with or without assistance from the Department of Agriculture. We think the Minister was justified in not employing the stock and station companies direct, because there was the possibility that each would prefer to sell only from its own clients when better value might, in any particular case, have been obtained elsewhere. But to enter into an arrangement whereby Wilson was to inspect the stock, buy it, and then sell it at market rates to the Department, left Wilson to make his profit out of the difference between the price at which he could buy in the market or otherwise and the market price at which he was supposed to sell. That placed Wilson in an improper position in relation to the Department, because he did not have a sufficient incentive to study the interests of the Department. Even the check which the Minister says he arranged—viz., that he instructed the Chief Clerk, Mr. Shepherd, to keep himself acquainted with stock prices in the Waikato, and also that he kept himself well informed on that matter—was no proper protection against the position in which Wilson was placed. The Chief Clerk did not consider that he had any responsibility whatever in relation to the purchases from Wilson, and the Minister's information did not avail as a check in the case we are about to discuss.

408. The gross profit made by Wilson on his sales to the Department over a period of about thirteen months—from August, 1931, to September, 1932—was £1,556 13s. 6d., or a gross profit of 15 per cent. on the total cost to the Department. The ordinary commission which would have been payable on the sale of stock through a stock and station agency would not have exceeded 5 per cent. payable not by the buyer, but by the vendor. In some of the purchases, Wilson made a very large profit indeed. We propose, however, to deal only with the case which was most discussed before us —viz., the sale of twenty-two Jersey and Shorthorn bulls for the Awanui district, North Auckland, at a price of fourteen guineas each, on which Wilson made a gross profit of £91 8s., or nearly 42 per cent.

409. In July of 1931, Supervisor Findlay reported that it was necessary to procure sixty bulls for the northern schemes. These bulls had not been included in the budget for these schemes. Findlay estimated that the cost would be £15 per head, delivered on the properties. On 10th September, 1931, Findlay advised Head Office that ninety bulls were required for the northern schemes, and he stated the units and the areas to which these bulls were to be delivered. On 18th September the Native Minister approved the purchase of these bulls and directed an inquiry as to where it was proposed to procure them. On 22nd September Findlay telegraphed that the tendency of the market showed that bulls could now be purchased at a lower cost, that he proposed to buy in the North Auckland district, but, if they were not available there, he would apply to the Department to purchase south of Auckland. On 24th September the Native Minister minuted this telegram, "Seen —should try to purchase at lower landed cost." The supervisor was forthwith advised of this minute.

410. Supervisor Findlay made inquiries during the next two weeks or more, but found that he could not buy suitable bulls in the far North. Some days after he had ascertained this, he went to Auckland, about 15th October, 1931, and telephoned the manager of the Farmers' Auctioneering Co., Ltd., at Hamilton, and asked how pedigree Jersey bulls, with a guaranteed butterfat backing of round about 400 lb., were selling at that time. He was informed by the manager, Mr. Middleton, that bulls of this class could be bought at ten guineas if he came down quickly and looked round. Findlay then, about 15th October, telephoned the Chief Clerk, Mr. Shepherd, at Wellington, explained

that bulls could be bought in the Waikato, and asked for permission to go down and buy them and ship them from Auckland to Awanui. It is not certain, for Finlay contradicted himself on the point, that he told the Chief Clerk that the bulls could be bought at ten guineas, or even that they could be bought cheaply. The Chief Clerk's answer was that he would have to refer the matter to the Native Minister, and that if a telegram did not arrive for Findlay that day he was to return to Whangarei from Auckland. No telegram was sent, and Findlay went back.

411. Mr. Shepherd saw the Minister, and then made the following note of the whole incident:—

> "Findlay, Bulls. Findlay rang suggesting buy in Waikato and shipping from Auck. to Awanui. On submitting to Minister he askd. Would it not be possible to buy bulls for Awanui Dist. at or near Whangarei and ship from there to Awanui by N.S.S. Co's ships. Or why can't they be got in Kaitaia Dist.
>
> "Ask Mr. Earle to get in touch with Findlay & clear this point. Ask definite number of bulls to be bought for Awanui end of district."

These proposals were to buy in the north, but the last sentence indicates a possible purchase elsewhere. This note is not dated, but we fix it at 15th October from a note on the back, of that date, showing that Mr. Shepherd had seen a clerk's note, also on the back, that the necessary message *re* bulls had been sent to Mr. Findlay. The terms of this note indicate that a telephone message had been sent. It would not have been surprising if the incident, including a reference to Findlay's telephone conversation with Shepherd, had been confirmed by letter, and there is a note on the file from which it may be inferred that such a letter was sent, but could not be traced. No such letter appears on the records at Auckland or Whangarei, and Mr. Findlay states that he has no recollection of any such letter having been received.

412. But Findlay's next telegram of 19th October, 1931, contains internal evidence that he was commenting on a proposal at least not recorded by Shepherd after his conversation with the Minister. Findlay's telegram of 19th October, is as follows:—

> "No suitable bulls Kaikohe district (stop) No direct shipping service Whangarei Awanui to ship bulls (stop) Purchase of necessary bulls as suggested will relieve position buying Whangarei district as quality bulls getting scarce (stop) Bulls required Awanui 9 Jersey seven Shorthorn Whangaroa four Jersey one Shorthorn Mangonui one Jersey.
>
> "FINDLAY."

The "purchase of necessary bulls as suggested" may mean that the suggestion came by either the telephone message of 15th October or the missing letter (if one was sent). However, we have found no record to show that the suggestion included buying at as cheap a price as Findlay thought he could buy at in the Waikato, but the suggestion does appear to refer to buying in the Waikato district, because the suggested purchase would relieve the buying position in the Whangarei district and there were no suitable bulls in the Kaikohe district.

413. We think that the Native Minister had Wilson's quotations by this time, 19th October. Wilson said in an affidavit that, although he had no record of the quotation to the Native Minister, his recollection was that he quoted the animals in question to the Department about two weeks before the purchase was made by the Department. His reference to "the Department" means "the Native Minister."

414. Findlay's telegram of the 19th was left with the Native Minister on the 20th, and was minuted by him on that day as follows:—

> "The U.S., Native.
>
> "MR. Wilson, of Frankton, has been asked to purchase these in Waikato and to keep in touch with the Registrar at Auckland as to forwarding."

Wilson made it clear in answer to Mr. G. P. Findlay that he (Wilson) gave quotations to the Native Minister, and the Native Minister accepted them. We think, then, that the Native Minister had, in fact, on the 20th accepted quotations at £14 14s.

415. On 21st and 22nd October, Wilson bought the twenty-two bulls required (only four being bought on 22nd October, and paid ten guineas per head, save in five cases where he paid £12 1s. 6d. This was good business for Wilson and bad business for the Department. Again they were sold on rail at Frankton, and the Government paid the railage and shipping charges to Awanui in the far North. We are satisfied that Wilson's expenses were small, even though he accompanied the bulls to Auckland and saw them on to the scow. If he had received 10s. a head, his expenses would have been more than covered. As he was a vendor, not an agent, he was entitled to keep his profit.

416. Supervisor Findlay was very disappointed with the result, and on 16th February, 1932, wrote to the Under-Secretary a letter from which the following is an extract:—

> "While on this subject I might say that I was very disappointed at having to 'O.K.' an account for these bulls at fourteen guineas each. While in Auckland at the time, I was given an assurance by Mr. Middleton, manager of the Farmers' Auctioneering Co., Hamilton, that pedigree bulls, with a guaranteed backing of not less than 400 lb. of butterfat could be purchased in that district at a price of not more than ten guineas each.
>
> "Owing to the price of the bulls being so much more than was expected, I was unable to fulfil the promise made to the Natives in the Mangonui district that their bulls would be landed on their properties at a cost of not more than fifteen guineas each."

It appears also that the bulls, while satisfactory as regards type, have not been shown to be, as a lot, pedigree bulls. We accept Supervisor Findlay's evidence that only six were pedigree, and that it has not been possible to trace the pedigree of the others because the bulls have never been identified

and the breeder has never been ascertained. Wilson was written to twice, first by the Registrar and then by Findlay, and asked for these pedigrees, but they have not been forthcoming.

417. The Native Minister informed us that, although Wilson bought at ten guineas or thereabouts and sold to the Department at fourteen guineas, he did not know of this until Audit drew attention to the matter. The Minister said that this was a breach of the spirit of the agreement he had made with Wilson, who was to get market price and no more. The Minister's view of the whole situation is thus expressed by him:—

> "While most of the purchases from Wilson were advantageous to the Department both in respect of quality and price as the entire absence of complaint except as to the particular lines referred to by Audit conclusively indicates, nevertheless I feel constrained to agree in the light of later knowledge that it was unwise to purchase stock from him under the arrangement upon which he worked.
>
> "From what I have since learned it seems clear that Wilson was afforded in respect of stud stock an opportunity to inflate his prices which he did not fail to seize.
>
> "Situated as I was however, when I was dealing with Wilson the arrangement seemed to me to be distinctly advantageous in that it offered the best opportunity of acquiring well chosen stock at market rates."

418. We may add that the Native Minister states that he was dissatisfied with Wilson's purchase of heifers on 18th September, 1932, and decided in September, 1932, to cease dealing with Wilson, before the Audit complaint was reported to the Prime Minister and the Minister of Finance. Wilson told us that when the Minister ceased to deal with him, he made no inquiry as to why this valuable connection suddenly ceased.

419. *General.*—Whatever may have been actually said or not said by Findlay when he telephoned from Auckland on or about 15th October, 1931, about his ability to buy suitable bulls at that time cheaply in the Waikato, or even (if he named the price) at ten guineas, the Minister knew from Findlay's telegram of 22nd September that the tendency of the market showed that bulls could be purchased at a lesser cost than the cost, estimated in the previous July, which would have permitted the bulls to be purchased and delivered on the properties at a cost of £15 per head. The Minister had also approved of a purchase at a lower landed cost. Notwithstanding these things, the Minister failed to make a bargain in October when bulls could be bought as low as ten guineas or thereabouts, which permitted even the first estimate of July to be realized. The system of check whereby he and Mr. Shepherd were to keep in touch with prices was shown to be ineffective, and apparently inoperative, when most needed. Finally, most of the animals purchased, though true to type, have not yet been shown to be pedigree animals of the kind required.

420. The use of Wilson as a vendor to choose and sell considerable quantities of live-stock to the Native Department upon the terms arranged with him was, in itself, a grave administrative error. The particular case we have dealt with shows this; it shows also that, in spite of the warning contained in Findlay's telegram of 22nd September, the Minister, who was dealing with the matter himself, did not take ordinary precautions to check Wilson's prices, although, having appointed Wilson, he undertook the duty of doing so.

Purchase from George McDowell of Sections 5 and 6, Block X, Rotoiti Survey District—367 Acres comprised in Two O.R.P. Licenses (Para. 355 No. 29).

421. On 26th February, 1932, Mr. H. Tai Mitchell wrote to the Native Minister as follows:—

> "After a great deal of quiet penetration and so forth, the McDowell property near Tikitere consisting of 367 acres can be secured at £4 per acre."

The Minister thought that the price was reasonable, but nothing was done at the time, as it was proposed that the purchase-money should be found by the Arawa Trust Board from a loan to be made to that Board by the Native Trustee, and the Native Trustee was unable to make the advance.

422. In September, 1932, the matter arose again. On 20th September, the Under-Secretary wrote to the Registrar at Rotorua stating that he understood that McDowell had abandoned the property and that he would probably be prepared to accept a much lower figure. On 26th September Mr. Mitchell, with the Minister's authority, made an offer on behalf of His Majesty the King to the manager of the Rotorua-Taupo Land Association to buy the property at £3 12s. 6d. per acre. This offer was expressed to be "conditional on the formal approval of the purchase being given by Cabinet." On 7th October this offer was accepted by the Rotorua-Taupo Land Association, per Arthur J. Iles on behalf of the vendors, adjustments to take place on 21st October and payment not to extend beyond the second week in November.

423. On 10th October, 1932, Cabinet approved the purchase on a memorandum of the same date signed by the Under-Secretary, which contained the following paragraph:—

> "The land has been inspected by Mr. W. J. Scott who states that it is essential that the property be included in the scheme and recommends its purchase at the price now offered, viz., £3 12s. 6d. (£1,330 7s. 6d.)."

This statement was contrary to fact. Mr. W. J. Scott was the supervisor at Rotorua, and he neither valued nor reported on the land nor made any such recommendation. We are satisfied that he had nothing to do with the purchase. No one has been able to explain to us how the statement quoted from the memorandum to Cabinet came to be made therein.

424. The fact is that no report or valuation of the property was obtained by the Native Minister or by Mr. H. Tai Mitchell before they made the purchase. The Under-Secretary did not obtain a copy of the existing Government valuation until it was forwarded by the Auckland

Registrar on 28th October, but both the Native Minister and Mr. Mitchell say that they knew what the Government valuation was. That valuation showed that at 31st March, 1928, the lessee's interest in the whole property was £725, £675 thereof being in respect of improvements. The evidence shows that the improvements deteriorated between 1928 and 1932, and there was, of course, a general fall in the value of the land. Neither the Minister nor Mr. Mitchell took any steps to ascertain the reason why the Government valuation of 1928 was so much lower than the purchase price they were paying.

425. On 21st November, 1932, the Waiariki District Maori Land Board paid the purchase price, on behalf of the Native Department, to the vendor's solicitors, subject to an undertaking by the solicitors to obtain the consent of the Auckland Land Board and to hold intact and refund the purchase-money if that consent were not granted. A party of Natives from the Waikato, under Te Puea Herangi, was then brought on to the land, and they proceeded to develop it.

426. On 30th November, 1932, the Auckland Land Board declined to recommend the approval of the transfer from McDowell to His Majesty the King on the ground that it would be against the public interest to approve a purchase by the Crown at the price fixed. In August, 1931, the Auckland Land Board had approved a transfer of the licensee's interest to a Mr. Arthur de Luen, of Rotorua, tailor, at £1,685, but that transaction was never completed, the reason being, according to the Commissioner of Crown Lands at Auckland, that the wife of the proposed purchaser prevented her husband from completing. In that month (August, 1931), the Auckland Land Board had a valuation from one of its field inspectors valuing the improvements at only £567 10s. The Auckland Land Board apparently did not object to a transfer to de Luen for the reason that it was a transfer not to the Crown, but to a private individual; but we have not gathered that that proposed transfer ought to be taken as a reliable test of value. The Land Board also had before it on 20th November, 1932, a valuation by one of its field inspectors made since the agreement for sale and purchase in October, 1932, which showed the value of the improvements at only £385. On the face of this evidence the Auckland Land Board was fully justified in refusing to recommend the transfer to the Crown.

427. The Department asked for a return of the purchase-money, but the vendor's solicitors said that as Cabinet had approved of the purchase they could not agree in these circumstances to accept the refusal of one Department to allow another Department to purchase. The Native Department appears to have acquiesced without protest, and it proceeded with the development of the property. By August, 1933, it had spent £1,027 on improvements, and the Lands Department within a few months thereafter considered that it had no option but to recommend the approval of the transfer lest a greater loss should then befall the Native Department.

428. We may add that Supervisor Scott stated at Rotorua that he thought the price was high, but not extravagantly high; he thought that £1,000 would be a fair price. This, however, does not affect the real criticism of the transaction. The transaction illustrates the lack of any proper system of check in buying land, the lack of co-operation between the Native Department and the Valuation Department, and the little worth of a recommendation from the Under-Secretary commending a transaction of which his office knew nothing in the ordinary course of administration. The Native Minister was responsible for this method of land purchase.

Stores Control Board Regulations (Para. 356, No. 30).

429. By Treasury Regulation 109 the Stores Control Board is vested with the function of co-ordinating and supervising the purchase, use, and inter-departmental transfer of stores. By the same regulation the instructions of the Board on such matters must be strictly complied with. It was thus the duty of the Native Department to make its purchases through the Stores Control Board unless it was itself a purchasing Department. On 15th July, 1931, the Under-Secretary recommended to the Native Minister that the Native Department be made a purchasing Department under the Stores Control Board, and Cabinet authorized the following minute:—

> "Native Department to be a purchasing Department. Refer to Economy Committee."

Apparently no action was taken with or by the Economy Committee. On 3rd August, 1931, the Native Minister addressed a memorandum to the Chairman of the Stores Control Board, of which the following is a copy of his concluding remarks:—

> "I understand that recently your Board decided that in regard to the purchase of seed fertilizers and stock the Department of Agriculture is to have control. While I am prepared to consult that Department when necessary in regard to seed qualities and mixtures and proper fertilizers to use I would prefer to use my own organization for the purchase of its requirements. There are quite enough formalities to go through now, enough expert views to co-ordinate and enough delays without introducing another layer of them, especially one organized on European lines with European standards in view.
>
> "It would be better to grant the Department exemption in regard to the four lines of seed, fertilizer, stock and fencing-material."

The reply of the Chairman of the Stores Control Board on 12th December is as follows:—

> ". . . the Board has decided to grant exemption to the Native Department under Regulation 16 (*f*) for the purchase of live-stock only, subject to the provision that wherever practicable the officers of your Department co-operate with the Department of Agriculture when purchases are being arranged.
>
> "It is regretted that your request for exemption for the purchase of seeds, manures and fencing-materials cannot be acceded to."

430. The Native Department, however, continued to break the Stores Control Board Regulations. The following is a summary of purchases made by the Native Department for the year ending 31st December, 1932, showing the amount of unauthorized purchases at over £58,000 :—

	£	s.	d.	£	s.	d.
Total purchases				129,637	7	4
Less purchases authorized by the Board ..	28,747	5	3			
Purchases from other Departments ..	1,639	16	3			
Purchases of live-stock	40,667	9	0			
Purchases under Regulation 17	123	5	0			
				71,177	15	6
Total value of direct purchases by Department ..				£58,459	11	10

431. There is no doubt that in certain lines, such as grass-seed, the Native Department bought much more cheaply than the Stores Control Board could have done under its contracts. There is no doubt also that the grass-seed was, in general, satisfactory. But the officers of the Native Department were under a duty, pursuant to Regulation 16 (*c*) of the Stores Control Board Regulations, 1925, to co-operate with the Stores Control Board and to give that Board the benefit of their information. They failed to do this without any reasonable justification.

On 9th May, 1933, representatives of the Native Department and the Audit Department (including the Native Minister and the Controller and Auditor-General) met the Stores Control Board, and it was decided that the Native Department should co-operate with the Board.

Motor-trucks at Rotorua (Para. 359, No. 33).

432. The Controller and Auditor-General's complaints relate mainly to the motor-vehicles used in the Rotorua District, though he has also made a complaint which we have already noted in respect of the motor-vehicles used on the development scheme at Onewhero under Te Puea (para. 371, No. 64). We propose to deal specially only with the vehicles at Rotorua.

433. When the development schemes were begun at Rotorua, a strong communal spirit was shown. The scheme workers received low wages. Married men did not want, and were not officially paid, more than the single men. It is clear from this that there must have been some pooling arrangement to enable food and other necessaries to be distributed sufficiently among the various families. It would be natural that this spirit should spread to the use of property, and, particularly, we think, to the use of the motor-vehicles connected with the schemes. Again, although the actual control of the vehicles was placed under the Registrar, he had poor facilities for exercising control. The various vehicles were scattered over a wide area. This led to the actual control of a vehicle attached to a particular scheme being vested in either the Supervisor or the foreman of that scheme. Some of these officers could not have realized their responsibility for control. No deception was shown, so far as we have seen, with regard to the use of the vehicles. All the records were openly kept.

434. There were fourteen motor-cars and trucks on charge at the Rotorua District Office at 31st March, 1933. We now refer to the evidence concerning the use of some of them :—

(1) *Ford Truck (30 Cwt.), Registered No. Govt. 665.*—This truck was employed on the development schemes generally. For the year ending 31st March, 1933, 19,549 miles were recorded. Of these, 2,774 miles were run on private business. This mileage included running for the Returned Soldiers' New Year Carnival and for the Arawa Trust Board Carnival, and also for the private use of officers of the Native Department at Rotorua.

(2) *Ford Truck (10 Cwt.), "Runabout," Registered No. Govt. 669.*—This truck was used on the Rongomaipapa Scheme for the people from Wairoa. This was the first development scheme. Of the 14,558 miles recorded for this truck, approximately one-half was run on the private business or affairs of the scheme workers. Many of the trips run were into Rotorua at night to take the people to picture-theatres and dances.

(3) *Ford Truck (10 Cwt.), "Runabout," Registered No. Govt. 670.*—This truck was employed on the Ngatituara Scheme, commenced almost immediately after the original scheme at Rongomaipapa. About one-third of the year's running was for private purposes.

(4) *Ford Truck (30 Cwt.), Registered No. Govt. 666.*—This truck was employed on the Waipapa Bush (post-supply) work. Of the 17,024 miles recorded as run by this truck, approximately one-fifth was run for private purposes. The evidence shows that 1,189 miles were run "joy-riding." One excuse was that a plough was being transferred from Rotorua to Waiuku and back again. At least 581 miles were run to enable Te Puea's adherents to attend the Ngaruawahia Regatta on St. Patrick's Day, 1933.

(5) *Ford Truck, "Runabout," Registered No. Govt. 671.*—This truck was employed on the Peka Development Scheme. Of the 14,144 miles run by this truck, 60 per cent. was on the private or personal business of the Natives.

(6) *Ford Truck,—"Runabout," Registered No. Govt. 673.*—This truck was employed on the Tikitere Scheme at Mourea. It took the children of settlers to school. This seems to us a justifiable expense, as the prospective settlers could scarcely meet the expense of sending their children to school. Probably, however, the question of transport should have been arranged with the Education Department. Nevertheless, the evidence discloses that not less than two-thirds of the 18,754 miles

run by this truck were chargeable to private uses, including holiday trips and jaunts. One, Clarke, took this truck to Tikitiki on a holiday trip from 22nd December to 31st December, 1932.

435. The following conclusions can be drawn from the evidence :—

(i) That out of 143,373 miles run by nine trucks, not less than 28,000 miles were run on business of a private or personal nature.

(ii) That 6,044 miles should now be charged to private individuals, who can be identified.

(iii) That the oiling and greasing of motor-vehicles was neglected by the Maori drivers, and that this caused heavy repair bills.

436. It must also be noted that, notwithstanding the fleet of motor-vehicles that was available in 1932–1933, when the work of development was largely done and the stage of production had been reached, the amounts paid to private cartage contractors for the year ending 31st March, 1933, amounted in the aggregate to not less than £1,120 5s. 1d.

437. There can be no doubt that there was great extravagance in the use of motor-vehicles at Rotorua. The freedom of this use may have added to the attractiveness of the schemes in the early stages, but we think that Head Office should have devised a policy long before 1933, and that the Rotorua office should have been directed and helped to carry it out. The wrong use of these vehicles only added to the overhead cost of development. Steps have now been taken in conjunction with the Public Works Department to control the use of these vehicles in a proper manner.

Tihiotonga Truck (Para. 365, No. 56).

438. The truck known as the "Tihiotonga" truck was purchased by the Waiariki District Maori Land Board out of its own funds. It was primarily purchased for use in connection with the Tihiotonga Farm (a farm which the Board holds in trust for the Ngati-Whakaue subtribe of the Arawa tribe.) The complaint made by the Controller and Auditor-General is against the use of the truck for private purposes.

439. In defending the use of the truck for private purposes, the Registrar, Mr. Anaru, replying on 28th November, 1933, to the Audit complaint, said—

> "I am of the opinion that Judge Holland, in whose term of office the purchase of this vehicle was effected, held that the truck could be used by responsible officers of the Board without payment when it was not required for official use. On this assumption no charge has been made to any officer."

Mr. Tai Mitchell, when replying similarly to Audit's complaint, claimed that he had the authority of Mr. Anaru, as Registrar, and not of Judge Holland, who was unapproachable.

440. The principal claims made by Audit are against Messrs. Anaru and Mitchell. The charge against the Registrar for private services, at 1s. per mile, is £28 9s. 6d., with a suspense account of £24, representing items chargeable to him unless he can show that they are chargeable to someone else. The charge against Mr. H. Tai Mitchell for private trips between Rotorua and Maketu from June, 1931, to May, 1933, charged at 1s. per mile, is £96 11s. When the charge was raised, Mr. Mitchell did not, in effect, deny liability, but claimed that he had special rights to the use of the truck as supervisor of the Maketu Scheme, as Chairman of the Arawa Trust Board, as a beneficiary in the Tihiotonga Estate, and as a leader of the Arawa Tribes. The charges, however, relate not to his use of the truck for official services, but to his use of the truck for private services. His reply amounts to a claim of the privileged use of the truck by virtue of his various positions. He raised also the question of *contra* services for which he had made no charge. These included the use of his own truck without charge on a certain job. In the result, an adjustment has been reached, and the charge against Mr. Mitchell for private services of the truck has been reduced to £45.

We may add that the man Clarke, to whom we referred above, used this truck for one of his trips to Tikitiki. He is charged on this account £46 5s.

441. The total charges for the private use of the truck, after giving credit for the concession to Mr. Mitchell, amount to £221 9s. The atmosphere which existed among the Natives at Rotorua during the early years of the development scheme was favourable to the private use of public property. Such a system cannot, however, last with justice, for the reason, *inter alia*, that those in control have to limit the use of the property, and they naturally do it in favour of those with whom they are specially associated. The running of this truck should be properly regulated by the Board.

Re Henry J. Dewes (Para. 361, No. 40).

442. It appears from the evidence before us that this man became the foreman of the Toetoe Station, part of the Marangairoa No. 1B 4 Block, in 1931. It is reasonably clear that he took up his duties about April of that year. The position has not been clearly explained, but it seems that before the land was gazetted as part of the Waiapu-Matakaoa Development Scheme on 16th June, 1931, the committee of management had allocated the Toetoe area to Dewes as a nominated unit under a system which was the precursor of the system followed under the development schemes. The land was then in bush. Dewes appears to have been appointed as a foreman for the development work by Sir Apirana Ngata and by C. Goldsmith, who was in local charge of the development scheme. The terms of his engagement were vague, but we think they included the promise of remuneration. The Gisborne office had no record concerning him until 19th October, 1933, when Dewes' time-sheet was submitted for payment, certified by Goldsmith. So far as we can gather from the evidence and from our own inquiries, Dewes did do the work of a foreman on the scheme lands, and did it very well. Our own inquiries show that he has regarded the land as land to be leased to him, and that he has denied himself in order to build a house on the land. There are, we understand, five co-lessees, but Dewes

understands that he is to be the only lessee. The Registrar at Gisborne thinks that Dewes ought to be protected. The case is illustrative of the need of reorganization to deal with these matters.

443. The particular point of the Controller and Auditor-General's complaint is that Dewes was paid a back-dated rise in wages.

444. On 4th June, 1933, at Tikitiki, Goldsmith asked Dewes to sign a single voucher for £210, expressed to be for Dewes' wages. Goldsmith told Dewes that the voucher was required to pay his store account with the Waiapu Farmers' Co-operative Co., Ltd. Dewes signed the voucher without asking questions. He had not asked for such a payment, and he never saw or handled the money. It was used, so far as he knew, in paying his store account and other wages on the station, but he could not say definitely what was done with it.

This special payment came before the Under-Secretary on 24th March, 1933. The Under-Secretary informed the Minister that Goldsmith had made this payment, as the Under-Secretary was given to understand, on the Minister's instructions, and he asked for the Minister's formal approval of the appointment of Dewes as foreman. On the same day, the Minister made the following minute:—

> "H. J. Dewes to be foreman on the Toetoe-Kaiwaru Section of Waiapu-Matakaoa Scheme as from 1st April, 1931."

The Minister did not specify the amount of the payment or the rate per annum which, at £120 yearly, differed from £2 per week, which Dewes appears to have thought he would get.

445. In August, 1933, the Controller and Auditor-General complained to the Treasury of this appointment by minute made subsequently to the payment of wages. He added that as the method adopted precluded the possibility of any Audit check, the Audit Office could accept no responsibility in the matter.

446. On the evidence, Dewes appears to have been orally appointed as a foreman during the first half of 1931, and he fully earned remuneration as foreman while the land was being developed as scheme land, even though he later expected to occupy it as a unit. We are not clear, however, that he did actually commence his duties as from 1st April, 1931. In any event, he could not have been a foreman under the development scheme until it was gazetted in June, 1931. Although Dewes received no cash and everything he earned went to the Waiapu Farmers' Co-operative Co., Ltd., the position is complicated by the fact that during his period as foreman he was engaged on an unemployment fencing contract on the scheme lands. This contract was authorized by the Native Minister in February, 1932. The Minister later received the certificate of completion. The Minister states that he did not know that Dewes had been employed on such a contract until after the making of the Audit complaint last year, but the Minister admits that he should have known it. This is another case of the misuse of Maori unemployment-moneys.

447. We think that the vague arrangements with Dewes and the lack of record which render the misuse of funds so easily possible and prevent the application of any reasonable check are deserving of severe censure. They are unfair to the State, to Dewes, and also to such other persons as think they still have interests in the block. Such methods ought not to be used where men are expected to act on the faith of them, and they ought to be impossible in a Government Department whose accounts are to be submitted to Audit.

Tupara Kingi (Para. 378, No. 75).

448. The Controller and Auditor-General complains that a sum of £112 1s. was overpaid to Tupara Kingi, or, alternatively, that the records are so confused that it is impossible to say what the position is.

449. On 27th January, 1930, Tupara Kingi was appointed foreman of the Rongomaipapa Development Scheme at Horohoro, near Rotorua. This was the scheme established for the contingent of settlers from Wairoa. Kingi was engaged at a wage of 9s. per day, and did not wish to have a higher wage than the other men. On 1st January, 1931, Kingi and his gang appear to have entered into an oral contract with the Native Department to scrub-cut, plough, disc, and harrow 180 acres on the lands of the Rongomaipapa Scheme, at £2 per acre, a total of £360. Assuming the oral contract to have been made, it was compieted on 31st March, 1931, a period of three months. It appears that during this period the gang were engaged on other work—viz., fencing, cartage work, sowing grass-seed, levelling, repairs to vehicles, harvesting, hoeing potatoes, mowing and grubbing, and weeding. For this work they were paid 9s. per day, but they were also paid 9s. per day in the form of wages on account of their contract work. When the contract was completed, a voucher was prepared which showed that the total amount due to them was £360 on the contract and £195 6s. for wages-days, a total of £555 6s. As against this, credit was given for moneys received, £443 5s. The difference, £112 1s., was paid to Kingi on 16th April, 1931, and distributed, he states, among himself and his men.

450. We must accept the view that there was an oral contract, but the credit of £443 5s. required to be allocated to the contract and to wages-days. It is clear that the contract would be satisfied by the payments made. The contract being accepted, the difficulty has been to determine whether the wages-days have been properly calculated. Neither the Registrar at Rotorua, Mr. Anaru, who certified the voucher to be correct according to the best of his knowledge and belief, nor the clerk, Mr. Cunningham, who prepared the voucher, can explain how the amount of £112 1s. was reached. The wages pay-sheets themselves do not justify the amount and would show that there has been an overpayment. The pay-sheets were made up from time-sheets, and it is said that these time-sheets have been lost. Mr. Anaru suggested that they might have been placed in a shed with old papers and then burnt to make room for more storage. Other time-sheets, however, have not been so discarded. In the absence of these time-sheets, certain rough time-sheets were produced by Kingi. These do not justify the payment. Again, certain rough summaries prepared from Kingi's time-sheets were found by the Audit Inspector

in the office of the Registrar. When asked to explain these, the Registrar said he did not know where they had come from. He said they might have come from the Audit Department or from his Head Office. These rough summaries exceed the rough time-sheets, but a reconciliation is not possible from them, though, if the contract be admitted, they would seem to show an overpayment of wages.

451. The position is so uncertain that we cannot express any view on the matter except the following:—

(1) It seems strange that when the men were paid continuously at 9s. per day whether they were on their "contract" or day-wages, they should have been given this contract under which they could, in effect, make a profit of £112 1s., and so add to the overhead costs charged on the land; and

(2) That this case is a striking example of the inability shown by the Rotorua office to manage its accounts.

Tupara Kingi—Increased Payment (Para. 362, No. 42).

452. Tupara Kingi, who is referred to in the previous paragraphs, was the foreman of the Wairoa men on the Rongomaipapa Section of the Horohoro Scheme at a wage of 9s. per day. The Native Minister informed us that when the Wairoa Scheme was started Kingi did not desire any differentiation to be made in the matter of pay between himself and the other men from Wairoa. The Minister stated, however, that there was an understanding about his position as foreman. It was, in effect, to see how he would get on and at a later stage to increase his remuneration. It is not clear whether Kingi was a party to this understanding or not.

453. About the time Your Excellency visited the Horohoro Development Schemes, in December of 1931, the Native Minister decided to recognize Tupara Kingi's services, which had apparently been satisfactory. The Native Minister informed us that the Horohoro community required assistance to enable them to provide fitting entertainment for Your Excellency's visit and that this brought matters to a head and led to an increase in Tupara Kingi's wages. On 7th December, 1931, the Native Minister sent the following memorandum to the Under-Secretary:—

"*Horohoro Development Scheme.—Ngati-Kahungungu Section.*

"The development work on this section of the Horohoro Scheme has now reached that stage at which a reliable comparison can be made with the work on the Ngati-Tuara Section. Mr. Ruihi Pururu is foreman of the latter at a wage of £250 per annum (reduced to £225 since 1st April, 1931) while the foreman on the former (Mr. Tupara Kingi) has been paid at the rate of 9s. per day only since the commencement of the scheme.

"Mr. Tupara Kingi should have his wages increased by 3s. 4d. per day to 12s. 4d. per day from the date on which he commenced work on the scheme. Please instruct the Registrar accordingly."

454. Writing, however, to Mr. Tai Mitchell on the following day, 8th December, 1931, the Minister said, according to what appears to be a literal translation given us by Mr. Tai Mitchell,—

"I have a statement to pay Tiweka nearly £100 for Tupara. £1 a week—£25 of that should be devoted towards visitors' expenses at Horohoro and Utuhina."

"Tiweka" was Mr. Tiweka Anaru, the Registrar at Rotorua. "Utuhina" refers to Mr. Mitchell's residence, which was the unofficial headquarters of the development schemes in Rotorua.

455. In a statement made by Tupara Kingi, when inquiries were being made about this matter, he said:—

"I was paid the amount of my rise in pay on the 21st December, 1931, at the office at Rotorua. Mr. Watson paid me the money. I was paid a cheque for £70 19s. and another cheque for £25 to make up the £95 19s. was kept by Mr. Watson. I was told that the £25 was the amount I had to pay for the cost of entertaining the Governor-General. I was not given a statement showing how the sum of £25 was made up. I understood that the cost I had to meet was for food &c. used at the entertainment. I am not aware that I paid expenses for Mr. Tai Mitchell out of the £25 I provided. There were stores supplied by Ruhi Pururu, of Horohoro for the Governor's entertainment and I understood my money was to pay for those stores. I did not pay out any of the £25 and do not know to who the money was paid. I just left the cheque at the office with Mr. Watson and obtained a blue receipt. The other cheque for £70 19s. I kept myself and cashed at the Bank. I banked most of that money in my own account at the Bank of Australasia at Rotorua. I did not use any of that money for paying for any entertainment."

456. It may well be that the Native Minister had in mind an increase in the pay of Tupara Kingi. But, of the particular sum of £95 19s. then proposed to be paid to him, Tupara in substance only received £70 19s. as wages, and it was never intended that he should have control of the balance of £25 as his wages. In substance that £25 was a payment of entertainment expenses out of State funds, though in form it was a payment of wages to Tupara Kingi. It does not follow, however, that the State necessarily lost money. If the Governor-General had not visited Rotorua, Tupara Kingi might have received at some time £95 19s. in full as wages.

457. The action taken is the more remarkable in that on the 9th December, 1931, the Maori Purposes Fund Control Board (at which the Native Minister, the Chief Judge, and Mr. Tuiti Makitanara, M.P., were present) passed the following resolution:—

"That all expenses incurred by Maori Tribes throughout New Zealand in connection with public Maori receptions to His Excellency the Governor-General at Maori settlements be paid by the Board."

458. The case affords another example of the methods which the Native Minister used in making a gratuitous payment described as increased wages subsequently to the performance of paid work in respect of which the increase was granted. It may be that the Minister found it difficult to make the payment having regard to the communal spirit which existed when the schemes were started, and he thought that he might make it later when a foreman might begin to feel that he was entitled to extra payment. Tupara Kingi did not, however, ask for such a payment. On this point, the Minister's attitude is that Kingi would not ask for but would only silently expect such a payment. We can only say that, whatever justification there may have been in the circumstances of the early development schemes at Horohoro for granting a foreman an increase in this way, the method used made any reliable Audit check impossible. That conclusion involves the condemnation of the method.

Wages-sheets signed in Blank (Para. 362, No. 47).

459. This complaint affects particularly the system adopted by the Arawa Trust Board as the agent of the Native Department in Rotorua when handling unemployment contracts for the Department.

460. Owing to a shortage of staff in the Rotorua office, the Arawa Trust Board was given control of a number of unemployment contracts. This Trust Board, as we were informed by Mr. Watson, the Accountant to the Waiariki District Maori Land Board, arranged for stores for the workmen in advance of payments on the job. The need for these arrangements about stores induced the Arawa Trust Board to obtain from the workmen wages-sheets signed in blank. Mr. H. Tai Mitchell, who was in charge of the unemployment work, admitted that it was a grossly irregular practice. Moreover, as will appear from the section of our Report dealing with storekeepers, paras. 906 to 909 (inclusive), the arrangements do not appear to have been effective to secure payment of the storekeepers. But the Arawa Trust Board had in its possession not only wages-sheets signed in blank but also pay-sheets filled in and signed. These pay-sheets were used as requisitions on the Native Department for moneys on the unemployment contracts. When the money came, it was disbursed by the Arawa Trust Board.

461. The evidence of Audit Inspector Marbrook shows that in the various cases examined by him the vouchers in respect of the actual disbursement of the wages-money differed in rate from that set out in the pay-sheets by which the money was claimed. It may be that the adjustments were generally acceptable to the workmen. According to Mr. Watson, the officers of the Arawa Trust Board called before them all the workers on a contract and asked if each one were satisfied with a certain amount, and explained the position as regards stores and then made the payment.

462. On the other hand, some complaint was made before us. Of three Natives who spoke of these matters, the only one who could give evidence of his own knowledge and who stayed on the job to completion was Mārino Witariana. He was first a labourer and then a foreman on a clearing job at Kapenga. Kapenga No. 1 and Kapenga No. 2 were both actually commenced in 1933, and the witness was therefore speaking of a contract in that year. He did not allege that dishonesty was a reason for retaining some of the pay, but he has established on the evidence, to our satisfaction, that his gang were made to pay for stores supplied to another gang who did not pay their storekeeper. We recommend that this matter should be investigated by the Native Department so that justice may be done to Witariana and his gang.

Fencing at Maketu (Para. 367, No. 58).

463. The Controller and Auditor-General complained that fencing to the value of £696 2s. 3d. had been carried out at Maketu on lands outside the Maketu Farm Development Scheme. He based this complaint on an admission by Mr. Mitchell in a report to the Under-Secretary of 29th January, 1934, in which Mr. Mitchell said:—

> "I beg to attach two schedules marked 'A' and 'B' with tracings. They refer to fencing costs on sections at Maketu outside the scheme."

The value of the fencing referred to in the schedules was expressed to be £696 2s. 3d. It appeared, when we were at Rotorua, that Mr. Mitchell had overlooked the *New Zealand Gazette* No. 45, of 4th June, 1931, which showed that sections against which Mr. Mitchell had charged £476 2s. 6d. had been brought by that *Gazette* within the development scheme. When this was definitely ascertained, Mr. Mitchell contended that he did not intend his statement (quoted above) to mean that the schedules referred *solely* to fencing costs on sections outside of the scheme. This intention is scarcely to be inferred from the words used, and in our judgment the Controller and Auditor-General was quite justified in making his complaint on Mr. Mitchell's admission.

464. The fact established now, and admitted, is that the value of the fencing on lands outside of the Maketu Development Scheme is £219 19s. 9d., the difference between £696 2s. 3d. and £476 2s. 6d. Mr. Mitchell's oversight shows how little check was made on the locality of fencing erected with development-scheme moneys. Included in the lands fenced outside the development schemes are seven sections belonging to Mr. Mitchell in respect of which, at 25s. per chain, the value of the fencing is £25 11s. 6d.

465. In addition to the erection of fencing on lands outside the development scheme, certain private lands were included in the Maketu Development Scheme by *Gazette* notice in order that the development-scheme moneys might be spent on the fencing of those lands, and it is clear that, after such expenditure, Mr. Mitchell intended to secure the removal of such lands from the development scheme by another *Gazette* notice revoking the first. The Native Minister does not agree that this was ever intended, but Mr. Mitchell, who was in charge of the operations, stated that it was. These lands included a recreation-ground with a meeting-house thereon and certain sections belonging to prominent Arawas who had helped the Arawa Trust Board, and also land belonging to the Arawa Trust Board itself. The value of the fencing on these lands is at least £179. Some of these sections had ragwort on them, and it was intended by improving the fences to assist the owners in ragwort control.

466. It may be said at once that, in respect of sections other than those included in the development scheme, no check was kept of the posts, battens, strainers, staples, wire, and labour supplied except in connection with two contracts. These concerned the fencing of Mr. Mitchell's two seaside cottages and a nearby *urupa* or cemetery. In the case of these two exceptional contracts Foreman F. Rogers was instructed to keep particulars. The first contract was finished in March, 1932, and Rogers's certificate dated the 31st March, 1932, showing 15¼ chains at 8s. per chain, was sent to the office of the Native Department at Rotorua. The men employed on the fencing were duly paid by that office. The second contract, comprising six chains round Mitchell's section and six chains for an *urupa* or cemetery, was finished and certified correct on the 30th April, 1933. This certificate was really a time-sheet although it contained reference to the materials and contained a note by Rogers, "Please see Mr. H. Tai Mitchell *re* price per chain for this fencing." This note was also sent to the office of the Waiariki District Maori Land Board, and there appears a marked price at the foot, not in the handwriting of Rogers, "7/6 d ch." We do not know who wrote this. The men were again duly paid by the office. There was nothing on the certificate for either contract to indicate that the work was to be charged to Mr. Mitchell personally, but the first certificate showed that the contract was arranged by Mr. Mitchell, and the second showed that a reference to him was needed to fix the price per chain.

467. Although the workers were paid in respect of both these contracts, the work remained uncharged to Mr. Mitchell until after the report of Audit Inspector Petre of the 4th November, 1933, concerning, *inter alia*, seaside residences fenced with departmental fencing material. These residences were mentioned generally by Mr. Petre without specifying the names of the owners at the time, although Mr. Mitchell's name was otherwise freely mentioned in the report. It is not shown that Mr. Mitchell knew of the terms of this report, but when Mr. Mitchell was asked to report to the new Under-Secretary (Mr. Pearce), Mr. Mitchell himself, on the 23rd January, 1934, raised for the first time the question of the payment for the fencing not properly charged to the development-scheme lands, and he distinguished between fencing which should be paid for by private owners and fencing which should be paid for by the Arawa Trust Board. He included his sections in the fencing to be paid for by the Arawa Trust Board. He also suggested that there should be a further gazetting of land on the ground that it had been fenced and was intended to be brought within the development scheme.

468. Save for the two certificates referred to above, the Rotorua office had no record of the fencing done outside the development schemes. There was therefore no record at all of about £200 worth of fencing. Mr. Mitchell was then asked to justify the fencing which had been done on lands without the scheme, and he made a statement on the 9th February last stating that the Native Minister instructed him to have the fencing-work carried out on these lands with material and labour supplied by the development scheme. He also said that it was intended that, when the fencing improvements were carried out by the scheme, the cost should be borne in some instances by the owners themselves and in other instances by the Arawa Trust Board, and that in the meantime the development scheme was to be credited with the cost of all material used in such fencing-work. As we have pointed out, no crediting was done.

469. Mr. Mitchell's defence is based on the Minister's authority to use the development-scheme material and labour. The Minister had, of course, no right to give such authority. No charge could be acquired for moneys spent unless the land had been gazetted under the scheme. Both Mr. Mitchell and the Native Minister have referred to a statement which occurs in Parliamentary Paper, G.–10, 1932, at page 32, where the Minister refers to the Maketu Farm and to a note made by him in 1930. The passage referred to is as follows:—

> "While the improvements effected on the farm rendered it attractive, the lands not controlled by the Board, which fronted the main road and surrounded the Village of Maketu, were shabby and unkempt. The following is a note made at the end of 1930:—
>
> "'Maketu is at present a medley of irregular tracks, half-formed roads, old and decrepit buildings, noxious weeds, ancient fruit-tree groves, swampy patches, and sandy foreshores. A general tidying-up is badly needed. Besides the development of the land in the ordinary way for farming purposes, some scheme is required for carrying out general improvements in the way of roading, provision of water-supply, building, and beautifying generally. This should enhance to a considerable degree the value of the Maketu lands, including the Trust Board's farm. Maketu is a spot which, not only from its historic interest but from its situation on the sea-coast close to shellfish supplies and seaside-camp sites, attracts people from the inland lake region. The all-round improvement of the Maketu area should increase its attractions, from which the development scheme should derive benefit.'
>
> "The policy pursued at Maketu since the Department assumed control has followed closely on the lines indicated in the last paragraph. Grants have been made from time to time for relieving unemployment through piecework, the contracts comprising the construction of short access roads, the clearing of noxious weeds, and the reconditioning of fences, as well as development work on the farm."

470. In our view, the indication of this paragraph (in G.–10, 1932) is that the Minister contemplated "a reconditioning of fences" through unemployment relief work, perhaps in conjunction with the development-scheme funds. A similar inference is to be drawn from a note, dated the 11th January, 1932, of the instructions given by the Minister during a visit to Maketu lasting from the 29th December, 1931, to the 5th January, 1932. This note shows that there was to be a grant of £250 for Christmas and New Year periods for general Maketu improvement. The instructions include this paragraph:—

> "The Minister remarked that a general clean-up of the Maketu pa area was desirable as an unemployment job and development work and estimate of cost of same furnished for his consideration. A coat of paint on some of the houses would improve appearances.
>
> "Unfinished fencing should be completed quickly so that stock can be securely worked to crush noxious weeds, &c."

The work at the pa seems to be work to be done as an unemployment job in conjunction with development-scheme funds or, possibly, as an unemployment job for development purposes. The reference to "unfinished fencing" to secure stock seems to us to be a reference to farm lands and not to the lands of the Maketu pa.

471. In any event, both the Native Minister and Mr. Mitchell have set up that oral instructions were given by the Minister to Mr. Mitchell to use the development-scheme materials and labour at the Maketu pa in the manner mentioned in the Minister's note of 1930, and in the memorandum of the 11th January, 1932. We must accept these statements, but they again make the Minister responsible for a serious breach of his administrative duty. The fact that, except in the case of the two contracts mentioned above, no check was kept of the materials or labour and that even in those two cases nothing was done until after the Audit Inspector had been investigating these matters in the Rotorua office makes it plain that the administration of the development-scheme funds was conducted with the most reprehensible laxity. As we have pointed out, Mr. Mitchell apparently did not know that a large area which he was fencing without check had been included in the development scheme in June, 1931.

472. The excuse given by Mr. Mitchell for the failure to keep proper records is that the scheme for consolidating titles had not been completed and that a day for settlement would come at some time. In fact, however, the final consolidation orders for Maketu were made in February, 1933, and nothing had been done by the end of the year, when the Audit Inspector made his report. As regards the two contracts mentioned above, Mr. Mitchell failed grievously to fulfil what should have been an instant duty—viz., to see that debit-notes were forthwith made out against himself and promptly settled.

473. So far as the Arawa Trust Board is concerned, Mr. Mitchell told us that the Minister stated to him that in carrying out the improvements outside the Maketu gazetted blocks—that is, in the Maketu pa itself—the Arawa Trust Board at some time or other must come and take the responsibility of the fencing, but in the meantime the development account was to bear it. If a statement was ever made by the Minister in that form, or, if made in that form, was made by him before the year 1934, it had no effect in relieving the development funds. Even when Mr. Mitchell raised the question of fencing in January, 1934, he distinguished, as we have already stated, between fencing which should be paid for by private owners and fencing which should be paid for by the Arawa Trust Board.

474. There was, however, nothing in the minutes of the Arawa Trust Board to show that it was ever expected to undertake a fencing liability until the 6th March, 1934—some six weeks after Mr. Mitchell's report of the 23rd January, 1934, in which he raised the question of fencing. Mr. Mitchell claimed in January last that the Arawa Trust Board would undertake the liability in connection with the sections he specified, including his own, because he knew that the Arawa Trust Board would do what he asked. He was not mistaken, for on the 6th March last, the Arawa Trust Board, Mr. Mitchell being Chairman, passed a comprehensive resolution authorizing the Chairman to adjust as between the Maketu farm under the development scheme and the Arawa Trust Board certain matters including "fencing materials, &c., supplied and erected on Board properties not included in the farm area, or supplied to private Native owners." We may note in this connection that, in a statement made in February last, Mr. Mitchell said that in respect of fencing done for him, the Arawa Trust Board would have a charge on him for the cost. Nothing, however, was done pursuant to the Arawa Trust Board's resolution pending the completion of our sittings.

475. It may be that, in fact, part of the labour costs in connection with these fencing matters was paid out of unemployment grants. But the assumed oral authority from the Minister, which is put forward, is an authority to use development-scheme labour as well as materials.

476. The whole transaction can be given the colour of an explanation only from the Native point of view—viz., that the Maketu farm had been bought back from the European owners because it was the ancestral home of the Arawa people, that to induce a progressive spirit the Maketu pa should be cleaned up to encourage good farming on the Maketu lands, and, accordingly, that it was desirable for the benefit of the development scheme to improve private lands as well as those of the development scheme. This is indeed the purport of the Minister's statement to the Commission. But it is obvious that, apart from the lack of legal authority, no system of administration of Government funds can survive on these lines, when there is no proper record of expenditure, no check upon it, and no provision for security for payment.

477. As the case has been presented to us, the final responsibility has been accepted by the Native Minister, who wrongfully took it upon himself to authorize the expenditure of development-scheme moneys on private properties outside the development scheme, some of them being seaside residential properties. This, however, did not relieve Mr. Mitchell of the responsibility for seeing that the costs of all the fencing material and labour paid for out of public moneys were promptly charged up to the private persons responsible for payment, and paid. In his own case, Mr. Mitchell failed in an urgent duty.

We may add that the whole proceeding emphasizes the almost complete lack of control by the office over the field staff and the wide loophole for losses occasioned thereby.

Use of Unemployment Moneys by Messrs. Goldsmith and Poananga (Para. 369, No. 62; and para. 370, No. 63).

478. In addition to being the manager of the Waiapu Farmers' Co-operative Co., Ltd., at Tikitiki, Mr. Goldsmith held various other offices. From April, 1930, he had assisted the Native Minister with development schemes in the Northern Waiapu area. When the Maori unemployment

grant was made, he became officer in charge of Maori unemployment relief for the Northern Waiapu district, and he acted as certifying officer in respect of the completion of unemployment contracts. The Native Minister formally appointed Goldsmith to the foregoing positions as part of the departmental reorganization which took effect as from the 1st April, 1932. At the time, this was a Ministerial appointment, and not one made by the Public Service Commissioner. The Commissioner's appointment of Goldsmith as a part-time supervisor was made in February, 1933, but was dated back to the 1st April, 1932. This "dating back" was done at the request of the Native Department, and it was, in this case, on record that the Minister's appointment had been made as from the 1st April, 1932. Under this appointment Goldsmith received £75 per annum, and, in addition, the Waiapu Farmers' Co-operative Co., Ltd., received £171 per annum from the Government for the services of Mr. Goldsmith.

479. Almost immediately after his Ministerial appointment from the 1st April, 1932, Goldsmith began to defraud the Department. His frauds began on the 11th April, 1932, and continued until the 12th October, 1933. In some cases he obtained the signatures of Natives on blank pay-sheets. He then inserted in the pay-sheet an amount in excess of the amount due or to become due to the Native for his unemployment wage or contract. Most of the Natives were indebted to the Waiapu Farmers' Co-operative Co., Ltd., for stores. In such cases Goldsmith paid sums due to the Natives into the company's account in reduction of the Natives' account with the company, the Natives no doubt receiving a portion of the amount as wages. In another class of case a similar method was adopted. Where an unemployment subsidy had been granted to a Native farmer, he was in many cases required, as a condition of the grant, to repay a certain proportion, say, one-third. This portion of the grant was a loan. Goldsmith, however, not only paid to the Native or credited to his account with the Waiapu Farmers' company the amount of the free portion of the subsidy granted, say, two-thirds, but he remitted to the Treasury from unemployment funds the remaining one-third which the farmer was bound to repay as a loan. These farmers therefore obtained subsidies in the form of loans out of unemployment-moneys which became free gifts to the farmers.

480. The total amount misappropriated by Goldsmith was £877 12s. 3d.

There is no evidence whatever to show that either the Native Minister, or Mr. Fenn, of the Waiapu Farmers' Co-operative Co., Ltd., at Ruatoria, was aware of what Goldsmith was doing.

481. Poananga's case was one of theft. It arose from the increase which he made in the chainage shown on a voucher for fencing whereby the worker received payment for the correct length of fencing erected and Poananga took the balance payable on the face of the voucher.

482. A consideration of these cases alone leaves us with a feeling of great uncertainty as to the proper use of the Maori unemployment funds in general in the Northern Waiapu district.

The Employment of Boys on an Unemployment Contract for the Levelling of the Site of the Waiomatatini Meeting-house (Para. 378, No. 76).

483. Seventy-one persons, mostly boys, were engaged on an unemployment contract, necessarily approved by the Native Minister, for from three to four weeks at a cost to the Maori Unemployment Fund of £313 9s. 6d. The levelling was done in January, 1933. The amount required was drawn by Mr. Fenn out of the Unemployment Fund and paid into the account of the Waiapu Farmers Co-operative Co., Ltd., which company paid the accounts of the job. The Controller and Auditor-General claimed that not only the employment of boys but also the hiring from Maori farmers of horses and drays for this work was a breach of the unemployment regulations. In view, however, of the evidence given by Mr. Bromley, we think that as the horses and drays were necessary to the employment of the manual labour, the point should not be upheld in respect of the Maori unemployment grant.

484. Although the Native Minister necessarily authorized this unemployment contract, it is not clear to us who proposed it or who organized the labour. There was, however, a definite and serious breach of the conditions of the grant in the employment of a large number of boys upon this unemployment job.

Employment of Schoolboys in cutting Thistles on the Roads as an Unemployment Job (Para. 376, No. 71).

485. The Controller and Auditor-General complains that in January, 1933, seventeen schoolboys were employed in cutting thistles on main roads of the Waiapu County, near Waiomatatini, as an unemployment job at £1 per week each. The payment voucher shows that one boy worked for three weeks, twelve boys for four weeks, and four boys for five weeks. Eight of the boys were secondary schoolboys on holiday from Te Aute College, and most, if not all, of the others were from the public school at Ruatoria. The minute of the Maori Purposes Fund Control Board of the 29th November, 1933, referred to below, describes the boys as "Te Aute College Rarotongan and Maori boys." Two of them were shown in the voucher as "Henry Ngata" and "Georgie Ngata," a son and grandson respectively of the Native Minister.

486. The evidence of Mr. Loten, the headmaster of Te Aute College, shows that he asked the Native Minister to find work for some of the college boys during their holidays. It is Mr. Loten's custom to endeavour to find work for his boys during their holidays.

487. When asked to make an explanation of the circumstances, the Minister said in his evidence :—

"The thistle-cutting and the improvements in connection with the Waiomatatini *Marae* Meeting-house were in view of the Governor-General's visit to the district. That had been arranged with Mr. Williams and myself in the session of 1932. Owing to the early session in 1933 the visit did not take place up to time.

"*Mr. Quilliam :* Under what circumstances was this job arranged ?

"*The Minister :* It was about the middle of the summer of 1932. I left Wellington with Messrs. Ansell and S. G. Smith, who had been detailed by the Government and the Unemployment Board in regard to the unemployment youth problem, and on my return home there was a demand by parents to find work for their boys—mostly schoolboys. The rest of the population round about us was on the meeting-house job—that was let as an unemployment job. The cutting of the thistles : My youngest boy who was in the position of their elder and who was the dux of the Te Aute College was also there. In the absence of Mr. Fenn and Poananga I made the arrangement myself, and the party was to carry out the cutting of the thistles on the road and to prepare the *marae* as well as the approaches to the tribal meeting-place in view of the Governor-General's visit.

"*Mr. Quilliam :* Who supervised their work ?

"*The Minister :* Mr. Poananga on his return and Mr. Fenn.

"*Mr. Quilliam :* Mr. Fenn said he was not there. Who did you arrange to supervise the work ?

"*The Minister :* Mr. Poananga on his return, and Mr. Fox was in charge of the work round about the *marae*.

"*Mr. Quilliam :* Did you definitely arrange with either to supervise the work of the boys ?

"*The Minister :* I asked them to keep an eye on the boys.

"*Mr. Quilliam :* Orally ?,

"*The Minister :* Yes.

"*Mr. Quilliam :* And these eight boys were on vacation from Te Aute College ? They were merely schoolboys on holidays—they were not unemployed boys ?

"*The Minister :* I suppose some of them would be needy.

"*Mr. Quilliam :* You suppose, can you say whether any were ?

"*The Minister :* My boy would not be.

"*Mr. Quilliam :* What I want you to do is to try and explain how you justified the employment of schoolboys on holiday and the payment out of the Unemployment Fund.

"*The Minister :* The first mistake was connecting it with that. When I left Wellington my definite opinion was that Messrs. Ansell and Smith dealing with this unemployment problem gave us a lead to something being done in the case of the boys. They were going round to make a report on the question and they had been on it for some time before that.

"*Mr. Quilliam :* Do you attempt to justify that it was a proper expenditure of the unemployment money ?

"*The Minister :* Not looking at it now.

"*Mr. Quilliam :* How did you justify it at the time ?

"*The Minister :* I thought at the time I was perfectly justified in making provision for work for these schoolboys."

488. The total wages for the seventeen schoolboys amounted to £71. This amount was to be paid out of the unemployment moneys. Application was made for a subsidy for that amount but the Unemployment Board refused to grant it. On the 3rd March, 1933, the Minister wrote to Mr. Fenn as follows :—

"The Unemployment Board turned down the £70-odd for the boys clearing weeds, &c., on the roads. This is my fault as I understood that juvenile unemployment was a responsibility of the Unemployment Board. Bal. and I will fix this up in another way."

"Bal." was Mr. Balneavis, the Minister's Private Secretary.

The payment of £71 remained in suspense until the 29th November, 1933, when it was charged against the Maori Purposes Fund pursuant to a resolution of the Maori Purposes Fund Control Board passed at a meeting held on that date.

489. Even were there some colour of right for the employment of needy boys, we fail to see how the Minister thought he could employ these boys out of unemployment-moneys. There is no proof that any of them were needy, although the Minister said that he supposed some of them would be. No reasonable excuse has been shown for the Minister's serious breach of his administrative duty in this matter.

Development-scheme Fencing Wire and Staples issued in the Northern Waiapu Area (Para. 376, No. 72).

490. About twelve days after Audit Inspector Scott had commenced his investigations on the East Coast, Mr. C. Goldsmith, the manager of the Waiapu Farmers' Co-operative Co., Ltd., at Tikitiki, paid the sum of £422 19s. 5d. to the Native Department by his company's cheque. This cheque was received at the Gisborne office of the Department on the 17th October, 1933. It was accompanied by a statement showing that the cheque was being paid in settlement of an account for 308 cwt. of galvanized wire, 40 cwt. of barbed wire, and 41¾ cwt. of staples. The transaction was unrecorded and was quite unknown to any officer of the Native Department except Mr. Goldsmith himself.

491. No stores records could be found in the records of the Waiapu Farmers' Company showing the destination of the issues. The account supplied by Goldsmith showed that the materials had been issued between November, 1931, and April, 1932. The Gisborne office prepared a docket from the particulars supplied by Goldsmith, which showed the Waiapu Farmers' Co-operative Co., Ltd., as a debtor to the Department. This appears to have been correct. We were informed by Judge Harvey that the material was supplied by the Waiapu Farmers' Co-operative Co., Ltd., to various Maori stations and private individuals. Some of these individuals were said to be now within the development scheme. This information was obtained by Judge Harvey, over the telephone, from the Registrar at Gisborne on the day before we closed the taking of evidence in Wellington, the Registrar having obtained it by telephone from the Waiapu Farmers' Co-operative Co., Ltd. Evidence of this kind has practically no weight.

492. Our view is that the issues or the greater part of them were unlawful and unauthorized at the time they were made. We have no information as to when the stations and persons to whom the issues were made were debited with the cost or when they paid their debts. The absence of any record of the issues in the books of the Waiapu Farmers' Co-operative Co., Ltd., and the delay in payment from April, 1932, until October, 1933, make the suggestion reasonable that, but for the work of the Audit Inspector, the value of the material taken would not have been repaid to the Department. The absence of record also raises the question as to whether the Department knows of all the issues that were made in the Waiapu district outside the development schemes. At the end of January, 1934, the Gisborne office had not then been able to balance the stores account in connection with these issues, but the work of balancing was proceeding.

There is no evidence to show that the Native Minister knew anything about this matter.

The Native Minister's Toll Calls (Para. 377, No. 73).

493. The Controller and Auditor-General complains of excessive toll calls by the Native Minister. For the year ending the 31st March, 1933, the toll calls of the Native Minister amounted, in round figures, to £641, and those of all other Ministers to £1,079; and for the year ending the 31st March, 1934, the toll calls of the Native Minister amounted to £781, and those of all other Ministers to £1,185. In these two years, therefore, the toll calls of the Native Minister amounted to £1,422, while those of all other Ministers amounted to £2,264.

494. By the end of March, 1933, fifty-four land-development schemes were in operation, and before April, 1934, they had increased to seventy-six. The Minister's method was to keep in touch with all parts of the field and to direct operations in detail. If the Minister were justified in attending to administrative details, then we should not be disposed to cavil at the telephone charges. We are clear that he was not justified in attending to administrative detail to the extent which he did. We think that the Minister's assistance was necessary for the preliminary surveys of many of the development schemes, for securing the co-operation of the Native leaders and for inspiring them in their work, and even for ascertaining or consulting about urgent matters in any of the Districts, but we cannot accept the view that instructions to supervisors or other persons, which involved the expenditure of Government money whether in relation to development, or farming, or the purchases of stock or land should have been given otherwise than through the proper departmental channels. If an urgent authorization of expenditure were required in special circumstances, then the Minister should have ensured that the authorization was immediately recorded and transmitted through the ordinary departmental channels. For the purposes which did not involve such expenditure the telephone was a suitable instrument. Having regard to the fact that the charges complained of relate to the years ending the 31st March, 1933, and the 31st March, 1934, and to the fact that most of the development schemes had then been in operation for a considerable length of time, we think that the charges are probably excessive. But it is difficult to say so with confidence because it is difficult to measure the needs for direct communication which we consider legitimate.

The Native Minister's Car-hire (Para. 377, No. 74).

495. The Controller and Auditor-General complains that certain claims made by the Minister for car-hire have either been irregularly charged against the Consolidated Fund or wrongly allocated between "Travelling-expenses of Ministers" and "Travelling Allowances and Expenses of Private Secretaries to Ministers." The car-hire in question was payable to one Charles Woodford, a taxi-proprietor at Ruatoria. During the past few years he has been frequently employed by the Native Minister. We propose to consider in the first place the responsibility of the Native Minister and of his private secretary in relation to the preparation of vouchers for the payment of car-hire payable to Woodford.

496. In a written statement made by Mr. Finlay, as counsel, in reply to a statement presented by Mr. Quilliam, it was claimed that the Minister had no connection with the passing of accounts and the payment of vouchers, and that all the matters raised were the concern of the Private Secretary. Mr. Finlay's statement was prepared before evidence was taken in this matter. When evidence was taken Mr. Balneavis said that Woodford used to send in his accounts without stating the charge for each hire. The evidence of Mr. Balneavis continued as follows:—

> "The position is that the man used to send in his accounts without stating the charge for each hire. Almost invariably his account included five different classes of items—Government hires, hires for the Minister's family, for the Maori Purposes Board, or the Ethnological Board, &c. My trouble was to take out the Government hires because Audit would want

the actual account attached to the voucher. That caused delay in writing and telephoning to Mr. Woodford who I may say when requested to give separate accounts never did so. He always continued the same practice of charging everything to the Minister. Because of these delays he suggested to Sir Apirana Ngata and myself that he send some bills in blank form so that we could separate the accounts and put them on his bill heads. I think that was the only way in which the accounts could be passed."

"*Mr. Quilliam:* This suggestion came from him, and not from you?

"*Mr. Balneavis:* That is so.

"*Mr. Quilliam:* That would mean that when his account came down here you would have to carefully dissect it and retype it?

"*Mr. Balneavis:* Yes, and place the items under the various headings, and attach them to the vouchers."

497. Woodford's statement is that the suggestion that he should supply blank invoices came from Sir Apirana Ngata and Mr. Balneavis. However that may be, Mr. Balneavis agreed, when examined, that his responsibility was to dissect Woodford's account carefully when it was received, to place the separate items under the various headings, to retype them, and to attach them to the appropriate vouchers.

498. With regard to the responsibility of the Native Minister, the Minister told us that unless there was a specific item showing that the account was a private account, Mr. Balneavis was entitled to assume that it related to the Minister's travelling-expenses on public business. If, however, the Private Secretary had any difficulty, or if he thought there was an overcharge, then he referred the matter to the Minister. At a later stage in his examination the Minister qualified this position by saying that if a Minister knew that an account was a private account there would be an obligation on him to sort out the private item from the public items. We think that the Minister had that responsibility.

499. Seven vouchers have been referred to us for inquiry. Four of them relate to private trips charged to the Public Account. We deal now with these.

Voucher No. A. 15371.

500. This voucher concerns a trip from Rotorua to Coromandel. This trip was undertaken while the Minister was on a tour from Waiomatatini to Rotorua and back. This tour lasted from the 23rd December to the 31st December, 1930. It was while the Minister was at Rotorua that the private trip was made to Coromandel on the 26th and 27th December. The private passengers included Mrs. Len Ngata, the Minister's sister-in-law, who appears to have stayed for some time at Coromandel and not to have returned in the car. The voucher bears on the back a statement prepared by the Minister in his own handwriting addressed to Mr. Balneavis. The following is a copy of that statement:—

"Mr. Balneavis, Private Secretary, Wellington.

"Please pay Mr. C. Woodford, of Ruatoria, for special car-hire as follows:—

"Waiomatatini–Rotorua	Dec. 23 and 24, 1930.
"Rotorua–Horohoro & return	Dec. 25th.
"Rotorua–Coromandel & return	Dec. 26–27.
"Rotorua–Wainui–Te Teko–Kawerau to Rotorua ..	Dec. 28–29.
"Rotorua–Waiomatatini	Dec. 30–31.

"Sum arranged Forty-five pounds.

"A. T. Ngata,

"30–12–30."

There is no doubt that the trip Rotorua–Coromandel and return is shown as a public trip, as otherwise Mr. Balneavis would not have been asked to pay Woodford for it out of the public funds.

501. Mr. Finlay's first defence is that the trip was a public trip. He said that the journey, like the other journeys of the tour, was of "a political character and touched matters of diplomatic moment from a racial point of view." We can only say that there is no evidence to support this suggestion.

502. The next defence is that the charge would have been the same whether the Coromandel trip had been included or not. *Prima facie*, the trip should not have been included unless it affected the total charge, and it appears to have been included because it did affect that charge. On the other hand, the conclusion of the memorandum suggests a lump sum payment for the period between the 23rd and 31st December, when the car was engaged in the service of the Minister. That admits the submission that although the Minister could not go to Coromandel, he allowed the car, which would have had to be paid for by the State in any case, to be used for a private journey. We are unable to say with confidence that the charge would have been less if Woodford had only been detained in Rotorua instead of making the trip to Coromandel. Something, perhaps £5 a day, would be payable for waiting-time, The Minister has, however, included a private trip in a public account as though that item contributed to the total, and has asked his Private Secretary to pay it. That is a grave irregularity. When discovered, it raises, *prima facie*, the inference that the public purse has been defrauded, but we are not certain that the country has actually lost money by the Rotorua–Coromandel trip and by the form in which the Minister prepared his account.

VOUCHER No. 19159.

503. This voucher concerns a private trip included in an account prepared by Woodford in his own handwriting, dated the 28th February, 1931, and addressed to the Hon. Sir A. T. Ngata, Wellington. The account states the particulars of ten separate trips made during December, 1930, and January and February, 1931, with separate prices. The total amount charged is £89. The private trip was thus described by Woodford in his account:—

"Jan. 28: Car Hire Gisborne–Waiomatatini (per Mrs. Len Ngata), £12:.:."

Before this account was attached to a voucher, Mr. Balneavis with pen and ink obliterated the words "per Mrs. Len Ngata." The account was then sent forward with the voucher as an account for £89 chargeable to the Minister officially, and it was duly paid in full by the Treasury.

504. The following explanation of this voucher was given by Mr. Finlay in his written statement as counsel:—

> "Whether the trip specifically referred to by you represented a hiring for which some one other than the Minister should pay or represented a hiring which the Minister should pay personally, it should not have been included as an item in a lengthy account exclusively concerned otherwise with hirings properly chargeable against the Government. Taking the item in its correlation with these other items Mr. Balneavis assumed Mrs. L. Ngata to be Lady Ngata. There is no Mrs. L. Ngata and no one known as such, so that the assumption made by Mr. Balneavis is easily understandable.
>
> "The fault—if fault there be—lies wholly with Mr. Woodford, who alone knew the charge, as he now alleges, was in respect of a private hiring."

It is not admitted here on behalf of the Minister that the Minister knew that Woodford's car had been privately hired on this occasion. The Minister said in evidence that Woodford was probably right when he said that the car was used to carry Mrs. Len Ngata and not the Minister himself. The Minister stated that he did not deal with this account himself, that he did not ask Mr. Balneavis about it, and that Mr. Balneavis did not draw his attention to the item in question. Having regard to the loose methods which obtained when Woodford's cars were used, we cannot conclude on the evidence before us that the Minister knew that this particular private trip had taken place. If he did not know of the trip, he was not under any obligation to acquaint Mr. Balneavis of it.

505. The explanation on behalf of Mr. Balneavis is different. Mr. Balneavis says that he knew the Minister's whereabouts daily, and that this journey shown "per Mrs. Len Ngata" was a journey which he would expect the Minister to have taken. When he saw the words "per Mrs. Len Ngata," he thought that they must refer to Lady Ngata, who had died in 1929. At different stages of his evidence he gave several reasons for this conclusion—viz.: (1) That he knew there was no Mrs. L. Ngata in the district; (2) that until the day before he gave evidence he had not heard that such a lady as Mrs. Len Ngata existed; (3) "I assumed it referred to Lady Ngata because why should any one else's car-hire be included in an account purely for Government hires?" (4) "When you are dealing with a man who does not send in his accounts in proper form, you may think anything." Having concluded for these various reasons that Lady Ngata, who had died in 1929, was the person referred to in a service-car account item for the 28th January, 1931, Mr. Balneavis obliterated the words "per Mrs. Len Ngata," and so made the account correspond with what he states was his belief—viz., that the journey was an official visit of the Minister's.

506. We find ourselves unable to accept the explanation given by Mr. Balneavis. The implication in the first reason is that he might know of a Mrs. L. Ngata in another district, and that does not agree with his second reason. In any event, the Maori name of the Minister's sister-in-law was Mrs. Renata Ngata. The Minister himself knew that she was known by the name of Mrs. Len Ngata, and the submission that Mr. Balneavis did not know the European name of the Minister's sister-in-law imposes too great a strain on our credulity. It is much more extraordinary to us that Mr. Balneavis should confidently think that this item for the 28th January, 1931, referred to a lady who had died in 1929, with the consequence that he must then assume the journey to be one of the Minister's, than that he should think that the journey concerned a private person named Mrs. Len Ngata. If Mr. Balneavis had been genuinely desirous of protecting the public funds, we should have expected him to have inquired of the Minister concerning Mrs. Len Ngata's connection with the matter rather than that he should have obliterated the name without reference to the Minister.

507. Mr. Balneavis was clearly guilty of a grave breach of his secretarial duty. We submit to Your Excellency that it would not be proper for us when inquiring into the general administration of the Department to inquire further than we have done into the character of Mr. Balneavis's action. Our conclusion is that, by the method described, public money came to be paid for private hire, and no explanation has been given to us which we can accept as credible. This amount of £12 paid out of the public purse for the private trip in question should be recovered from the person responsible.

VOUCHER No. W. 34160.

508. The account attached to this voucher was a blank invoice form of Woodford's typed in by Mr. Balneavis partly from an account sent by Woodford. Woodford's account was addressed "Hon. Sir A. T. Ngata, Wellington," but the account as typed by Mr. Balneavis was headed "Hon. Sir A. T. Ngata, Native Minister, Wellington." The account as typed by Mr. Balneavis includes a charge for 20th June, 1933. This part is as follows:—

"June 20: To special car Waiomatatini–Tuparoa–Gisborne, £7 10s."

The complaint is that the Native Minister did not travel on this trip. The passengers carried were W. Ngata and Pene Tamahere.

509. The written answer made by Mr. Finlay as counsel is as follows:—

> "There is nothing on the account to suggest that the charge incurred on the 20th June, 1933, was not on account of the Native Minister. The whole account, as you will see, is charged against the Minister without qualification.
>
> "There was in consequence nothing to suggest to Mr. Balneavis that he should differentiate betweeen the items."

But this was the very situation that Mr. Balneavis, according to his own evidence, had to guard against. He told us that Woodford always continued the same practice of charging everything to the Minister. For this reason the new system was adopted whereby Mr. Balneavis received blank forms from Woodford and then dissected the items. It is inconsequential to blame Woodford on this occasion for doing the thing which he always did and in respect of which a system of check operated by Mr. Balneavis had been devised. We are unable to accept the explanation given. The onus was on Mr. Balneavis, where he did not personally know the position of the account, to ascertain it from the Minister, or, maybe, from Woodford, so that the account could be properly dissected. The inefficiency of these arrangements whereby private journeys might become charged to public funds almost passes belief. The persons responsible should repay the amount charged to the public funds.

510. In the same voucher (W. 34160) there is an item of £10 for return car-hire on the 19th June, 1933, from Waiomatatini to Gisborne. Woodford states that the usual charge for this trip is £7 10s., but that he charged £10 on this occasion because he carried W. Ngata on the back trip.

Two answers are made to this complaint—(1) That Woodford did not show in any part of his account that any part of his charge was for private hire. The observations already made in connection with the first complaint on this voucher apply to this argument; (2) That Woodford's regular charge for the journey was £12. Woodford charged £12 for a trip from Gisborne to Waiomatatini in Voucher No. 19159 (*supra*), when Mrs. Len Ngata was carried. It appears that by letter of the 10th April, 1932, Woodford wrote to Mr. Balneavis objecting to a reduction which Mr. Balneavis had then made in respect of a charge of £12 for a Waiomatatini–Gisborne trip. Woodford stated in that letter that £12 was the charge for the trip which had been arranged between the Minister and himself. However, the account typed by Mr. Balneavis and attached to the voucher with which we are dealing (W. 34160) is dated 30th July, 1933, and this account shows that the price for a trip Gisborne to Waiomatatini on the 17th June, 1933, was £7 10s. The price for a trip Gisborne–Waiomatatini had therefore been reduced by the 17th June, 1933; and we think it established that an excess sum of £2 10s. was charged for the trip on 19th June, 1933, because W. Ngata was carried on the back trip on that day. This excess sum should be repaid to the public funds by the person responsible for the carriage of Mr. W. Ngata at the public expense.

VOUCHER No. W. 51494.

511. To this voucher there is an account typed by Mr. Balneavis on one of Woodford's invoice forms which contains a claim for £1 10s. for car-hire on the 7th September, 1932, from Mangahanea to Waiomatatini. Woodford's statement is that on this trip he carried as passengers Mrs. Wi Tawahoa and party, and that the Native Minister was not present. Woodford rendered this item with two other items addressed to "Sir Hon. A. T. Ngata, Wellington," but the account as typed by Mr. Balneavis was headed "Hon. Sir A. T. Ngata, Native Minister, Wellington." Woodford had rendered the account as "per Hon. Sir A. T. Ngata, Mangahanea, Waiomatini." The other two items in the same account as prepared by Woodford simply referred to the journey without reference to the journey as being "per" any person.

The following is the answer made in Mr. Finlay's written statement as counsel:—

> "Here again the account is rendered in the name of the Minister, and there is no indication that the hiring concerned any one else. The inference is clearly that the charge should be paid by the Government in common with the charges for the two next succeeding days. Mr. Balneavis could not, I suggest, do other than act upon the clear inference in the absence of the slightest indication to the contrary."

There is a distinction between a journey which is described as "per Hon. Sir A. T. Ngata" and a journey which is not so described, and we do not agree that there was no indication that the hiring concerned any one else. We think there was. But, in any event, the comments which we have made on Voucher No. 15159 apply. It was the plain duty of Mr. Balneavis to dissect the account and to ascertain the position when he did not know it personally. This amount should also be recovered for the public purse from the person responsible.

512. The second head of complaint by the Controller and Auditor-General relates to the allocation of the car-hire equally between the Minister and his Private Secretary in respect of the amounts payable for car-hire claimed by Vouchers A. 12570, dated the 10th May, 1931; A. 27383, dated the 20th June, 1932; W. 6252, dated the 20th December, 1932; and by the above-mentioned Voucher W. 34160 in respect of two of the trips mentioned in it. On none of the trips in respect of which the complaint is made was Mr. Balneavis travelling with the Native Minister. The Controller and Auditor-General therefore claims that there should have been no equal or, indeed, any division of the Minister's travelling-expenses between himself and Mr. Balneavis.

513. It was submitted to us that such a division was a practice adopted by other Ministers and their Private Secretaries. But it was not established before us that such a division was the practice with any Minister where the Private Secretary did not travel with the Minister. We appreciate the probable convenience of some fixed proportionate allocation when the Minister and his Private Secretary travelled together, but we think it improper that any proportion of the travelling-expenses of the Native Minister should have been allocated to the travelling-expenses account of

Mr. Balneavis when he did not travel with the Minister. If a return of the travelling-expenses of either of them were to be compiled, a totally wrong impression would be given as to the amount of travelling actually done by the Native Minister and by Mr. Balneavis respectively. If the practice still exists, it should be discontinued.

Ruatahuna Sheep (Para. 378, No. 77).

514. In the early part of 1931 some 12,000 acres in the Ruatahuna Valley, at the head of the Whakatane River, were brought under the provisions of subsection (3) of section 23 of the Native Land Amendment and Native Land Claims Adjustment Act, 1929.

About 3,000 acres of the bush land on the lower levels and adjacent to the Rotorua–Waikaremoana highway had been cleared of bush and grassed some years before being brought under development. The grass, chiefly cocksfoot, had greatly deteriorated and much of the clearing had reverted to second growth and ragwort had spread all over the district. Fencing material was provided under the development scheme, and a considerable amount of work was done in ring-fencing the best of the land.

515. The Natives were practically destitute, and to assist them the Native Minister decided to stock the area with sheep. Owing to the general depression, sheep-values at that time were lower than they had been for years, and the prices on the East Coast were deflated to a further extent on account of a prolonged drought. The Native Minister asked Mr. Fenn, of the Waiapu Farmers' Co-operative Co., Ltd., to arrange for 2,000 sheep to be taken from the Tokomaru area, and he asked Mr. Carroll to arrange for 1,000 to be taken from the Wairoa district. Mr. Registrar Harvey (now Judge Harvey) told us that the Native Minister fixed the prices of the sheep that were bought from the Natives on the East Coast. Some sheep were got in the Gisborne district. The sheep from north of Gisborne were conveyed by steamer from Hicks Bay to Wairoa, the Gisborne purchases being picked up on the way. At Wairoa the different lots were collected. The evidence shows that quite a number of the sheep that had been brought from the Tokomaru district were blind and very weak. After a few days rest at Wairoa, the mob was started on the way to Ruatahuna via Waikaremoana. The road is not a good one for driving a big mob of sheep. That some difficulty was experienced is evident from the fact that a number of sheep had to be taken through on motor-lorries.

516. The cost of delivering the sheep at Ruatahuna from the places of purchase was 4s. per head. Mr. W. J. Scott, the farm supervisor at Rotorua, stated in evidence that the cost of delivering the sheep should not have been more than 2s. per head; and, further, that the cost of droving sheep from Gisborne to Rotorua via Opotiki in mobs of 2,000 was 1s. per head. Mr. H. M. Macpherson, a settler at Te Whaiti, near Ruatahuna, stated that he had inspected the sheep when they were delivered at Ruatahuna, and that they were quite a poor lot and appeared to be culls. That season he had bought considerably better sheep at the sales at Wairoa at 4s. per head. When the members of the Commission were at Ruatahuna, the Natives complained about the inferior class of the sheep and the high price charged for them. A letter produced to us by the Native Minister dated the 19th June, 1934, from the manager of Dalgety and Co., Ltd., at Gisborne to the Native Minister, quoting the prices of sheep in that district during the 1931 season, does not apply because it refers only to fair and good sheep. A great number of the sheep on Ruatahuna died during the first and second years.

517. In our judgment the price fixed by the Native Minister for the sheep from the Native vendors on the East Coast was unreasonably high, and the arrangements for delivering them were unbusinesslike and unnecessarily costly. A much better class of sheep could have been bought and delivered to the Ruatahuna Natives at from 5s. to 6s. a head cheaper than the price they were charged.

It appears to us that the Native vendors on the East Coast got rid of their cull sheep at a good price to the detriment of the unfortunate and poverty-stricken people at Ruatahuna, who have their lands loaded with a debt incurred by the faulty methods adopted by those responsible for what can only be termed a most reprehensible transaction.

Issue of Fencing-posts outside the Development Schemes.

518. (*a*) *Wairoa.*—The first lot of posts issued outside the development schemes by the Native Minister appears to have been the lot issued by him, *ex* bulk fencing-supplies, in April–May of 1932 to thirty-six Natives in the Wairoa district known as the Kahungunu Association. These posts numbered 5,074. They were part of a line of 8,032 supplied by Ellis and Burnand, Ltd., and 557 supplied by H. Davey. The balance of 3,515 went to the Mohaka Scheme. The value of the posts so supplied to the Association was £573 17s. 1d., but only £90 8s. had been paid on account thereof at the time of our inquiry. No security appears to have been taken for payment, and the arrangements for payment have been grossly delayed. It was not until March, 1934, that any proper attempt was made to obtain payment by orders on cream cheques. This issue was made, without lawful authority, by direction of the Native Minister. We make comment upon issues of this kind in paragraphs 523–525.

519. (*b*) *Posts for Hicks Bay and Tikitiki.*—In August and September, 1933, the Stores Control Board and the Native Land Settlement Board approved of the purchase of some 18,000 to 20,000 puriri sleepers from the Kauri Timber Co., Ltd., at £4 per hundred. They were old sleepers lying ar Whangaroa, North Auckland, and were purchased for use as fencing posts. The Native Ministet undertook the distribution of these posts himself. He considered that the Ngatiporou of the East Coast had poor resources in posts and that they should combine with the development schemes to buy some. The Minister discussed the matter with Ngatiporou at a *tangi* and the tribe agreed on the basis that the Waiapu Farmers' Co. should be responsible for financing the posts landed at Hicks Bay and the Ngatiporou Dairy Co. for the posts landed at Tokomaru Bay.

520. Some 4,391 posts arrived on the East Coast of which 1,030 were issued to Native farmers outside the development schemes. Four hundred of these have been paid for and the balance was issued to the Mangahauini committee, which the Minister said was one of the soundest Maori farming concerns on the East Coast. These had not been paid for at the time of our inquiry.

521. The evidence before us shows that the Minister thought fit to pool the cost of the posts so that the northern Natives paid the same rate (including freight) as did the Natives of the East Coast, with this exception: that on the East Coast the Minister adjusted the landed cost as between Hicks Bay and Tokomaru Bay. But if such an adjustment were fair, it was surely fair that the northern Natives near to the source of supply should not have had to pay so much for their posts as the southern Natives. The Minister justified his partial treatment of the southern Natives in these words, "I was definitely of the opinion that the Maoris living on the East Coast should not be unduly penalized on account of the freight rates, and that the Native Department should view the matter from an equitable standpoint." This statement discloses to us no reasonable justification for the discrimination made in favour of the East Coast Natives. The posts should have been charged to the various settlements on landed cost.

522. The Waiapu Farmers' Co-operative Co., Ltd., and the Ngatiporou Co-operative Dairy Co., Ltd., have not assumed liability for financing the posts as it appeared they would do when the Minister made the arrangements. No doubt they will be asked to assist in the collection of amounts payable by individual stations and Natives.

523. It was in connection with these posts that the Minister stated his attitude towards issues outside the development scheme. When he was interviewed by two Audit officers last January at Waiomatatini, he admitted that he had no legal authority to issue posts outside the development schemes, but his argument then was that if the man on one side of the fence was being assisted by the schemes, why should not the assistance be extended to the man on the other side of the fence? Before us the Minister contended that he had authority. He said,—

> "I contend that, as I had statutory authority to sell material upon credit for the purpose of assisting Natives to farm their lands, I must necessarily have had authority to sell for the same purpose for cash. The object sought to be achieved by the Legislature was the development of Native farming upon proper lines. As the instrument to give effect to that policy I acted as I did."

524. The Minister's argument is unsound. His powers were limited to action for the benefit of lands in respect of which a *Gazette* notice had been published and in respect of which, therefore, no owner could exercise, without the consent of the Native Minister, any rights of ownership so as to interfere with the carrying-out of any development works. Furthermore, the Minister's power was limited to acquiring plant and equipment for the purpose of rendering the gazetted land fit for settlement, and the works for that purpose, including the buying of fencing-posts and the erection of fencing, were works to be undertaken by him. Apart from these considerations, it is plain that the Minister did not in fact sell for cash either in respect of the Wairoa posts or in respect of the Hicks Bay or Tikitiki posts. In the last two cases the companies failed to pay cash to the Department and have failed to undertake liability to the Department.

525. We assume that it would be a good thing for a Minister to assist, if he could do so lawfully, in the purchase of posts to assist farming on the East Coast where posts are scarce, but the Minister's action was plainly unlawful. The Minister was responsible for their issue outside the development schemes on the terms we have described. This is another case of serious breach of the Minister's duty at the expense of the development schemes which, as a Minister of the Crown, he was charged to protect.

Manures (Para. 378, No. 79).

526. In August, 1933, the Native Minister directed Head Office to send forward the balance of the manure provided in the 1933–34 estimates for the development schemes adjacent to Tokomaru Bay. Approximately 83½ tons was the amount then directed to be sent for the Waiapu-Matakaoa scheme and 18 tons for the Poroporo scheme. Head Office was doubtful whether the full amount could be used. The Under-Secretary therefore wrote to the Registrar at Gisborne on the 8th August inquiring as to the position. Receiving no reply, he wrote again on the 25th August and the 18th September. The Registrar at Gisborne failed to reply to any of these three letters. The reason given by the Registrar is that he could not obtain definite information from Messrs. Goldsmith and Fenn about the position. Fenn was reluctant to find temporary storage, and Goldsmith, who was in charge of the schemes, was uncertain of his immediate requirements. He said he thought he could use approximately 6 tons per week. The Registrar did not, however, communicate even this information to Head Office. It may be that Goldsmith at this time was somewhat troubled about the frauds which he had committed and was not anxious to have anything to do with the receipt of an excess quantity of manure.

527. On the 4th September the Native Minister telephoned from Ruatoria to Head Office instructing that manure be sent to Tikitiki (part of the Waiapu-Matakaoa scheme) for 100 acres of grass and also seed for that area. Head Office, having waited in vain for a written reply from the Registrar at Gisborne, and having failed to use the telephone, wrote to the Registrar stating (*inter alia*) that 40 tons of manure had been sent to Tokomaru Bay and that 40 more tons would be sent there on the 10th October, and that a balance of 36½ tons would be sent there on the 24th October; and stating also that the Native Minister had stated that there was ample storage accommodation at Tokomaru Bay in the Harbour Board shed. Again there was no reply from the Gisborne Registrar. On the 7th October Head Office reminded the Registrar of the shipments and asked (*inter alia*) whether there was any likelihood of the schemes not being able to take the final order of 36½ tons for Tokomaru Bay, so that it might be withheld for a time.

528. On the 12th October, the Registrar at Gisborne at length decided to communicate with Head Office. He sent a telegram as follows:—

> "Tokomaru Harbour Board hold forty tons super for Waiapu-Matakaoa, further forty tons arriving to-night. Secretary advises storage space extremely limited [stop]. Goldsmith states can only take limited supplies weekly, storage accrues sixpence per ton daily. Tairawhiti."

On the 13th October, the Under-Secretary replied with a mild expostulation and asked again whether he should withhold the final order. On the 16th October, when there were 74 tons of manure at the Tokomaru Bay wharf, the Registrar telegraphed the Under-Secretary as follows:—

> "Manure. Goldsmith requires only thirty-one tons all schemes spring sowing [stop]. Seventy-four tons now at wharf. Can reduce this at six tons weekly until thirty-one required used thereafter has storage room for twenty tons [stop]. Balance unable to store but shed available at Tokomaru Bay ten shillings weekly. Writing particulars to-day. Tairawhiti."

529. On the 28th October the Under-Secretary placed the whole position on record by memorandum to the Minister, and asked him to approve the leasing of a store at 10s. per week, and the disposal of the surplus manure by sale. The Under-Secretary added:—

> "It would appear that the manure is being used only with new grass-seed sowings, and that no top-dressing has been contemplated or done."

The Native Minister approved the leasing of the store, but directed the manure to be held. On the 1st November, 1933, the Under-Secretary wrote to the Registrar at Gisborne a letter of mild regret over his failure to advise Head Office with regard to the manure requirements and with regard to the lack of suitable storage accommodation. We may add that storage was ultimately arranged with the Tokomaru Bay Harbour Board for the sum of £15 for the period between November, 1933, and the 1st May, 1934.

530. Whether much or little loss will result, it is difficult to believe that a Government Department carrying out a trading operation could have shown the incompetence revealed by this transaction, and we find ourselves unable to separate the Native Minister from the Department in the matter.

Complaint by the Controller and Auditor-General regarding the Maori Arts and Crafts Board (Para. 378, No. 80).

531. The Controller and Auditor-General complains that the Maori Arts and Crafts Board has erected a mill, a workshop, and three students' cottages on land at Utuhina, Rotorua, owned by Mr. H. Tai Mitchell, a member of this Board. Search-notes of the properties show, however, that the mill building and workshop were erected on land of which Meri Mitchell (Mrs. H. Tai Mitchell) is the registered proprietor, and that the students' cottages were erected on land of which Mr. H. Tai Mitchell is the registered proprietor.

532. All the buildings in question were paid for by grants from the Maori Purposes Fund. The respective lands on which they were erected were all mortgaged before the erection (in 1930 and 1931) of the buildings. Mrs. Mitchell's land, on which the mill building and workshop were erected, was mortgaged in December, 1928, to the Waiariki Maori Land Board to secure £400. Mr. Mitchell's land, on which the students' cottages were erected was mortgaged in February, 1923, to secure a current account of £900 with the Bank of New Zealand. Both these mortgages were released in April, 1934, and replaced by a mortgage in favour of Mr. Earle Vaile, registered on the 7th May, 1934, which covered all the lands on which the aforesaid buildings were erected.

At the present time the Maori Arts and Crafts Board, the Maori Purposes Fund Control Board, and the mortgagee appear to have some claim in respect of the buildings.

533. We do not know what procedure was adopted by the Maori Arts and Crafts Board to authorize the erection of the buildings. The minute-book of the Board does not record a meeting since the meeting of the 23rd October, 1929. Mr. Mitchell was, however, a member of the Board, and he should have taken care that a proper meeting was held to discuss a matter involving the expenditure of money on buildings on the land of himself and his wife. He should also have taken care to have disclosed to the members of the Board the position of the title to these lands. We do not know whether he did or did not, but, if he did not, he was guilty of a serious breach of duty.

534. If there has been no valid meeting of the Board, it may be that the expenditure is invalid and that those members of the Board who did authorize the expenditure are personally liable for any loss that may occur. Furthermore, those members of the Board who were aware of the nature of the transaction were guilty of negligence in authorizing the erection of the buildings without effecting some arrangement as to title. If these members did not know the state of the encumbrances they should certainly have ascertained them. In any event it was the poorest management on the part of the members of the Maori Arts and Crafts Board and of the Maori Purposes Fund Control Board to have these buildings erected without coming to an arrangement with the owners about the lease or purchase of the land. On these grounds also, if a loss occurs, it may be that the persons who authorized the expenditure are personally liable for that loss.

535. Early in 1932 the Native Minister proposed, as recorded in a minute of his instructions dated the 11th January, 1932, to "take over" all Mr. Mitchell's sections at Utuhina and to accept Mr. Mitchell's resignation from the Maori Arts and Crafts Board. That was not done. Then leasing proposals were made, but no arrangement was ever completed. It is true that the Board has

paid no rent and that neither Mr. nor Mrs. Mitchell has received rent, but, on the other hand, their mortgagee appears to be entitled to claim the buildings as part of his security.

536. This tangle, created by negligence, should be adjusted by arrangement between the parties concerned, but if any question of loss to the Maori Arts and Crafts Board or to the Maori Purposes Fund Control Board arises that loss should be borne personally by those whose neglect has made the present position possible.

PART XI.—FURTHER MATTERS ARISING OUT OF THE INQUIRY INTO THE DEVELOPMENT SCHEMES.

537. In this part, we refer to certain matters of importance which arose out of our inquiry into the development schemes. We refer to three land purchases. The Iles purchase was a purchase by the Waiariki Maori Land Board. The Revell and the Kingsbury purchases were purchases of the Native Department, and further illustrate our dissatisfaction with the land-purchase methods of the Native Minister and the Department and with some of the purchases made pursuant thereto. We refer also to the conflict of interest and duty which is so marked a feature of the position in which the persons we mention were placed, or, as the case may be, permitted themselves to be placed or placed themselves. We refer also to the question of rating on Native lands to the extent, but only to the extent, that is necessary to deal with the specific questions which came before us.

The Iles Purchase.

538. To appreciate the circumstances of this purchase it is necessary to remember that the Waiariki Maori Land Board had, in August, 1928, acquired the Tihiotonga farm for the benefit of the Ngati Whakaue, a sub-tribe of the Arawa Tribe, on the ground that this sub-tribe then had very little land. The Board acquired that farm under section 12 of the Act, No. 67, of 1927, and therefore held it subject to the payment to the Board of the costs of acquisition, the Board's charge for administration, and any payments made by the Board in respect of the land. As a sub-tribe of practically landless Natives was presumably to be made liable for such expenses, the Board was under an obligation to ensure that its administration was that of a reasonable trustee. We have already dealt with the acquisition of the Tihiotonga farm and the apparent lack of any consideration of the effect of cattle sickness to which, to the Board's knowledge, the land was subject. (Para. 87, *et seq.*)

539. On the 17th January, 1929, the Board applied to the Under-Secretary of the Native Department for the Native Minister's consent to the acquisition, again pursuant to section 12 of the Act, No. 67, of 1927, of Orr's leasehold at Wharenui comprising 1,654 acres, as suitable "change" country free from any suspicion of cattle sickness. When making this application the Registrar of the Board wrote to the Under-Secretary and said that the Board considered after a thorough inspection of the property that it could be worked to advantage in conjunction with the Tihiotonga blocks. The Registrar also said:—

> "I might add that the Native Minister took the opportunity of inspecting this property when in Rotorua recently and expressed himself as being in accord with the scheme . . . As the Board is anxious to have an area fenced off at an early date as a change paddock, any action in the matter of expediting the consents necessary will be appreciated."

Consent was given in February, 1929, and the Board duly acquired Orr's leasehold as a "change" property.

540. On the 31st March, 1929, the Board's manager of Tihiotonga, Jolly, reported to the Board that he would like work in connection with Wharenui to be pushed on as quickly as possible, so that "we may have a change for any stock that require it." The Board did nothing. Again, on the 6th October, 1929, Jolly reported to the Board the necessity for "an immediate start with work on Wharenui. Dairying on this country" (Tihiotonga) "without a change would not be a great success." Again the Board did nothing. Finally, in December, 1929, Jolly, who retired from his position at the end of that month, advised the Board, *inter alia*, as follows:—

> "Beyond top-dressing, I would not recommend more than the above improvements on Tihiotonga until some provision has been made on Wharenui for a change for stock. I cannot impress too strongly the need for pushing along the development of a portion of Wharenui as until that is done you will always be at a disadvantage if holding stock for any length of time."

Again the Board did nothing.

541. In the early part of April, 1930, signs of sickness appeared in some sheep on Tihiotonga. The Maori Land Board was responsible for dealing with the situation, and the Board comprised the Judge and the Registrar, neither of whom was a farmer. At this stage Mr. Arthur James Iles, of Rotorua, farmer, offered to the Board a property of his at Ngapuna, comprising some 515 acres of healthy country. This property is often referred to as "Puketawhero." The

experience of Mr. Iles with this property had been unfortunate. He had purchased it in 1912, and had used it for dry cattle and sheep but had ceased about two years before April, 1930, to farm it himself. He first put on a manager and then leased the land for dairy-farming. The country was not dairy-farming country and the lessee, one Campbell, was only in occupation for four or five months. Iles then put Campbell off, as he was not paying any rates or rent. The former manager, Murray, then went back on the property, and at the time it was inspected by Supervisor Wright in April, 1930, for the purposes of a sale to the Board there were no stock on the property.

542. The freehold value of Iles's property, according to the Government valuation made in 1928, was £2,045. For the purposes of this valuation the whole property had been thought to be under lease and the whole value of the lessee's interest was shown as £1,490. According to Supervisor Wright's report, the freehold portion of approximately 11 acres fronting the road had been purchased by Iles at 30s. per acre. The valuation of this small piece as leasehold instead of freehold could not materially alter the valuation. In 1928 Iles placed the property in the hands of a land-agent for sale at £5 per acre, and the total price was therefore £2,575. No offer was made, and early in 1929 Iles withdrew the property from sale. It was at the latter end of his ownership that Iles leased the property for dairying with the ill result we have stated.

543. In August, 1929, the property stood in Iles's books at £3,000 with accumulated losses of £5,600, a total of £8,600. It appears, however, that certain items of capital expenditure, which could not be disentangled by Iles's accountant, were included in the losses. The depreciation written off the leasehold had also been high. Nevertheless it is plain that the property had for long been a very unprofitable one for Iles.

544. When Iles offered his property to the Board he was told by the then President, Judge Holland, that the Board could not make any purchase without a valuation and an inspection by the departmental officers. Supervisor Wright, who was in charge of the State development schemes in the Waikato and at Horohoro, near Rotorua, was asked, probably by the President, to report on the position. Wright inspected Tihiotonga and saw signs of sickness among some sheep and says he suggested to the President that something should be done quickly. Wright does not appear to have made any written report to the President, but on the 10th April, 1930, he wrote a personal letter to Sir Apirana Ngata who referred the letter to the Registrar. So far as the records show, this is the first connection of the Minister with the matter, but the Minister told us that he knew early in 1930 that the Board was looking for healthy country as a change for the Tihiotonga stock. The terms of Wright's letter show that it was not necessary to introduce the subject to the Minister. Wright's letter is as follows:—

"Office of the Waiariki District Maori Land Board,
"Rotorua, 10th April, 1930.

"Personal.

"Dear Sir Apirana,

"I have to-day inspected the easy parts on the Wharenui Block and am of the opinion that it will cost too much to bring it to profit.

"A small piece of fence about 30 chains would cut off approximately 300 acres at the front, but the question of subdivision of this part would have to be faced. Water-supply will be a big problem.

"The back portion, in my opinion, will be difficult to handle, and I must say that I think it would be better to encourage the Board to surrender the block to the owners.

"I have gone into the matter of the Te Wairenga Block and do not think that Mr. Vaughan should be paid anything, as he apparently has no interest. Mrs. Hill's property west of Wharenui is not worth the money she is asking. Mr. Falloona's property at Ounuku is valued too highly by him, and I think should be left to Mr. Forbes for his officers to develop. This leaves only the property of Mr. Iles which seems to have about 400 acres of grass, and as it will be essential for us to have a change for Tihiotonga I will make a close inspection of Iles' property. On the Government valuation he is asking too much but as he has recently sold out his business he will probably be willing to negotiate in order to clear up his estate.

"Yours faithfully,
"(Sgd.) C. M. WRIGHT, Farm Director.

"Mr. Anaru,

"For your information.

"A. T. Ng.

"15.4.30."

545. The rejection by Wright of the Wharenui Block is surprising in view of the purpose of its acquisition and the thorough inspection then stated to have been made, and in view also of the request then made for a speedy Ministerial consent so that a change paddock could be fenced off. The reference to the Government valuation shows that Wright knew on the 10th April what the Government valuation of Mr. Iles's property was.

546. When Wright's letter of the 10th April was referred to the Registrar, the Board had a duty to consider the whole position. There were other practicable courses than the purchase of Iles's property. Supervisor Scott told us that Wharenui (Orr's leasehold) could have been used, and Wright agreed in evidence that it was suitable country, but said it was in fern and the fences would not hold stock. The Board had failed to prepare it for stock since early in 1929, notwithstanding three warnings in writing from its Tihiotonga farm supervisor. But the Board could apparently have retrieved the position by arranging grazing for its sick stock on Iles's property (which was then

vacant) as had long been the practice of the former owners of Tihiotonga, or, if that property was not available, then on some other area, as the Board did, even after the acquisition of Iles's property, at Kaharoa. The Board could then have sold off its stock as required, and have prepared Wharenui for the purpose for which it had been acquired. On the evidence, we have no doubt that this was a practicable and economic alternative.

547. As far as we can ascertain, the Board did not consider such a course. The President told us that his part in the matter was "the finalizing of the transaction." Counsel for the Commission, after inquiry from Mr. Anaru, the Registrar, informed us that Mr. Anaru could not assist the Commission and he was not called as a witness. On the facts it is plain that, as an officer of the Board, Mr. Anaru did not exercise any judgment in the control of the transaction. It is therefore a striking feature of this stage of the negotiations that the Board did not weigh and consider, as a trustee for a practically landless sub-tribe, what it should best do in their interests. It is also a striking feature of this stage that the negotiations were carried on by Wright. On the other hand, we do not think that Wright was acting independently. The evidence will indicate that he informed the Native Minister of his visit to Rotorua to make an inspection of Iles's property and of the result, and that he was associated to some extent during the negotiations with Mr. H. Tai Mitchell, but the evidence does not show that they controlled Wright's actions.

548. The evidence as to what occurred at Rotorua in connection with the purchase between the 10th April and the 23rd April, 1930, is not clear in some details, but the main course of action is clear. Wright informed us that he was over Iles's property "quite a number of times in connection with the improvements," but his first meeting with Iles in this matter was at Iles's house, when, according to Iles, Wright asked what would be a decent price, and Iles replied about £6,000.

549. Two days after this there occurred an inspection of Iles's property, which appears to have been of some importance in the mind of Mr. Iles in relation to his intention to sell to the Board. When asked whether he considered there was a connection between this inspection and the request to sell made by Wright, Mr. Iles answered "Absolutely. I was certain it was to do with the purchase by the Board, and I was determined then to sell." We think, then, that we should state the nature of this inspection, so far as we are able to do.

550. It is clear that somebody—Iles does not remember who it was—made an appointment with Iles to take a party over his property, and that he, in his own car, met two carloads of people at the corner of Wairoa Road, and they went out to his property. There were seven or eight people in the two cars. The only person Mr. Iles was certain of was a Mr. Carroll who, Iles was given to understand. was a Wairoa sheep-farmer—a half-caste—and who attached himself to Mr. Iles during the inspection It is clear, however, that Iles showed the whole party over the best parts of the farm. As Iles said, "Who would not?" when he intended to sell. Iles did not seem able to remember who the others were—whether they were Maoris or half-castes—but he was later asked, "It is clear, is it not, that apart from Carroll there were some Maoris or half-castes in the car?" and he answered, "I think there were some half-castes." Iles also stated that he thought Mr. Wright was in the party, but he would not be sure. Mr. Wright, when asked about this inspection, did not think there was any inspection made by Natives, and could not remember it. He was asked, "If Natives were inspecting the property you had no contact with them?" and answered, "I do not think so. I do not remember that at all." Iles stated that only the pasture, not the purchase, was discussed on this inspection. We must say, however, that we were dissatisfied with the way in which Iles and Wright gave their evidence about this inspection. It is indeed curious to us that Iles could explain so little about the personnel of this party of inspection which included, we think, Mr. Wright, and that Iles could only remember definitely the name of a half-caste farmer from Wairoa. The party, however, does not appear after the inspection as an influence in the transaction.

551. As Iles was then determined to sell, it seems appropriate to refer here to the question of options. We recognize that Iles was speaking from memory, but in his evidence he said, "They had an option of £6,000; later, I think the option was given for £5,500." In fact, the only option on the file is one for £5,000, and we now proceed to explain the course of events leading up to the giving of this option.

552. On the 22nd April, 1930, Wright wrote from Te Kuiti to Sir Apirana Ngata and said, *inter alia*, "I am going over to Rotorua to-night and will thoroughly inspect Iles's place and will report immediately." On the 23rd April, Wright again inspected Iles's property. On the 24th April, Wright inspected the Tihiotonga wethers and wrote a detailed report on Iles's property. This report is a glowing one. Wright concluded as follows:—

> "As this is the only place with any area of sound grass handy to Tihiotonga and Horohoro, and as its carrying-capacity can be very much increased by top-dressing, I feel that Mr. Iles price of £5,000 is a very reasonable one. The place stands on his books to-day at over £9,000. We are getting his experience for nothing.
>
> "I have had access to all the papers in connection with the place, and have seen that there are two other probable buyers who are only waiting for a decision from Mr. Iles, and this depends on your own decision.
>
> "I therefore suggest that you decide at the earliest possible moment, as it is essentia that the sheep at Tihiotonga be moved, and also that it is only a fair thing that Mr. Iles be notified at the earliest moment in case it is necessary for him to make other arrangements."

553. Upon the whole of the report made by Wright, we note:—

(1) There is no reference in the report to any person on whose instructions Wright made the inspection. Wright could not explain this, and agreed that it was curious.

(2) That Wright's feeling about Iles's price had changed between the 10th April and the 24th April. It may be that the price had in the meantime come down from £6,000 to £5,000, but there is no reference in the report to a lowering of the price, unless it can be inferred from this statement in the report: "Mr. Iles bedrock price for cash is £5,000, which does not include implements, horses and farm tools. I estimate the value of these at about £200, and we could probably buy them for about £100." There is no indication, however, that terms for payment of the price were ever suggested.

(3) That the evidence of Iles before us showed that there were no papers in connection with other buyers, and Wright could not collect any. Yet the plain inference from Wright's statement is that he had seen papers showing that there were two other probable buyers.

(4) That no alternative measures to the acquisition of Iles's property were suggested.

(5) That Wright stated that the carrying-capacity at the time would be 600 ewes, 45 dairy cows, and 100 dry cattle. The weight of the evidence before us is that the carrying-capacity was not more than 400 ewes or 600 to 700 wethers, and Wright could not tell us how he checked the carrying-capacity. He said he did not think he would have taken Iles's statement alone as to the carrying-capacity.

(6) There is no reference in the report to the Government valuation. Wright was well aware of the Government valuation. He told us, however, that he did not recollect seeing the Government valuer, Mr. Meredith, about Iles's property, though he thought later that he saw Mr. Meredith about a Crown leasehold at the back. Mr. Meredith stated positively in evidence that Wright had asked his (Meredith's) advice about the Iles's property, that he had shown Wright the Government valuation, and had advised Wright to leave the property alone. Having seen the witnesses, we accept, without hesitation, Mr. Meredith's evidence as true.

554. Events began to move quickly. On the 24th April, not only did Wright visit Tihiotonga to inspect the wethers and write his detailed report, but he went to Iles's house to discuss an option. Iles and Wright say that the Registrar, Mr. Anaru, was also present. Judge Holland gave no instructions with regard to this visit, and Wright admitted that he got the option on his own responsibility. On the evidence it is plain that Wright was in charge of this negotiation, not Mr. Anaru. While Wright was at Iles's house, a Mr. McDonald arrived at the door. When questioned, Iles said that he came into contact with McDonald "a few hours" before the option was given to Wright. The following is Iles's description of what occurred:—

> "Mr. Wright and Mr. Anaru were down at my house negotiating with me about the sale of the property to the Waiariki Land Board. While they were standing on my porch a gentleman pulled up in his car at my gate. I went out to him, and he wanted to know if this was Iles's place. He asked where was Mr. Iles. I said my name was Iles. He had a stick in his hand and he moved it about the gravel and said, 'You have a farm out near Mr. Dowling's place, have you not?' I said I had. He said, 'I have come from the Waikato to look at it. I want to purchase it on behalf of a nephew of mine.' He was a Scotch gentleman. He said, 'Where is it—up at the back of Dowling's?' I said it was not. I had some trouble to describe to him that my place was half-way up to Dowling's. Then he said to me, 'I am a buyer, and there are no terms about it; it is cash. What is your price?' I said I could hardly talk price at the time. He said, 'When can you take me out?' He said, 'It is a cash deal. There are no terms about it.' I said I could take him that afternoon. 'Why not take me now?' I said I had some guests. The appointment was made for 2 o'clock. He was staying at the Hotel Rotorua. I turned back to my guests who were on my porch, and Mr. Wright accused me as soon as I turned round of a put-up job. I said I was surprised at him making a statement like that, and that it just showed how easily one could misjudge a case. I said I had never seen or spoken to the man before in my life. He said it was a great coincidence. He then took an option over the property."

555. The following is Wright's description of what occurred:—

> "I remember one thing—that at the time I got this option a man came to Mr. Iles inquiring about the farm. I was a bit annoyed with Mr. Iles, because I thought he was working a 'slinter.' As far as I remember, it struck me that perhaps the man might be genuine, and in order to protect myself, I got this option."

Wright was also asked if the name "McDonald" brought anything to his mind, and he said he thought it was Mr. McDonald who was after the place for his son, and Wright continued in his evidence as follows:—

> "I think Mr. McDonald was the man who was there when I was getting this option from Mr. Iles.
>
> *Question:* "How did he behave?"
>
> *Answer:* "I do not think he behaved too well."
>
> *Question:* "What made you think that?"
>
> *Answer:* "From what I remember, I was extremely annoyed for having the man about. He left in a hurry. This is what happened: When I went to see Mr. Iles I think I heard raised voices—that is, from memory—but I remember quite well that I was very annoyed with Mr. Iles, and he came in after spending a few minutes at the door—that is what I remember. I think it was McDonald."

Question : " What did you do when you were annoyed with Mr. Iles ? "
Answer : " I told him it was not the right thing ; it looked to me as if they might have been trying to force me into a corner. I did not think Mr. Iles would have had anybody else there."
Question : " That is what McDonald's name brings to your mind. He left in a hurry—you say you were annoyed with Iles. What was Iles's reply ? "
Answer : " I think he told me it was all right. He would probably try and smooth me down—I should say so."
Question : " You were smoothed down ? "
Answer : " Apparently."

556. On the evidence given by Iles and Wright we are not satisfied that McDonald was a genuine buyer.

557. Immediately after this occurrence, Wright voluntarily and on his own authority (as is shown by his evidence and that of the Judge) obtained an option from Iles. Writes states that he paid £1 from his own pocket for the purpose. The following is a copy of the option :—

" Union Street, Rotorua, April 24, 1930.

" RECEIVED from C. M. Wright the sum of £1 (one pound) being for option over my farm at Ngapuna. The purchase price being £5,000 (five thousand pounds) cash. This option expires at 5 p.m., April 30th, 1930.

" ARTHUR J. ILES,
[*Stamp*, 2s.]
[*Initials*] " C. M. W."

(Wright said he was repaid this £1 by an officer of the Board. He thought by Mr. Anaru, but he was not certain. He said he never gave a receipt. The £1 was just handed to him. We may say that there is no record in the books of the Board of any such payment.)

558. After giving the option, Iles proceeded to interview Judge Holland, and the Judge thinks that Wright came with him. Wright said that he discussed his report with either Mr. Anaru or the Judge, and added, " I think I saw the Judge afterwards." Iles tried to get a higher price from the Judge than the £5,000 stated in the option. The Judge was left in ignorance of the option, but he had received Wright's report, and he said he would not go beyond the £5,000 mentioned in the report. The following is an extract from Judge Holland's evidence :—

" The option was revealed to me after Iles had asked for a higher price than the £5,000.
Question : " Can you recollect how the option was disclosed to you ? "
Answer : " I could not tell you."
Question : " Were you surprised ? "
Answer : " Undoubtedly I was surprised."
Question : " Did you say anything about it ? "
Answer : " I asked him why he had asked for a higher price."
Question : " What was the answer ? "
Answer : " I cannot tell you what his answer was."
Question : " He must have shuffled out in some way ?
Answer : " Undoubtedly."
Question : " Did that not make you suspicious ? "
Answer : " Not following on Mr. Wright's report. When you come to peruse it you will see it is a very full report, and what you might call a glowing report."

Iles informed us that he had no recollection of trying to get a higher price after he had given the option. Wright said :—

" I take it that what I would do would be to see Mr. Iles, get the option, and put a report in to the Judge at the same time. But I cannot remember."

We accept the Judge's evidence against both of these statements.

559. The Judge admitted that it did not occur to him to get a Government valuation. He should have got it in any event, and it is a further reflection on his business acumen in this transaction that when Iles was trying to get a higher price than £5,000 the Judge did not even then think of obtaining a Government valuation.

560. At least two telegrams were sent on the 24th April, to Sir Apirana Ngata, who was in the Hokianga district—viz., one from Judge Holland and one from Supervisor Wright, and there may have been one from the Registrar, Tiweka Anaru, in view of the fact that the Minister sent a telegram to him on the 26th. We have not been able to obtain Wright's telegram, or a copy of it (the Post Office copy having been destroyed), but the Judge sent the following telegram :—

" Sir Apirana Ngata, Dargaville or forward.

" WRIGHT reports absolutely necessary to acquire additional property to be worked with Tihiotonga and Horohoro. Has inspected Iles property 515 acres which he thinks can be acquired for £5,000. Wright values Iles improvements at over six thousand pounds. Board is prepared to provide necessary funds if it has your approval. This property is quite free from sickness. Matter one of urgency as other prospective buyers in field."

561. About this time Mr. H. Tai Mitchell must have become acquainted with the fact that Wright had made a complete inspection and must have become aware of the contents of Wright's report of the 24th April. He also had some previous knowledge of the negotiation. Mr. Mitchell said in evidence,

" The little I had to do with it was in connection with letting the Minister know that that purchase was under negotiation." The Minister, however, telephoned to Mr. Mitchell on the evening of the 25th April (Anzac Day) and the following is a copy of Mr. Mitchell's notes of the conversation :—

" Ohinemutu, Friday, 25th April, 1930.

" 7 p.m.

" Hon. Sir A. Ngata telephones from Opanake (not clear) :—

" 1. Telegrams received *re* Iles' property—one from Wright—price, £5,000.

" 2. Asks if price reasonable. Replied that Wright had made a complete inspection and was very favourable to its acquisition to work in with Tihiotonga in particular.

" 3. Informed Sir A. T. Ngata that I understood from Wright option expires to-morrow.

" 4. Sir A. T. Ngata then asked me to inform Judge Holland that if he is satisfied to purchase Iles' property at once.

" H. Tai Mitchell.

" 25/4/30."

562. On the 26th April the Native Minister sent three telegrams approving the purchase, one to Judge Holland, one to Mr. Anaru, and one to " Waiariki," the telegraphic address of the Board.

563. The transaction was quickly completed. The purchase-money was sent to the post-office at Rotorua. The transaction was apparently due for completion on the 26th April but was delayed until the 28th April. On Monday, the 28th, a search-note was obtained by telegram from Auckland, the Bank of New Zealand stated by letter of the 28th that it had no further claim against the lease, the documents of transfer had been signed, and the Registrar, the Solicitor to the Board, and Iles attended at the post-office where a Government cheque for £5,000 was paid over to Iles.

564. Mr. Iles was, of course, entitled to do what he liked with his own money and we refer to the following facts only because they are closely associated in time with the sale of Iles's farm to the Board, and because it is unusual for large cheques to be cashed in single pound notes.

565. Prior to this sale of his farm, Iles had sold his business in the Town of Rotorua and had money in the bank with which evidently he cleared the mortgage on the leasehold. He drew a cheque in favour of his wife on the 26th April, for £500, and he states that at her request he cashed it in single notes. He stated that he did not know what his wife did with those single notes. On the 2nd May he drew a second cheque in favour of his wife for £500, of which £200 was obtained in the form of single notes and the balance of £300 was deposited in her bank account. Iles told us, however, that he did not know in what form his wife got the £200. He could tell us nothing further about the cheques, except that they were both shown in his books in reduction of his account with his wife. That account showed at 1st September, 1927, that Mrs. Iles's account was in credit to the extent of £1,567-odd. The first alteration of that credit is dated the 26th April, 1930, when these two payments of £500 each were debited against Mrs. Iles, though one cheque was drawn on the 2nd May, six days after the other. The accounts show that the transactions between Mr. and Mrs. Iles had gone on for years past, but had ceased between the 1st September, 1927, and the 26th April, 1930.

566. Mr. Iles was not willing, through his counsel, that Mrs. Iles should give evidence. Counsel said that he knew that Mrs. Iles's memory was not good, and that she could not assist the Commission at all. But, as we had heard nothing directly from Mrs. Iles, we summoned her to attend. She informed the officer who served upon her the summons to attend that she had no intention of attending the Commission and they could do what they liked. As there was nothing in the evidence, as it stood, to show that the cashing of the two cheques, apart from the unusual form in which payment was made, might concern anything but the private affairs of Mrs. Iles, and, as it was clear from her statement that she was not disposed to assist the Commission, we thought it useless, having regard to the limitations imposed by the scope of our Commission, to attempt to carry any further this aspect of the inquiry.

567. The price paid by the Board was grossly excessive. Treating the property as a freehold, Supervisor Scott valued it as high as £2,500, although he appears to have thought £2,000 was nearer the mark. But the property was almost entirely leasehold, and its Government valuation in 1928 was under £1,500. Land had been falling in value between 1928 and 1930, and Iles had been unsuccessful with the property. Even allowing for the improvements mentioned to us by Iles since the Government valuation of 1928, any price above the £2,575 asked by Iles in 1928–29 would have been an unreasonable price for an ordinary purchaser, quite apart from a trustee buying on account of practically landless Natives who were expected to meet the cost. The idea of competition was introduced to assist in justifying the price. It was said by Iles that there was another buyer in the field as well as McDonald—a Mr. Otway. When asked how long after the option was given he came into contact with Mr. Otway, Mr. Iles first said about four days, and then said he thought Otway arrived on the evening of the 25th—a holiday. In any event, Otway, with whom, Iles said, there had been no correspondence, arrived after the option was given on the 24th, and we are satisfied that he had no effect upon the fixing of the purchase price.

We have already explained that there was a readily practicable alternative to the purchase of the property.

568. The Native Minister has revealed his mind on the subject of the price. Writing to Mr. Tai Mitchell on the 21st May, 1931, he referred to various matters of public administration, including the following :—

" 9. Mourea. I would go into it with greater zest if the Petherbridge negotiations resulted satisfactorily. At the same time I recognize that the lower the price the better I can justify the purchase to Treasury. The same applies to McDowell. Those interested must think that we want land at any price and are taking a line on the Wharenui and Puketawhero purchases."

The Minister informed us that the Wharenui referred to was either Orr's leasehold or Hill's leasehold. Hill's leasehold had been acquired in March, 1931, for £2,000. The Puketawhero purchase refers to Iles's property.

569. The Minister was rather indefinite as to how he ascertained that the price of the Iles purchase was excessive; but he thought he had heard it from Mr. Anaru or Mr. Mitchell towards the end of 1931. This, of course, would not account for his knowledge of it in May, 1931, and we presume that he must have ascertained the position at an earlier date, as he indicated he might have done through investigating the financial difficulties of the Waiariki Maori Land Board. The Minister's attitude generally with regard to the purchase is that his consent was merely formal, that the Waiariki Board was not at the time pressed for money, and that there was no occasion for him to concern himself particularly with it. We do not find it easy to reconcile this attitude with the fact that Wright was reporting direct to the Minister in the manner we have shown, and that Wright's report and the Judge's telegram to the Minister referred to the acquisition of the property for working not only with Tihiotonga, but with Horohoro.

570. The Waiariki Board acted incompetently in this purchase, but it relied upon Supervisor Wright. We think it due to Mr. A. G. H lland (the former President of the Board) to say that we have no hesitation in accepting the evidence which he gave, and that he is clear of any suspicion affecting his honesty or integrity. As we have said already in our Report, the training of a Judge does not qualify him to buy land or control a farm.

571. Summarized, the facts show—

(1) The Waiariki District Maori Land Board purchased for £5,000 a property, the Government valuation of which at the time was under £1,500.

(2) There was no real competition for the property at the time, and Wright's indication in his report to the Board that he had seen papers showing that there were two other probable buyers is contradicted by Mr. Iles's evidence that there was no correspondence of any kind between himself and McDonald and Otway, and that all communications between them were verbal; and Wright, in evidence, could not recollect any such papers.

(3) There was a practicable alternative to the purchase.

(4) Prior to the sale there was a visit to Mr. Iles's property of seven or eight persons. Mr. Iles connected the visit absolutely with Wright's negotiations for the purchase of the property. Mr. Iles thought that Wright was there and some half-castes, but he could only be certain of one person who came from Wairoa. This party does not appear after the inspection as an influence in the transaction.

(5) Supervisor Wright, on whose inspection and glowing report the purchase was rested, had been previously shown the Government valuation of the property by the Government Valuer for the Rotorua district and had been advised by the Government Valuer to leave the property alone.

(6) Supervisor Wright knew that the value of the property according to the Government valuation was less than 30 per cent. of the price of £5,000 which he recommended the Board to pay, and he did not refer to the Government valuation in his report.

(7) The Waiariki Maori Land Board failed to inquire for the Government valuation, and relied solely on the report of Supervisor Wright, even after Mr. A. J. Iles had attempted to increase the price mentioned in Wright's report.

(8) The control of the negotiations during the critical period leading up to the offer to the Board did not lie with the Board, but was assumed by Supervisor Wright, who reported direct to the Native Minister and was associated with Mr. H. Tai Mitchell to the extent shown by Mr. Mitchell's evidence, and by his memorandum of his telephone conversation with the Native Minister; but the evidence does not disclose that Wright was controlled by the Native Minister or Mr. Mitchell.

(9) The memory of Supervisor Wright was admittedly unreliable, and the memory of Mr. A. J. Iles was also unreliable in important matters and the evidence of each of them did not appear to us to be any more reliable than their memories.

(10) Within six days of the making of Supervisor Wright's inspection and report, the consent of the Native Minister was obtained, the documents of transfer were prepared and signed, and the sum of £5,000 was paid to Mr. Iles. One of the six days was a public holiday and another a Sunday.

(11) There is no evidence to show that any bribe was offered to or received by any one, but the circumstances of this extraordinary transaction are disquieting, and our disquietude has not been allayed by the evidence given to support and explain it.

The Purchase of Mrs. Revell's Lease.

572. Although only £125 was involved in the purchase of the goodwill of this lease, we do not understand why anything at all was paid.

573. Mrs. Revell took steps during 1931 to obtain a lease of Lot 6 of Section 148, Parish of Komakorau, at Gordonton, comprising about 42 acres. She was a widow and the file states that, with the assistance of her father, she intended to make a place for herself and her son (a youth). According to a statement made by her solicitor to Judge MacCormick, the President of the Waikato-Maniapoto Maori Land Board, she had paid £80 in acquiring the lease, £40 of which was paid to a Native Agent for negotiating the lease and procuring signatures. In December, 1931, provisional confirmation of the lease was granted. At this time Field Officer Tukere te Anga was reporting on land at Gordonton for the purposes of Native-land development, and he (as he informed Judge MacCormick) excluded Lot 6 of Section 148 as not suitable.

574. From the file it appears that Mrs. Revell broke down in health early in 1932 and could not go on with the idea of settling on the section. Her lease was still unconfirmed. The Native Minister stated to us that Mr. D. D. Wilson brought Lot 6 under his notice in March, 1932, when Mr. Wilson informed the Minister that he (Mr. Wilson) had an option on the lease to Mrs. Revell. The Native Minister had knowledge of Lot 6 from Tukere te Anga's report of November, 1931, and from a visit of his own to Ngaruawahia before Christmas, 1931. The Minister asked Mr. Wilson to submit the option in writing, and Wilson wrote the following letter dated the 6th March, 1932:—

"D. D. Wilson, Regd. Veterinary Practitioner and Canine Specialist.

"Hamilton, 6th March, 1932.

"The Hon. Sir Apirana Ngata, Minister of Native Affairs.

"DEAR SIR,—

"Further to our conversation *re* the property situated at Gordonton, I find this consists of approx. 41 acres on the main Gordonton Road opposite the store and Post Office—Allotment 148, Parish of Komakarau—has 25 years lease to run with right of purchase at £10 per acre. The 2nd, 3rd, 4th and 5th years are free of rent. The price asked by the owner Elsie Harriet Maria Revell is £125 but I take it the price is subject to the Native Land Court's approval, and I have no doubt they would have power to reduce the price.

"I have made a tentative agreement with the vendor but will be pleased to surrender in your favour if you wish to keep this block intact. It is a good piece of land and has a creek running through the centre.

"Yours faithfully,

"DAVID D. WILSON."

The "tentative agreement" may be the option spoken of by the Native Minister, although there is no copy on the files. The bill of costs of the solicitor who was apparently acting for both Mrs. Revell and Mr. Wilson, which was rendered to the Native Department in September, 1932, shows that in February, 1932, Wilson declined to complete a transfer of a lease from Mrs. Revell.

575. The Minister directed that Wilson's letter be referred to Tukere te Anga for a report, and on the 11th March Tukere reported. He apparently reversed his previous view, for he concluded, with regard to Lot 6, "It would certainly be suitable for inclusion in a scheme of development."

Tukere's report gives no grounds based on the condition of the land or otherwise for this change of front.

576. On the 17th March the Native Minister suggested that if final confirmation of the lease had not been agreed to, the land should come under the Waikato Development Scheme. Several communications passed between the Under-Secretary and the Waikato-Maniapoto Maori Land Board and on the 26th April, the President, Judge MacCormick, stated that the Board could not refuse to confirm the lease as the lessee had complied with all the conditions. The President, in his report of this date, shows, however, that the land was in a bad state with blackberry and ragwort, and he estimated that with a tractor and efficient implements it would cost £3 per acre to clear. Tukere thought that it would cost more.

577. The President also reported:—

"The only disquieting feature is the sale of the lease for £125. I have verified this. The proposed purchaser is Mr. Wilson of Frankton (Empire Hotel) whom the Native Minister knows well."

The President added:—

"Mr. Wilson I understand to be a practical and experienced man who probably would be able to make more of the place than the lessee and so ensure the rent and conditions of the lease being paid and performed. As to the price he has paid, people are usually willing to pay a premium for a completed Native lease rather than experience the delay, trouble and expense of acquiring one direct. Whether in this instance too much has been paid is a matter of opinion."

578. The Under-Secretary, Chief Judge Jones, again raised the question whether £125 should be paid for the goodwill of this lease. The Under-Secretary said in evidence that he warned the Minister in this case, because he thought the Minister had been misled. The Under-Secretary further said:—

"I did not think the Minister realized what was being done but I did not think it was my duty, after warning him, to do anything more."

The Native Minister directed the purchase to proceed, and added, "The Hukanui Natives are among the most needy of the Waikato district."

579. The lease was confirmed in June, 1932, and Mr. D. D. Wilson again appeared in the transaction in July. On the 7th July, he wrote informing the Under-Secretary that the lease had been completed and that he would be in Wellington next day. On the 8th July, Wilson telegraphed from Wellington to the Solicitor concerned as follows:—

"LOT six section one hundred and forty-eight Komakorau referring our conversation yesterday relative purchase leasehold interest am completing purchase as arranged between us [stop]. Hereby authorize you to transfer to my nominee His Majesty the King [stop]. Native Department will communicate with you regarding details."

The sale of the lease was duly made from Mrs. Revell to the Crown as the nominee of Mr. D. D. Wilson. As the purchase price was under £250, no special authority from Cabinet was required. Payment was made on the authority of the Minister under Cabinet's general authority to him to authorize payments up to £250.

580. The circumstances show that Mr. D. D. Wilson did not resume the transaction as the practical and experienced man, visualized by Judge MacCormick, who was going to make more of the place than the lessee (Mrs. Revell) and so ensure the rent and conditions of the lease being paid and performed. He resumed the transaction when he knew the Native Department was taking over and he immediately transferred his interest by making the Crown his nominee.

581. The following extract from the solicitor's bill of costs sent to the Native Department shows the position:—

"Mrs. E. H. M. Revell to you" (*i.e.*, D. D. Wilson).

"July. Attending you per phone as to the position of this lease and as to whether Native Department had given notice they intended to take over.

"Attending receiving telegram from you advising you intended now to complete and had appointed His Majesty the King as your nominee for transfer.

"Attending Mrs. Revell as to this position.

"Preparing and despatching telegram to you advising would complete with you as requested through Native Department."

582. The Minister had no justification for directing the Department to buy for £125 a liability to pay rent to Natives or to indemnify Mrs. Revell against her liability to pay that rent when it was going to advance money to those Natives for development purposes or was going to develop their lands on Government account. The bringing of the land under section 522 only enabled the Crown to prevent the exercise of the Natives' rights of ownership so far as they interfered with the carrying-out of works, and that apparently does not enable the Crown to prevent an owner from collecting his rent if the Crown buys the lessee's interest. We see no reason in the procedure. Furthermore, we agree with the view of the Chief Judge that the leasehold was in the nature of a liability rather than an asset, and we cannot understand why the Chief Judge's warning as to the amount being paid for goodwill was disregarded. Again, the subsequent history of the transaction shows that neither the Minister nor the Department could have had any real intention of developing the land immediately in the interests of needy Natives. In May, 1933, Lot 6 was reoccupied by the Native lessors, because no rent had been paid. They were later induced to vacate the land. In January, 1934, Supervisor Orr reported as follows:—

"No further progress has been made with the clearing on section 6. About 12 acres of this section have been cleared—it is badly infested with blackberry, and this has made a wonderful growth during the last two months, and if the work is not soon followed up the money spent on clearing will be lost."

583. As a Government purchase, this transaction is unsatisfactory, and adds to our disquietude over the methods of land purchase which were adopted.

The Purchase from Kingsbury.

584. On the 15th November, 1923, one Brice agreed to sell to Kingsbury, at £3 10s. per acre, 197 acres 2 roods, being part of an area of 772 acres comprising Rotomahana-Parekarangi No. 6A 2, 4B, 1A 1B. The price was £3 10s. per acre, payable on the 1st July, 1928. In each year during the term the purchaser was required to effect permanent improvements of the value of £100 at least. No interest on unpaid purchase-money was payable during the first three years, but as from the 1st July, 1926, the purchaser was required to pay the vendor interest at 5½ per cent. per annum payable half-yearly. If the purchase was not completed on the due date, the purchaser was required to pay interest at 7 per cent. per annum on the unpaid purchase-money until completion. There were the usual remedies for breach of the agreement.

585. In April, 1927, the title to the 772 acres, which carried the benefit of Kingsbury's agreement, was transferred for the stated consideration of £1,000. In August, 1927, the 772 acres were exchanged for a lot in the Suburbs of Auckland. This suburban lot appears to have been valued in 1923 at £1,580, and, in 1926, at £1,605, but a Government valuation of the 772 acres, made in March, 1928, showed a capital value of £480 (unimproved value, £380; improvements, £100). This therefore included the value of Kingsbury's 197 acres, which he had agreed to buy at £3 10s. per acre.

586. In September, 1930, the Native Land Purchase Board approved of the acquisition of the 772 acres for consolidation purposes at £2 5s. per acre. There are no reports or valuations on the file, except the above-mentioned Government valuation of 1928. The Chief Clerk could tell us of no inquiry as to the solvency of Kingsbury, who owed £691 5s. for purchase-money under his agreement to purchase the 197 acres. In November, 1930, the purchase of the 772 acres was completed and the vendor was paid £1,737. In January, 1931, the Department wished to acquire Kingsbury's equity in the 197 acres and, about Easter 1931, the Department offered Kingsbury £1,000. Kingsbury was, however, a person obsessed in mind and he refused to sell his equity.

587. In November, 1931, Kingsbury was adjudicated a bankrupt. The Department appears to have had some arrangement with Kingsbury's creditors that it would buy his equity. The Department had a valuation showing Kingsbury's improvements in February, 1931, at £541 10s. This valuation was made by Mr. W. J. Parsons, a farmer in the district. Although the Crown held the legal title to Kingsbury's area and Kingsbury owed the Crown £691 5s. for purchase-money for the 197 acres, as well as interest in arrear, the Chief Clerk suggested to the Native Minister that the Crown should buy the bankrupt's equity for £772—*i.e.*, £1 per acre—and the Native Minister approved the purchase. The Chief Clerk appears to have overlooked the amount owing to the Crown as a set-off. If that amount were set off, it appears to us that the bankrupt had no equity in the property. In effect, the Crown was buying for the amount of its debt, £691 5s., plus the £772.

588. On the 14th January, 1932, Cabinet approved the purchase of Kingsbury's equity at £772. The Under-Secretary's memorandum submitted to Cabinet recommending the purchase made no reference to any valuation or inspection of the land. It did show that the Crown had acquired the benefit of Kingsbury's agreement. It also explained that Kingsbury had repeatedly refused all offers made to him, but did not state that this was probably due to the fact that Kingsbury suffered from obessions.

589. On the 7th June, 1932, Treasury wrote to the Under-Secretary of the Native Department stating that the Audit Office had expressed the view that the purchase price was excessive. Treasury's memorandum continued :—

> "As it appears from your memo. to W. J. Parsons, Esq., dated 9th August, 1930, on your File 1/8/20, that the whole area of 772 acres was sold in 1922 for £1,170, and in 1927 for £1,000, Treasury would be glad to know on what grounds the proposal to pay £772 to the Official Assignee for the surrender of his right to purchase 197 acres for £691 5s. was made, as this arrangement would appear to benefit the other creditors at the expense of the Crown, and has resulted in the cost to the Department of this 197 acres amounting to approximately £6 an acre."

The Under-Secretary replied two days later as follows :—

> "Audit office appears to have overlooked the fact that there is already a concluded contract for the purchase of this land and that Cabinet had approved of the purchase. The freehold of the block was purchased some time ago with the benefit of Kingsbury's agreement for sale and purchase. An offer of £1,000 was made to Kingsbury for his interest which he refused. As it was essential to have the Kingsbury's area for our development operations, and as Kingsbury definitely refused to sell, other means of acquiring the interest had to be taken. The Crown's vendor agreed to take action against Kingsbury for interest provided this Department would make an offer of purchase in the event of Kingsbury being made a bankrupt, and this led to a reduced offer of £772, equal to £1 per acre over the whole block, being made. Incidentally the purchase will enable interest at 7 per cent. from 5th November, 1930, on £691 5s. to be collected, thus reducing the purchase-money to £696 18s. as shown in the voucher. Your memorandum of the 7th June instant overlooks the fact of Kingsbury's improvements being included in the purchase."

This memorandum completely overlooks the fact that the Crown should have bought at market price, otherwise it was giving special advantages to the other creditors of Kingsbury.

590. Treasury was not satisfied, and asked the Department to obtain a valuation of the improvements. The Chief Clerk wrote privately to Parsons for a copy of Parsons's valuation made in February, 1931. (Apparently the Department could not find a copy of this valuation.) There is no copy of this private letter on the file. Parsons replied on the 30th June, 1932, and included his valuation in the body of his letter. The valuation shows improvements such as fencing, grass lands, cow-shed, &c., at £545 10s. At the foot of his letter Parsons placed a postscript as follows :—

> (*Sic*) "P.S. ~~I do not think~~ I am of the opinion that improvements now would be valued at about £250. W. J. P."

A copy of this valuation was sent to the Treasury as a valuation of the improvements made by Parsons early in 1931. The postscript was omitted. The Chief Clerk's explanation for the omission of this postscript is that the valuation which he discussed with Mr. Rodda, of the Treasury, was a valuation of 1931 and he considered he was under no obligation to acquaint Treasury with the fact that in June, 1932, the improvements were worth less than one-half their value in February, 1931.

591. The facts of this purchase show that the bankrupt could have had no equity in the property as against the Crown, and the transaction is another example of the loss caused to the Department by incompetent methods of land purchase.

The Conflict between Interest and Duty on the Part of certain Persons.

592. We have been impressed by the fact that certain persons holding important positions in the administration of the Native-land development schemes have occupied positions in which their interest conflicted with their duty. We refer to the following persons :—

(1) *The Native Minister and Messrs. Fenn and Goldsmith.*

593. The Native Minister was in virtual charge until January, 1933, of the expenditure of the authorized funds of the development schemes and he exercised personal control over the stock-purchases. He was chairman of directors of the Waiapu Farmers' Co-operative Co., Ltd., until the 7th October, 1932. While he was chairman of directors of the company, he, as a Minister of the Crown, made many purchases of stock for the Crown from the company. He also exercised the power to fix the price of sheep sold by Native shareholders of that company to the development schemes. We refer by way of example to the sale of the sheep for the Ruatahuna Scheme, upon which we have made comments elsewhere (see paras. 514 to 517 inclusive).

594. With regard to the Maori unemployment funds, the Minister exercised control over the allocation of the funds. He was not only chairman of directors of the Waiapu Farmers' Co-operative Co., Ltd., as we have indicated above, but he was also chairman of directors of the Ngatiporou Co-operative Dairy Co., Ltd., from the 3rd April, 1924, until the 6th August, 1932. He appointed Mr. Goldsmith, an officer of the Waiapu Farmers' Co-operative Co., Ltd., and Mr. Fenn, an officer

of the Ngatiporou Dairy Co., Ltd., as officers for the Northern Waiapu area to submit applications for unemployment assistance. We think that there was justification for the appointment of these officers in remote districts, but it was unfortunate that the Native Minister should also have had to decide upon the applications for assistance which these officers submitted. There is no doubt that the stores accounts of these companies substantially benefited because of the allocations of the unemployment grants to persons who were shareholders in the companies.

595. There is no doubt also that these companies benefited by the expenditure of development-scheme moneys and by the supply of stores to the shareholders of the companies. A proper check should have been placed on the accounting. The Native Minister failed to see that these men were placed under the control of the Gisborne office, and, indeed, he did not desire that that control should exist. The Native Minister made the following explanation to us :—

> " I do not, in reviewing the events and arrangements made in regard to the organization of development and unemployment work absolve myself from placing the Department, myself as Minister, the two companies with which I was associated, and Messrs. Fenn and Goldsmith in the position which had in it the risk of corruption and false dealing. But the decisions made at the time to relieve urgent problems were based on an absolute confidence, founded on many years experience, in the integrity of the two men."

596. With regard to the Native Trustee, the Native Minister was in charge of the Native Trust Office. He was also chairman of Incorporated Blocks, which were mortgaged to the Native Trustee. Some of these blocks were substantially in arrear with their interest, and we have been unable to avoid the conclusion that the Native Trustee was hampered in taking action for the recovery of the arrears by the fact that the Native Minister was in the position of a mortgagor to the Native Trustee. For details, we refer to Part XIII of our Report.

597. The position disclosed is a serious one. With regard to the Minister's relationship to the Native Trustee, Mr. Findlay submitted that if weight were given to the position of the Native Miinster as a Maori in charge of the Native Trust Office, then it was not probable that any Maori could be Native Minister, because he would very likely be interested either personally, or as a member of an incorporated block, or in a representative capacity, as a mortgagor to the Native Trust Office. In so far as this matter raises a question of Government policy, we have no comment to make. From the administrative point of view, it is plainly open to grave objection, and should not, we think, be permitted even when a Maori is otherwise Native Minister.

(2) *Mr. H. Tai Mitchell.*

598. We have already referred to the invidious position occupied by Mr. Mitchell in respect of the advances made by the Waiariki Maori Land Board to the committee of management of the Taheke 3D and adjoining blocks, and in respect of the purchase by the same Maori Land Board of the Tihiotonga Station. We refer here to other matters of a similar kind.

599. Mr. Mitchell held, among various other offices, that of field supervisor in charge of the field work in the Waiariki Maori Land Board District at Rotorua. He was also a surveyor. As from the 1st April, 1929, he took into partnership Mr. F. A. Gainsford, the firm practising under the name of Mitchell and Gainsford. The arrangement of the survey work for the development schemes in the district was done by Mr. Mitchell. Mr. Gainsford did the work, and Mr. Mitchell received his share of profits. Mr. Mitchell informed us that in August, 1933, he arranged to terminate his partnership with Mr. Gainsford as from the 31st March, 1933, and to sell his interest in the business to Mr. Gainsford upon the terms that the profits received by Mr. Mitchell since 1929 were to be accepted by him as payment by Mr. Gainsford for Mr. Mitchell's goodwill in the business. A document to this effect has been produced to us, stating that the payments so made to Mr. Mitchell amounted to £641 15s. 6d.

600. Mr. Mitchell was also chairman of the Arawa Trust Board. As such, he considered that the Board would do what he asked it to do. As a field officer, with the authority of the Minister, he ordered development-scheme fencing-materials to be used at his private seaside residences at Maketu. He failed to see that the charges were promptly entered up against him in the development scheme accounts. Later, when,as he put it, the time for accounting arose, he placed his sections in a list of sections for the fencing of which the Arawa Trust Board was to pay, and the Arawa Trust Board duly passed a resolution which would enable it to pay such amounts. We refer for details to our comments upon the fencing at Maketu in another part of our Report (paras. 463 to 477 inclusive).

601. Furthermore, the Arawa Trust Board, of which Mr. Mitchell is chairman, is the owner of the Maketu Farm, which is subject to a charge to the Native Department to secure advances. Yet, as supervisor for the Department, Mr. Mitchell was expected to guard the interests of the Department.

602. Care should be taken in the future to avoid placing administrative officers in positions where their interest conflicts with their duty.

Rating on Native Lands.

603. The Native Minister informed us that when the development schemes were discussed with the Natives and the local bodies stress was laid on the view that the work of Native land development would eventually place the Native farmer in a position to undertake his full share of rating responsibility. " Eventual responsibility " appears to mean responsibility when the land has reached a productive stage at which the overhead costs of development can be gradually met in addition to the payment of current expenses. We have not found any indication in the evidence that rates should be levied on land which is under development and subject to a charge for State funds, until the stage we have mentioned is reached.

604. It is plain on the evidence that the above-mentioned stage of development has been reached in various cases, but that no rates have yet been paid. The evidence of the Native Minister shows that two years ago half the units in the Hokianga district could have paid something towards rates. To-day, the units on the Ruatoki Development Scheme could, and, as the Native Minister says, ought, to pay rates. The position appears to be the same with the Whakatohea units. There are, no doubt, others. The reason given by the Native Minister for the failure to pay is that Treasury and Audit object to a Department of State arranging to pay rates for Natives. We are firmly of opinion that this is no adequate ground for the failure to collect rates from units. No doubt it is convenient that in many cases the Native Department should act as the agent of the Natives, but we recommend that some procedure should be found and established to enable one of the primary objects of the expenditure of State funds—viz., the payment of rates—to be fulfilled. Moreover, the Natives have been rendered able to meet rating obligations not only by the expenditure of State funds, but by the use of roads maintained by the local bodies.

605. We understand that there was a proposal in a Bill before Parliament last year to permit the amount of rates to be paid by Native farmers to be fixed by the Minister of Finance. Without having had the advantage of a discussion of the matter, we do not suggest any definite procedure. We think that some procedure should be established and that it would be proper that neither the rating authority nor the Native Land Settlement Board should be entitled to the final decision as to the amount of rates to be paid while State funds remain secured upon the lands. On the other hand, both of these bodies should be entitled to make representations to the person appointed to make such decision—*e.g.*, the Minister of Finance.

606. We have had a complaint from the Bay of Plenty district that lands in the occupation of Europeans, in respect of which rates were paid in the past, have been bought for the Native land development schemes. Such lands have become Crown land and have ceased to be rateable and a source of revenue to the local body. We think that this aspect of the matter should be kept in mind when any purchase of European land is under consideration for the purposes of Native land development.

607. At Gisborne, Mr. F. J. Williams complained in effect—(1) that rates owing to the Matakaoa County on individualized Native land in productive occupation were heavily in arrear, and that this was due to the lack of facilities for collection; (2) that application for the remission of rates had in the past been made by or on behalf of Native farmers who appeared to be able to pay rates; that remissions had been granted on request by the local body in a friendly manner in the hope of payment in the future, but that no improvement had resulted; (3) that when Europeans farmed land they paid rates on it, but when the same land came subsequently into the occupation of Natives and was farmed by them they did not pay rates; (4) that those Natives who paid their rates suffered just as much as Europeans by the failure of those Natives who did not pay their rates.

608. We think that where Native land is under development and State funds are charged upon it, the payment of rates should be subject to the recommendations we have already suggested. With regard to Native lands not in that position, we think that the question of enforcement of rates should not be left in the hands of the Native Minister alone as is the case at present (see section 109 of the Rating Act, 1925). We think that it would be better to place the decision in the hands of a Board. Possibly the Native Land Settlement Board could be substituted in this matter for the Native Minister.

609. With regard to the other complaints made by Mr. Williams, we think that, where European land is bought for land-development schemes, the consideration we have mentioned in respect of the Bay of Plenty complaint on this point should be kept in mind.

610. With regard to the remaining complaints, we think that, in so far as the idea has been inculcated that Maori farming according to European standards should also be in accordance with Maori customs and traditions, trends of thought may arise which will not render the Maori farmer anxious to pay rates. The enormous arrears of rates on the East Coast lead us to think that there should be a positive educational compaign on this subject. We think that a situation has arisen in which the duty to pay rates and the privilege of being able to discharge that obligation should be emphasized by the Maori leaders themselves. The fact that road access is likely to be more readily available to Maori farmers in the future and that motor-transport will be of increasing assistance to them should give added point to such an appeal. Civic teaching in the schools might have an effect in time. We suggest also that County Councils may think fit to ally themselves with the Native land development schemes by offering prizes for the best farms of different classes in their districts. We remind ourselves that Your Excellency has given a lead in this direction, and that we had the pleasure of inspecting the well-kept farm of Mr. William Swinton, in the Bay of Plenty district, which won Your Excellency's prize. It might be possible also for County Councils to help with the supervision of any Maori farms where the assistance proffered was acceptable, or to show in any other way their sympathy and a desire to help in a positive way.

We have made these suggestions because we are confident that the mental attitude on the part of the Maori farmer in regard to the payment of rates plays a part of some importance in the problem.

PART XII.—THE FUNDS AVAILABLE TO THE MAORI PEOPLE.

611. The funds upon which we report, as the result of our inquiry, are the following:—

(1) The Civil List.
(2) The Maori Purposes Fund.
(3) The East Coast Maori Soldiers' Fund.
(4) The Fund of the Arawa Trust Board.
(5) The Fund of the Tuwharetoa Trust Board.

Only one sum of £5,000 has been paid to the Taranaki Trust Board, and the fund of that Board was not raised before us for inquiry.

Civil List—Native Purposes.

612. We report upon this fund only for the purpose of making a brief explanation of its nature and objects.

Section 23 of the Civil List Act, 1920, is as follows:—

"Grant for Native Purposes: There shall be payable to His Majesty in every year out of the Consolidated Fund the sum of £7,000 for defraying the expense of Native Purposes."

This grant is commonly looked upon by the Maori people as a direct gift instigated by Her Majesty Queen Victoria, and is referred to by them as the Victorian Bounty.

The average annual expenditure is (approximately) as follows:—

	£
Medical services	3,600
Pensions	300
Food, clothing, &c.	1,700
Contingencies, such as funerals, *tangis*, erection of tombstones, subsidy to farming communities, purchase of flags, fares, water-supplies, miscellaneous	1,400
	£7,000

The grant has a sentimental value and is useful. We have no recommendation to make.

The Maori Purposes Fund.

613. The Maori Purposes Fund (which now exists under section 46 of the Native Purposes Act, 1931) was established as from the 1st April, 1925, by section 3 of the Native Land Amendment and Native Land Claims Adjustment Act, 1924. That section provides that a sum of £90,000 shall be contributed to the "Maori Purposes Fund Account" by the various Maori Land Boards out of the accumulations of unallotted interest held by them. The proportions of the contributions were to be determined by the Native Minister. The account was to be kept by the Native Trustee and to be administered by a Board called "The Maori Purposes Fund Control Board." The amounts respectively contributed by the Maori Land Boards to the original fund were as follows:—

	£
Tokerau	12,000
Waikato-Maniapoto	30,250
Waiariki	14,500
Tairawhiti	11,000
Aotea	18,400
Ikaroa	3,000
South Island	850
	£90,000

The Act provided for a further yearly contribution from the Maori Land Boards not exceeding £7,500, if so directed by the Minister. No such direction has been given.

614. Section 13 of the Native Land Amendment and Native Land Claims Adjustment Act, 1925, recited that the Control Board of the Maori Purposes Fund Account had decided, *inter alia*, to apply certain portions of the revenue of the said fund for the purposes of the higher education and advancement of Natives who have proved their aptitude, and that this was considered a service worthy of national support and of monetary assistance by the State. The section then provided for payment out of the Consolidated Fund to the Maori Purposes Fund Account of five annual sums of £3,000, each payable in successive years, the first payment to be made on the 1st April, 1926. These five sums have been duly paid to the Board.

615. The following table shows the receipts of the Fund from its inception to the 31st March, 1934, the grand total being £142,195:—

Receipts.

—	Maori Land Boards.	Maori Secondary Schools Aid Fund.	Native Trustee Interest.	Grant Consolidated Fund.	Civil List.	Gifts.	Refunds.	Totals.
	£	£	£	£	£	£	£	£
31st March, 1926 ..	90,000	137	3,836	..	..	..	..	93,973
,, 1927 ..	..	..	3,975	3,000	..	..	10	6,985
,, 1928 ..	..	..	3,872	3,000	..	..	60	6,932
,, 1929 ..	..	..	3,749	3,000	..	..	..	6,749
,, 1930 ..	900	..	3,659	3,000	100	999 (Toko. Bay House.)	58	8,716
,, 1931 ..	600 (E'quak Relief.)	..	3,473	3,600	..	..	51	7,724
,, 1932 ..	650 (E'quake Relief.)	..	3,059	..	..	..	88	3,797
,, 1933 ..	..	..	2,294	..	..	..	8	2,302
,, 1934 ..	200	..	2,173	..	..	2,592	52	5,017
Totals ..	92,350	137	30,090	15,600	100	3,591	327	142,195

616. The Maori Purposes Fund, with its investments, is under the control of the Maori Purposes Fund Control Board established by section 3 of the Act of 1924, now section 46 of the Native Purposes Act, 1931. The Board is constituted under regulations made by the Governor-General, which provide that the Board shall consist of the following members:—

The Native Minister, who shall be Chairman.
The Under-Secretary of Native Affairs, who shall be Deputy Chairman.
The Director of Education.
The members of the House of Representatives for the time being representing the Maori race.
Such other person as may from time to time be appointed in that behalf by the Native Minister.

617. The regulations make the following provision for meetings of the Board. The Board shall meet for the despatch of business at such times and places as the Board, the Chairman, or Deputy Chairman, may from time to time direct. Once at least in every year a meeting (hereinafter called the annual meeting) shall be held at Wellington. The time and place for such meeting shall be fixed by the Chairman, and shall be held (if possible) during a parliamentary session. A quorum at any meeting of the Board consists of three members, and no business beyond adjournment of the meeting may be transacted unless a quorum is then present.

618. Complaint has been made to us that meetings of the Board have been held without notice to all the members of the Board. The permanent members of the Board are the Native Minister, the Under-Secretary of Native Affairs, the Director of Education, and the members of the House of Representatives for the time being representing the Native race. The non-permanent members are those appointed by the Native Minister. Under Regulation 3, they hold office for two years. The non-permanent members have not been regularly reappointed in writing upon the expiration of their period of office, but the regulation, curiously, does not require an appointment or a reappointment in writing. On the other hand, Regulation 4 provides that the Native Minister may at any time, by writing under his hand, remove from office any member appointed by him. As the members appointed by the Native Minister from December, 1924, onwards have sat with the Native Minister at the Board meetings, even though their formal appointment had lapsed, we think it proper to assume that there has been some oral reappointment sufficient to comply with the regulation. The position is not satisfactory, and should be properly regulated by appointments and reappointments in writing. Regulation 3 should also be redrafted to indicate to whom the resignation of a non-permanent member should be sent and who has power to accept it.

The view we have taken disposes of the need for considering whether any particular member of the Board was or was not a member of the Board at any particular time.

619. Mr. K. S. Williams, M.P., states that he had no notice of the four meetings of the Board held between the meetings which he attended on the 24th March, 1931, and the 6th December, 1932. These four meetings were attended by only three members of the Board. This number constitutes a quorum of a valid meeting, but it does not follow that, because three members of the Board meet together, a meeting of the Board takes place. A quorum implies a valid meeting, and it appears that there can be no valid meeting unless all the members of the Board are notified of the direction to meet. If it were otherwise, then the Chairman might call together three members of the Board, and the

Deputy Chairman might call together three other members of the Board (in each case without the knowledge of any other members), and each meeting might pass such resolutions as it thought fit, with, perhaps, strange results if there were strong differences of opinion on the Board. The mere fact that the Secretary chose to attend one group and not the other would have no effect. We think, therefore, that where meetings have been held without notice to all the members of the Board, such meetings have not been valid meetings of the Board.

620. The following purposes have been declared by Regulation 27 of the regulations made by the Governor-General as the purposes for which the fund or its income may be used and expended:—

(*a*) The education (physical, mental, technical, and social) of Natives.
(*b*) The founding of scholarships and exhibitions for Natives, and the payment of such moneys as may be deemed expedient in connection therewith.
(*c*) Contributions to Maori Secondary Schools' Aid Fund, established under section 6 of the Native Land Amendment and Native Land Claims Adjustment Act, 1921–22.
(*d*) Contributions to Maori Ethnological Research Fund, established under section 9 of the Native Land Amendment and Native Land Claims Adjustment Act, 1923.
(*e*) Support of the Polynesian Society of New Zealand and any other society which has for its object the study and investigation of matters concerning the Maori and cognate races of the South Pacific Ocean.
(*f*) Such other purposes as the Native Minister may, on the recommendation of the Board, from time to time appoint.

621. The Controller and Auditor-General has specifically raised the question whether clause (*f*) of this regulation is *ultra vires*. We are not a Court of construction, but, as the question has been directly raised, we think we should express our view upon it, particularly as legislation may be necessary with regard to the Fund. The statute (section 3 (4) of the Native Land Amendment and Native Land Claims Adjustment Act, 1924, now section 46 of the Native Purposes Act, 1931) confers upon the Governor-General a specific authority to make regulations in respect of, *inter alia*, a specific matter—viz., the purposes for which the moneys in the Account or the income arising therefrom are to be used or expended. By such an authority, the Legislature has authorized the Governor-General to exercise a delegated power of legislation, not a mere power to do an executive or administrative act. Such a power of legislation may not itself be sub-delegated without express authority in the Statute: *Geraghty* v. *Porter* ([1917] N.Z.L.R. 554). There is no such authority here, and no protection of a regulation which delegates authority as in section 28 (1) of the Board of Trade Act, 1919. Yet clause (*f*) constitutes a sub-delegation of a delegated power of legislation. It is therefore *ultra vires*, and the expenditure under it has not been authorized by the legislation.

622. Apart from this ground we are not aware that the Native Minister has ever appointed a purpose on the recommendation of the Board. That procedure would have imposed some solemnity upon the consideration of the matter, an advisable thing if the purpose so nominated were not *ejusdem generis* with the specific purposes stated by the Governor-General in the preceding clauses.

623. It has been assumed in good faith that clause (*f*) was a valid clause and we recommend that legislation should be enacted to provide that the clause shall be deemed to have been validly made as from the date of the making of the regulation. We later submit a recommendation with regard to the provisions of the general clause in the future.

624. The function of the Control Board in relation to expenditure on the specified purposes is defined by Regulation 26, which states, in effect, that the Control Board may, in its discretion, do what it thinks expedient or desirable to promote these purposes. This is a wide power, which is reasonable upon the basis that the purposes of expenditure are defined by the Governor-General and are not at large in the discretion of a quorum of three. The following table, which has been prepared under various headings, shows how the Board has exercised its discretion in expending the moneys of the Fund from its inception to the 31st March, 1934.

MAORI PURPOSES FUND.—SUMMARY OF PAYMENTS, 1ST APRIL, 1925, TO 31ST MARCH, 1934.

——	Educational.	Arts and Crafts.	Ethnological Research.	Earthquake Relief.	Publications.	Aerial and Soil Surveys.	Fares.	Polynesian Society.	Salary and Allowances.	Office Requisites.	Commission.	Te Aute College Buildings.	Huis.	Unemployment Relief.	Sustenance.	Church Buildings.	Salary: Te Puea Herangi.	Rates.	Pas, Buildings, and Sickness.	Totals.
31st March, 1926	5,021	..	..	..	..	..	..	300	68	23	60	..	..	..	..	..	..	..	..	5,472
,, 1927	2,948	..	..	..	..	..	..	400	79	..	60	1,600	..	..	..	..	..	..	..	5,087
,, 1928	4,263	1,250	2,400	..	40	..	145	..	117	63	60	1,888	49	..	72	..	..	..	..	10,347
,, 1929	4,358	359	1,750	..	..	..	500	..	105	33	60	1,816	275	..	..	1,300	..	21	..	10,577
,, 1930	2,981	500	600	..	..	..	52	..	100	..	60	2,214	810	..	..	900	..	..	1,671	9,888
,, 1931	3,479	1,800	3,800	250	..	88	1,753	..	100	508	60	1,702	800	25	..	..	..	..	3,591	17,956
,, 1932	2,457	368	..	1,613	..	459	401	..	100	63	60	373	3	..	..	..	100	..	1,146*	7,143
,, 1933	1,580	797	732	..	..	116	513	..	90	275	60	627	29	..	..	675	56	..	692*	6,242
,, 1934	1,554	402	2,058	..	..	..	663	..	83	2	60	..	780	71	(Wages cutting thistles) 815		82	..	3,360	9,930
Totals ..	28,641	5,476	11,340	1,863	40	663	4,027	700	842	967	540	10,220	2,746	96	72	3,690	238	21	10,460	82,642
																			Cash, 31st March, 1934		59,553
																				£142,195

* Includes £500 per annum salary to Dr. Wi Repa.

625. We propose to make reference to the expenditure, firstly for educational purposes and secondly for general purposes.

626. The amounts expended for educational purposes to the 31st March, 1934, total £42,551. The following table shows the allocation of that amount among the schools of the religious denominations; the State schools and New Zealand University; and the Hawkesbury Agricultural College, New South Wales.

MAORI PURPOSES FUND.—SCHEDULE OF EDUCATIONAL GRANTS FROM 1ST APRIL, 1925, TO 31ST MARCH, 1934.

	£	£	£
Church of England:—			
Scholarships—			
Te Aute College, Hawke's Bay	3,908		
Hukarere Girls' College, Hawke's Bay	3,155		
Queen Victoria Girls' School, Auckland	2,612		
Christ's College, Christchurch	120		
Waerenga-a-hika College, Gisborne	217		
St. Margaret's College, Christchurch	60		
St. Stephen's Maori Boys College, Bombay, Auckland	2,925		
		12,997	
Buildings—			
Te Aute Trust Board: Grant towards Te Aute College buildings programme (£8,000, payable by five yearly instalments, plus interest). Full amount paid	8,720		
Te Aute Trust Board: Grant towards earthquake damage to Te Aute College and Hukarere Girls' College. Total grant £2,000. Amount paid to date	1,500		
St. Stephen's Maori Boys' College, Bombay, Auckland: Interest at 4½ per cent. on grant of £10,000 towards cost of school. Resolution dated 14th August, 1929. Interest to 1st November, 1933. No instalments of principal paid	1,125		
		11,345	
Miscellaneous—			
Te Aute Trust Board purchase of pedigree cattle. (Recoveries, sale £41)		299	
			24,641
Roman Catholic:—			
Scholarships—			
St. Joseph's Girls' School, Napier	1,991		
St. Bede's College, Christchurch	80		
Sacred Heart College, Auckland	113		
St. Patrick's College, Wellington	390		
Convent School, Te Aroha	5		
Waipounamu Girls' School, Christchurch	72		
		2,651	
Buildings—			
St. Peter's Rural Training School Auckland: Grant of £2,000 towards building programme made in January, 1928. First instalment paid May, 1928		400	
			3,051
Presbyterian:—			
Scholarships—			
Turakina Girls' School, Marton		1,114	
Buildings—			
Turakina College: Grant of £4,500 for building programme—			
Instalment paid to date	1,800		
Interest paid on unpaid balance	365		
		2,165	
			3,279
Wesleyan:—			
Scholarships—			
Wesley Training College, Paerata			713
Church of Latter-day Saints (Mormon):—			
Maori Agricultural College, Hastings: Grants towards maintenance of building			300
State Schools and New Zealand University			1,732
Hawkesbury Agricultural College, Richmond, New South Wales: Grants to Maori students			1,670
Individual grants to sundry students			4,916
Travelling-expenses, accommodation, and other expenses of sundry students			2,249
			£42,551

627. Complaints of maladministration of the fund in relation to grants for secondary education were made to us by Mr. R. C. Clark, the Principal of Wesley College, Paerata, Auckland, and Mr. John Matapura Ellison, licensed interpreter and farmer of Puketeraki, near Dunedin.

628. We make the following comments concerning grants for secondary education. At its first meeting, on the 1st July, 1925, the Board resolved that the Maori holders of Junior Free Places be granted £10 each towards the expenses of attending school, to be paid to pupils through the Education Department. Native-scholarship holders from Native primary schools, whose scholarship was equivalent to a Junior Free Place, were treated in the same manner. This was a very useful grant. It appears that it costs at least £50 per annum to maintain and educate a Maori boy at a secondary school. The cost of equipping a boy for his first year is from £12 to £15 and for his second year about £10. The Maori Purposes Fund Control Board, however, in March, 1929, reduced its grant-in-aid from £10 to £7 10s., and in March, 1931, to £6. In May, 1932, this grant was reduced to £3 10s.

629. *Continuation Scholarships.*—The Maori Purposes Fund Control Board, on the 30th September, 1925, resolved to grant continuation scholarships not exceeding twenty-five in number for each year. The grant was subject to the recommendation of the pupils by the Education Department. The scholarships made provision for a pupil's education for one year beyond the first period of two years covered by the Junior Free Place. They were of the value of £40 each, £10 being payable to the student, and the balance to the educational institution. The first four of these scholarships were granted to four pupils of the Hukarere Girls' School, Napier, who were nominated by the Board. Otherwise, these continuation scholarships have been allocated only on the recommendation of the Education Department, and the Maori Purposes Fund Control Board has not interfered in any way. So far as these scholarships are concerned, it is established that the complaint of partial treatment made by Mr. Clark has no foundation.

630. We attach a schedule (Appendix VII) of all these continuation scholarships which have been granted. It will be noted that the scholarships authorized in 1925 did not become payable until 1928, and that no continuation scholarship granted on the recommendation of the Education Department has been granted since the 28th March, 1931.

631. *Special Grants.*—It is plain from Mr. Clark's complaint that he was not clear what scholarships or grants were to be regarded as continuation scholarships. The minute-book of the Control Board shows that special grants, sometimes called special continuation scholarships, have been granted which were different from the continuation scholarships granted on the recommendation of the Education Department. We have had this matter elucidated by a detailed search of the records in the Native Trust Office and in the Education Department. We propose to deal with these special grants or special continuation scholarships and other forms of special assistance.

632. Mr. Clark stated in evidence that in November, 1932, he was notified by the Native Minister that the continuation scholarships had been discontinued as from the beginning of 1931. Mr. Clark also made the following statement in his evidence:—

> "I have had promising lads likely to make efficient teachers, but the lack of scholarships and opportunity for further training have blocked their way. I have on numerous occasions appealed both to the Education Department and to the Maori Purposes Fund Control Board for financial assistance for boys of this type, and in every case without success.
>
> "I have appealed to the Minister, who has replied that owing to financial difficulties the continuation scholarships have been discontinued. In no case have the merits of the lads presented as worthy of further opportunities been questioned, the difficulties in the way, according to official replies, being purely financial."

633. We attach a schedule (Appendix VIII) showing special educational grants paid out of the Maori Purposes Fund. The list excludes grants in respect of agricultural students who at one time went to the Hawkesbury Agricultural College, New South Wales. It excludes the holders of continuation scholarships (shown in Appendix VII) and of Junior Free Place scholarships or their equivalent—the Native scholarships. It shows, in effect, all the special educational grants made to students attending the University and secondary schools in New Zealand. The special grants paid to or in respect of students attending secondary schools (all of which were granted without selection by the Education Department) may be summarized as follows:—

SUMMARY OF SPECIAL GRANTS.

School.	Paid during 1928–1929.	Paid during 1929–1930.	Paid during 1930–1931.	Paid after 1931.	Total paid to 31st March, 1934.	Total Amount paid.
						£ s. d.
Brain's Commercial College ..	1	..	..	..	1	40 0 0
Gisborne High School	1	..	2	..	3	85 0 0
Hukarere Girls' School	..	..	1	13	14	481 16 2
New Plymouth High School ..	1	..	..	..	1	40 0 0
Queen Victoria Maori Girls' School	3	..	..	1	4	125 0 0
St. Bede's College	..	..	1	1	2	80 0 0
St Patrick's College	1	1	1	8	11	350 0 0
St. Stephen's School	1	..	..	..	1	10 0 0
Te Aute College	..	2	5	9	16	554 10 0
Turakina Maori Girls' School ..	..	..	..	1	1	35 0 0
Wanganui College	..	1	..	..	1	40 0 0
Wellington Girls' College.. ..	1	1	1	1	4	50 0 0
Wellington Technical College ..	..	..	1	2	3	30 0 0
Wesley College	1	..	..	..	1	15 0 0
Whangarei High School	1	1	..	..	2	40 0 0
Whangarei Girls' High School ..	..	1	1	..	2	80 0 0
	11	7	13	36	67	2,056 6 2

634. The foregoing grants have all been taken up and paid, but, as not all special grants authorized have been taken up and paid, probably the fairest indication of the mind of the Board in recent years with regard to secondary schools is to be obtained from the resolutions in the minute-book authorizing special grants or other assistance in respect of such schools; and we refer to them.

635. In 1929 only six special scholarships were authorized—viz., three in respect of Te Aute, one in respect of St. Patrick's College, one in respect of the Wellington Girls' College, and one in respect of the Whangarei Girls' High School.

636. In 1930 nineteen special grants were authorized by resolution for students attending or about to attend the following schools:—

Te Aute College, seven, of a total value of £217 10s.
Hukarere Maori Girls' School, five, of a total value of £201 10s.
Gisborne High School, two, of a total value of £60.
St. Patrick's College, Wellington, one, of a value of £40.
St. Bede's College, Christchurch, one, of a value of £40.
Whangarei High School, one, of a value of £40.
Wellington Girls' College, one, of a value of £10.
Wellington Technical College, one, of a value of £10.

Of the total of £619, scholars attending or about to attend Te Aute College and Hukarere Maori Girls' School were authorized to receive in all £419. This position in 1930 contrasts strongly with the position in *1928*, when *twenty* special grants were authorized by the minute-book and were distributed to scholars over the wide range of schools set out in the above summary of special grants. (Para. 633.)

637. In 1931 eighteen special grants for secondary-school education were authorized for scholars attending or about to attend the following schools:—

Te Aute College, six, of a total value of £221.
Hukarere Maori Girls' School, five, of a total value of £181.
St. Patrick's College, three, of a total value of £80.
Turakina Maori Girls' School, one, of a value of £35.
St. Bede's College, one, of a value of £40.
Wellington Girls' College, one, of a value of £10.
Wellington Technical College, one, of a value of £10.

Of a total value of £577, scholars attending or about to attend Te Aute College and the Hukarere Maori Girls' School were authorized to receive £402.

On the 9th December, 1931, three members of the Board (Sir Apirana Ngata, Chief Judge Jones, and Mr. Tuiti Makitanara, M.P.) passed the following resolutions:—

"That when required for the purposes of the agricultural class at Te Aute College, seed potatoes be purchased and paid by the Board, together with freight thereon"; and

"That when required for the purposes of the agricultural class at Te Aute College, quantities of fertilizers be purchased and paid by the Board together with freight thereon."

638. In 1932 the Board granted four special scholarships of a total value of £120 in respect of St Patrick's College.

639. During this year, on the 7th May, 1932, three members of the Board (Sir Apirana Ngata, Mr. Tau Henare, M.P., and Mr. Tuiti Makitanara, M.P.) resolved—

"That pedigree heifers and bulls be purchased for the purposes of the Te Aute College agricultural farm, the cost, together with freight and incidentals, to be paid by the Board."

Mr. Loten, the headmaster of Te Aute College, gave the following explanation in his evidence in relation to the stock so authorized to be purchased:—

"The Native Minister wanted to establish a base farm from which he could draw young stock for the development schemes in the Wairoa district, and also, I understand, for the East Coast district. One of the members of the Te Aute Trust Board, who is a Maori, suggested to my trustees that they should take a herd from the Native Minister, and the Native Minister sent seventeen heifers and one bull along to the college on condition that they gave the young stock to his Department when they called on it.

"*Mr. Finlay:* Who owns the stock?

"*Mr. Loten:* I registered the stock in the name of the Te Aute Trust Board.

"*Mr. Finlay:* You accepted it as a gift or a loan?

"*Mr. Loten:* I should say as a loan since they have already taken the young stock.

"*The Chairman:* You get the stock and they get the progeny?

"*Mr. Loten:* Yes."

640. The records of the Native Trustee show that during August, September, and October, 1932, seventeen pedigree Jersey heifers and one pedigree Jersey bull were supplied to the college by the Maori Purposes Fund Control Board and that the cost thereof amounted to £299. The accounts show that there have been recoveries amounting to £41 7s. 6d. These recoveries are the result of the purchase by the Native Minister from Te Aute College of five bulls (the progeny of some of the heifers) the total price being £41 7s. 6d. Three of these bulls were sent to the Mohaka Development Scheme, and the remaining two to the Waiapu-Matakaoa Development Scheme. The arrangement, whatever it is, does result in definite advantages to Te Aute College. It has either the use or the ownership of stock costing nearly £300.

641. During the year 1933, 108 Government Free Place holders were paid £3 10s. each—a total of £378. Certain additional educational assistance was authorized during 1933: (*a*) Four special grants were authorized—viz., one of £35 in respect of Queen Victoria College, Auckland; one of £30 in respect of St. Patrick's College, Wellington; one of £10 in respect of the Wellington Technical College; and one of £60 in respect of three children of the late Mr. Uru at, respectively, St. Margaret's College, Christchurch, and the West Christchurch District High School.

642. (*b*) On the 8th March, 1933, the Board (at a meeting at which were present Sir Apirana Ngata, the Right Hon. J. G. Coates, Mr. K. S. Williams, Chief Judge Jones, and Mr. T. B. Strong) resolved to assist the Te Aute trustees to retain the services of Mr. W. T. Ngata as the teacher of Maori at the College by paying him a salary of £3 per week as from the 1st January, 1933, until determined by the Board. Mr. W. T. Ngata's services had been terminated by the Te Aute College trustees as at the 31st December, 1932, but the dismissal does not appear to have taken effect, as, by the aforesaid resolutions passed in March, Mr. W. T. Ngata's salary was paid from the 1st January—a period which included the school holidays. Mr. W. T. Ngata's service, therefore, has been in effect continuous.

In a letter to the Minister of Finance, dated the 22nd February, 1933, Mr. Loten, the headmaster, said that the omission of Maori from the syllabus would be a serious matter, but in his evidence he said that it was necessary to teach Maori at the college. It is clear also from Mr. Loten's evidence that Mr. W. T. Ngata was the only one they had capable of teaching Maori.

643. On Mr. Loten's evidence, Mr. W. T. Ngata's dismissal might bear the appearance of a procedure instituted by Te Aute College to obtain a grant from the Maori Purposes Fund for the salary of one of its masters, but we do not know what view the Te Aute trustees would take of the evidence given, and we make no comment.

644. We desire to say, however, in respect of this matter that it appears (from a note made by Mr. Balneavis, the Secretary to the Control Board, on the letter of the 19th December, 1932, from the Te Aute trustees asking whether the Board would make it possible for Mr. Ngata's services to be retained by the college) that Sir Apirana Ngata would not himself bring this matter before the Board, as he was now Chairman of the Board and Mr. W. T. Ngata was his son.

645. (*c*) During 1933 the Board paid the sum of £71 to the Native Department as a refund of the amount of wages paid to the Te Aute College Rarotongan and Maori boys who were cutting thistles during their holidays. This is the matter referred to in connection with the unemployment-moneys (para. 376, No. 71). The origin of the matter was a request from Mr. Loten, the headmaster of Te Aute College, to Sir Apirana Ngata to ascertain whether any work was available for the boys during their Christmas holidays. Mr. Loten always tried to secure work for his college boys during these holidays. The evidence of Mr. Clark is to the effect that the payment of £71 for cutting thistles was an indirect method of enabling the secondary-school boys to meet their clothing expenses, particularly as the grant of £10 had been reduced by the Board to £3 10s.

646. The partiality for Te Aute College shown by the facts we have stated is increased by other special treatment not accorded to other schools. At its first meeting in July, 1925, the Board resolved as follows:—

> "That matriculation and agricultural students at Te Aute College be recognized by a payment of £10 per head, payable to the college. This is not to refer to scholars who hold any other scholarships."

This resolution would ensure that the holder of a Junior Free Place or its equivalent, a Native Scholarship, would, if he were a matriculation or agricultural student, receive only one grant of £10. On the 8th July, 1927, the Board rescinded this resolution and passed it again without the restriction. As the resolutions stand, the Te Aute matriculation and agricultural students appear to be entitled to such amount as may be granted to Free Place scholars and also to £10 per head if they are matriculation and agricultural students, but we are not clear as to the intentions of the Board in this matter.

647. The following resolutions of the Board may also be noted:—

August 14, 1929—Present: Sir Apirana Ngata, Chief Judge Jones, Rt. Hon. J. G. Coates, Mr. K. S. Williams, M.P., Mr. Tuiti Makitanara, M.P., Archdeacon Williams, Mr. T. B. Strong (Director of Education).

> "That two students from the agricultural form at Te Aute College to be recommended by the headmaster of that institution be entered each year on the rolls of the Canterbury Agricultural College, Lincoln, Christchurch, and that their term fees, equipment as per syllabus, transport expenses and accommodation in Wellington whenever incurred be paid by the Board."

648. November 19, 1930—Present: Sir Apirana Ngata, Chief Judge Jones, Mr. Tuiti Makitanara, M.P.

> "That the Board pay the transport and accommodation expenses, equipment, term fees, and other fees incurred on account of the Board's six assisted agricultural students enrolled at the Canterbury Agricultural College, Lincoln—namely, Messrs. Tipene Ngata, Mokena Kohere, Horace Whaanga, Mackenzie Mitchell, Tene Anaru, and Ihaia Trainor."

Four of these boys came from Te Aute College and two from the Rotorua District.

649. Te Aute College is a college with traditions and occupies an outstanding place in the Maori educational world. We must accept, however, Mr. Clark's uncontradicted evidence that when he has asked for assistance for deserving boys he has been told by Sir Apirana Ngata that assistance could not be provided because of financial difficulties. Evidence to a similar effect was given by Mr. J. M. Ellison. The question then arises whether the partiality shown to Te Aute College has been fair or unfair.

650. The Maori Purposes Fund Control Board was, of course, entitled to act in its discretion, but it had to administer a fund for the general benefit, in relation to education, of Maori youth. Its last resolution to award scholarships as recommended by the Education Department was passed on the 28th March, 1931. At that meeting and subsequent meetings the Board authorized twenty-seven special grants for separate years. Of these, twenty-three were authorized at meetings of three members of the Board held on 28th March, 1931, 9th December, 1931, and 7th May, 1932, and these twenty-three were divided as follows: To students attending Te Aute College, 7; St. Patrick's College, 7; the Hukarere Girls' School, 5; the Wellington Girls' College, 1; the Wellington Technical College, 1; St. Bede's College, 1; and the Turakina Maori Girls' School, 1. None of these awards was a continuation scholarship made on the recommendation of the Education Department. Having regard to the much more general distribution of the special grants in 1928, to the lack of selection by the Education Department from the Maori youth of the Dominion and to the answers made to requests for assistance, we think it plain that certain members of the Board have, since 1931, shown unfair partiality towards Te Aute College, St Patrick's College, and the Hukarere Girls' School, and injustice to the Maori youth of the Dominion.

651. Further, with regard to the educational grants, Mr. Clark has complained that unfair partiality has been shown to a particular family on the East Coast. Mr. Kohere has complained that unfair partiality has been shown to well-to-do families on the East Coast.

652. With regard to the partiality towards a particular family, the chief reference is to the family of the Native Minister. From the 1st April, 1929, to the 16th January, 1934, travelling-expenses and college fees of the Ngata family amounting to £697 3s. 9d. were paid out of the Maori Purposes Fund. A written explanation by the Native Minister was submitted to us. The explanation made is that the amount is largely accounted for by the fees of Mr. Tipene (Stephen) R. Ngata, who received a Government Free Place scholarship from the Government in 1927, and who was thereby entitled to grants of £10 each in 1927 and 1928. He received a continuation scholarship in 1929. In 1930 he, with Laddie Kohere, proceeded to Lincoln Agricultural College with the benefit of the resolution quoted above dated the 14th August, 1929 (para. 647). He had the benefit of the resolution quoted above dated the 19th November, 1930 (para. 648). In 1932 Mr. Tipene R. Ngata passed through the Canterbury Agricultural College and proceeded to the Massey Agricultural College, Palmerston North. Transport, fees, &c., were paid while he was enrolled there, under the authority of the following resolution of the Board passed at a meeting on the 9th December, 1931, at which were present Sir Apirana Ngata, Chief Judge Jones, and Mr. Tuiti Makitanara, M.P.—

> "That the transport and accommodation expenses, fees, books, and extras incurred by and on account of the Board's assisted students at the Canterbury and Massey Agricultural Colleges be paid by the Board whenever the same are due and payable."

Mr. Tipene R. Ngata has obtained his diploma in dairy-farming and is finishing his training in dairy manufacture at Massey Agricultural College this year.

653. The aforesaid sum of £697 3s. 9d. also includes expenses on behalf of Miss Hana Ngata, Henare Ngata, and Hori Ngata. The first two are children of Sir Apirana Ngata, and Hori is a grandson. In dealing with this complaint the Native Minister has treated them all as his children. The following explanation is made in the statement submitted to us:—

> "Payment of the fares, &c., for the three abovenamed children in connection with the visit of Maori representative chiefs and visitors to Rarotonga, to extend the hand of friendship to their Rarotongan cousins and to invite their chiefs to visit New Zealand and become acquainted with the Maoris here, was authorized by a resolution passed by the Board on the 24th March, 1930:—
>
> "'That the expenses incurred on account of the accommodation in Wellington and transport from their respective homes to Wellington and from Wellington to Rarotonga and return of Messrs. Wiremu Potae, Renata Tamepo, Hoani te Heuheu, Tonga Mahuta, Hoeroa Marumaru, and Mrs. H. Tai Mitchell, Miss Hana Ngata, and Masters Henare Ngata and Hori Ngata be paid by the Board.'
>
> "The result of this visit was the return visit of the Rarotongan party who visited New Zealand this year (1934)."

The members present at the aforesaid meeting of the Board on the 24th March, 1930, were Sir Apirana Ngata, Mr. Tuiti Makitanara, M.P., and Dr. Buck.

654. The aforesaid sum of £697 3s. 9d. also includes the payment of fees, transport, &c., of Miss Mate Ngata and Messrs. Henare Ngata and Hori Ngata.

The following explanation with regard to them is made in the statement handed to us:—

> "Payment of fees, transport &c., of the above-named children during receipt of Government Maori Free Place scholarships, the Board's Special Scholarship was made under authority of a resolution passed by the Board on the 9th December, 1931:—
>
> "'That the fees, transport, accommodation and other expenses incurred by and on account of the Board's Special Scholarship holders and of Government Free Place holders tenable at the various Maori Secondary Schools be paid by the Board.'"

655. The Native Minister's statement concludes with these words:—

> "*General.*—It is no fault of the father of these children that, owing to their proficiency in education, they commanded scholarships awardable either by the Education Department or the Board to all who can pass the tests laid down, and that they should be penalized because their father happens to be Chairman of the Board for the time."

If, however, the resolutions of the 24th March, 1930, the 19th November, 1930, and the 9th December, 1931, under which a member or members of the Ngata family took substantial benefits, were passed at meetings which were otherwise valid, it is unfortunate, and, we think, reprehensible, that Sir Apirana Ngata was one of the three members present at these meetings and necessary to form a quorum.

656. Apart from the Ngata family, the evidence shows that between the 1st April, 1929, and the 16th January, 1934, special grants for travelling and educational purposes were paid to or on behalf of Misses Fox, Reedy, Baker, and Master Sonny Haig, all of Ruatoria, in the Waiapu District, the total amount being £568 0s. 11d. The evidence also shows that during the period mentioned the school fees and travelling-expenses for Mackenzie P. Mitchell and Tene Anaru, both of Rotorua, amounting to £129 1s. 2d., were paid out of the Maori Purposes Fund.

657. We have stated the facts relating to the complaints set out in para. 651. It is clear that special assistance became available to agricultural students, including the son of the Native Minister, at Te Aute College from August, 1929, onwards, and that such assistance was not offered or granted to other schools. It is clear also that special assistance, not offered or granted elsewhere, has been granted to a few East Coast and Rotorua families. We think that the facts we have stated require explanation, and that, if the partiality shown is to be justified, some method of fair selection of the objects for additional assistance from among the Maori people of the Dominion should be shown. We have seen no evidence of it. Failing that, we have no hesitation in saying that the complaints of Mr. Clark and Mr. Kohere have been established, and that, again, partiality and injustice have been shown to the Maori people, but particularly, the Maori youth, of the Dominion in the administration of the fund. In any event, it is plain that Sir Apirana Ngata has misused his position as a member of the Board by making a quorum to pass resolutions under which his children took substantial benefits and by which he was relieved of financial responsibility.

658. We refer now to the expenditure for general purposes under clause (*f*) of Regulation 27.

659. The Audit Department has supplied us with the following summary of the principal items on which the Maori Purposes Fund was expended during the period the 1st April, 1929, to the 16th January, 1934, exclusive of such general items as are comprised in the sum of £697 3s. 9d. for the Ngata family and the other items to which we have already referred :—

	£	s.	d.
Expenses in connection with Mr. and Mrs. Pine Taiapa, of Ruatoria, attending Maori Arts and Crafts Board's School at Rotorua	147	12	0
Expenses incurred in connection with East Coast meeting-houses at Waiomatatini, Tokomaru Bay, and Gisborne	4,745	11	5
Travelling-expenses of Maoris and Europeans visiting development schemes (incurred principally by Natives and Europeans of East Coast) ..	785	7	9
Wages of Te Aute College boys cutting thistles at Waiomatatini during school vacation	71	0	0
Passage-money, Charles Goldsmith, Wellington–Rarotonga return	36	17	3
Expenses incurred in connection with Maori Football Match in Wellington (more than half the Natives who travelled to attend this match came from the East Coast)	1,070	18	6
Earthquake Relief, East Coast Natives	1,863	1	3
Travelling expenses of Mrs. Tai Mitchell, Hoani te Heuheu, Hoeroa Marumaru, Wiremu Potae, and Renata Tamepo	214	19	9
Waitangi celebrations	484	11	8
Amount granted to defray the cost of experiments made in connection with the Rangitoto-Tuhua 36A 2C 2B, and other blocks	200	0	0
(NOTE.—This amount was paid to the Waikato-Maniapoto District Maori Land Board and was credited to the account of Henry Davey.)			

660. The items explain themselves very largely, but we make some comments. The expenses in connection with the Maori Rugby football match with the British Rugby football team in July, 1930, were incurred pursuant to the resolution passed on the 24th March, 1930, at which were present Sir Apirana Ngata (Chairman), Mr. Tuiti Makitanara, M.P., and Te Rangihiroa (Dr. Buck). From the Maori point of view, the occasion was, no doubt, one of great importance. The Prince of Wales had presented a trophy for competition amongst Maori footballers, and certain people came to Wellington to do honour to the visiting British team.

661. As all the expenditure under clause (*f*) is, in our opinion, invalid, we make no comment upon the question whether the object was or was not a proper one. The criticism we make is that an undue proportion of Natives came from the Hawke's Bay and East Coast districts. In all, about 126 Natives came to Wellington, of whom forty came from Hawke's Bay and about one-third from the East Coast district, making a total of two-thirds from these two districts. There were representatives from the Waikato, Taranaki, Wanganui, and Taupo. When it is remembered that the contributions of the Tairawhiti and Ikaroa Maori Land Boards to the original £90,000 were respectively £11,000 and £3,000, the contribution from the Waikato-Maniapoto District Maori Land Board was £30,250, and, when all were no doubt equally interested in Rugby football, it is plain that unfair discrimination was exercised in this matter.

662. With regard to the visits to the development schemes, the Native Minister admits that most of the £785 was expended on Natives and Europeans of the East Coast. The Native Minister states that the visits were for the purpose of breaking down opposition to the Native-land development schemes. Women and children were in the party. They went for the purpose of joining in songs and dance.

663. The travelling-expenses of Mrs. Tai Mitchell and others, amounting to £214 19s. 9d., were paid pursuant to the resolution passed at the meeting of the Control Board on the 24th March, 1930, mentioned above (para. 653).

664. Complaint was made to us by Mr. J. M. Ellison of a payment to a relation of his—namely, Dr. Buck (Te Rangihiroa). At the Board meeting of the 24th March, 1930, there were present Sir Apirana Ngata (Chairman), Mr. Tuiti Makitanara, M.P., and Dr. Buck. We do not know whether notice of the meeting was given to the other members of the Board. If it was not, then the meeting was, we think, invalid. If it was given, then Dr. Buck was necessary to make a quorum. At this meeting, a number of special resolutions and special grants were passed, but we refer here only to the following resolution :—

> "That the expenses incurred by Dr. P. H. Buck and Mrs. Buck during their visit to New Zealand be paid by the Board."

Mr. Ellison stated that Dr. Buck was holiday-making in New Zealand, and was, at the time, a member of the staff of the University of Honolulu and being paid by that body. This matter has not been placed before Dr. Buck, and we make our comment solely on what appears from the minute-book. We think that it was a reprehensible thing that this resolution should have been passed when Dr. Buck's presence was necessary to form a quorum, and when there were objects of expenditure much more deserving than the payment of his expenses.

665. There can be no doubt that funds of the Board have, since April, 1929, been expended under the general clause, invalid though it be, excessively in the interests of people resident on the East Coast and in Hawke's Bay, and in the interests of a few members of leading families there and in Rotorua. We think that unjust discrimination has been exercised under the general clause in expending moneys held for the benefit of the Maoris of all districts in New Zealand.

666. *General.*—Although the Board commenced on 1st April, 1925, with a capital sum of £90,000 and has received increments of £52,195, the amount of the fund at the 31st March last was only £59,553. This has involved a heavy trenching upon capital, and if the process continues at the rate maintained during the last few years the fund will disappear in comparatively few years. On this question, the Native Minister was asked in evidence to express his opinion, and he made the following statement :—

> "It was contemplated that this fund would be reinforced by the same source of contributions from the Maori Land Boards, and when the fund was established in 1924 power was included in the Act of 1924 to enable the Native Minister to requisition up to £7,500 a year. It was recognized that the income would not be sufficient for carrying out the purposes of the fund. One view was that the corpus of the fund should be preserved and that we should live on the income. Mr. Williams expressed the view why should we conserve the fund for future generations when the necessities of the Maori race were there in front of us."

667. The Minister's view was not accepted by Mr. K. S. Williams, M.P., who gave evidence before us in order to refute the statement attributed to him by Sir Apirana Ngata. Mr. Williams said :—

> "I was not in the Court yesterday, but the report in the papers to my mind rather inferred that I had advocated the absorption of the corpus of the fund. I therefore wanted to disabuse any thought that might be in the minds of the Commission that I had advocated such a thing. In the early stages of the operations of the Board and the discussions that were held concerning the education purposes and the amount of money that could be used for the assistance of Maori pupils in the secondary schools and the University, I said that if I thought the income of the fund was not sufficient to assist the number of pupils who might be coming forward, I did not think there would be anything wrong in using the capital so that the Maori population could as early as possible get the benefit of the education and knowledge that these pupils might gain. I never advocated the general use of the capital of the fund as one might be led to suppose by the report in the paper."

668. We think it plain that the policy of the Board must be drastically altered and a comprehensive and responsible survey must be taken of the field of operations, and a proper policy determined.

669. Complaint has been made to us of the difficulty of ascertaining the position of the Maori Purposes Fund. It is plain that the Principal of Wesley College found difficulty, but it appears that even a member of the Board such as Mr. K. S. Williams, M.P., has found difficulty in ascertaining how the moneys of the fund were expended and what was the position of the fund generally.

670. At the meeting of the Board on the 6th December, 1932, at which the following were present—Sir Apirana Ngata (Chairman), Right Hon. J. G. Coates, Mr. K. S. Williams, M.P., Mr. Taite Te Tomo, M.P., Mr. E. T. Tirikatene, M.P., Dr. M. H. Watt, and Chief Judge R. N. Jones (Deputy Chairman), the following resolution was passed :—

> "Moved by the Hon. Sir Apirana Ngata and seconded by Mr. Taite Te Tomo : 'That a committee consisting of the Right Hon. Mr. Coates, Dr. Watt, Mr. Strong, Judge Jones, and the mover, be appointed to go into the finances of the Board, prepare estimates, and report to a meeting to be held at the end of January next.'"

Mr. K. S. Williams stated that, as he had heard nothing further on this matter, he wrote to the Native Minister on the 26th September, 1933, asking whether the finance committee had met and when their report would be available. The Native Minister replied on the 28th September, 1933, as follows :—

> "The finance committee has not yet met because of the difficulty of arranging a quorum of the members comprising the committee. However, now that the members of the committee are now permanently in Wellington, an early opportunity will be taken to convene a meeting."

671. The minute-book shows one further meeting of the Board on the 29th November, 1933, but it contains no reference to any report of the finance committee. We have no further evidence on this matter. There is provision, however, in the regulations for the holding of an annual meeting at which statements of receipts and payments and income and expenditure during the year, together with a balance-sheet, are to be presented (see Regulations 7, 20, and 21). We have found no evidence that an annual meeting, as such, has been held. Our general recommendation for a thorough survey of the position should cover this state of affairs and ensure compliance with the regulations.

672. At a meeting of the Board on the 19th November, 1930, at which were present Sir Apirana Ngata, Chief Judge Jones, and Mr. Tuiti Makitanara, M.P., the Board made a number of special grants and also passed the following resolution :—

> " That in order that decisions may be made on the most urgent applications for assistance, a sub-committee consisting of the Chairman, the Deputy Chairman, and the Secretary be appointed with power to deal with the following matters : Government free place holders, Continuation scholarships, matriculation and agricultural scholars, University scholars, special grants of an urgent nature."

We question the wisdom of allowing this resolution to remain effective on the minute-book. The whole Board should make decisions on these most important matters.

673. We have the following further recommendations to make :—

(1) (*a*) That the constitution of the Board be altered to include the Director-General of Health as a permanent member ; and

(*b*) That appointments under subclause (*e*) of Regulation 2 be made by the Governor-General in Council in lieu of the Native Minister. (This will require consequential alterations in Regulations 3 and 4.) Alternatively, we recommend that a limit be placed on the number of members who may be appointed under the general clause.

(2) We recommend that the purposes of expenditure should be exhaustively declared by the Governor-General in Council ; or, alternatively, that the Governor-General should be expressly authorized by the Legislature to give to the Board a discretion within specified limits and subject to safeguards. For example, we suggest that expenditure under any general clause should require the vote of at least two-thirds of all the members of the Board.

(3) We recommend that the subject of " Health " be specifically included in the purposes of expenditure. We think that much good can be done by establishing a proper water-supply and sanitation in Maori settlements and homes.

(4) We recommend that the quorum of the Board should be increased from three to five.

(5) We recommend that better records be kept. The present minute-book consists of a loose-leaf book. The resolutions are numbered up to 200, but the resolutions as from the 10th November, 1928, have not been numbered. Mr. Balneavis told us that this was because the numbering-machine had broken down. That was six years ago.

(6) We recommend that the Board pay strict attention to the holding of its annual meeting, and the consideration of the accounts, balance-sheet, and report which are required to be presented to such meeting pursuant to Regulation 21.

(7) We recommend that the details of the accounts and balance-sheet referred to in Regulation 21 be published annually in the *Gazette* and *Kahiti*, and also that copies of such accounts and of the report required to be presented to the annual meeting of the Board by the Secretary (concerning the operations and commitments of the Board during the year, together with an estimate of the probable financial requirements of the Board for the next financial year) be made available in the office of the Native Land Court in each District for inspection free of charge, and that the regulations be amended to require that the matters recommended in this paragraph be carried out.

(NOTE.—There is no doubt that great dissatisfaction exists with regard to the present position, and the publication of this information would help to restore confidence in the administration.)

(8) We recommend that consideration be given to the question of appointing to the Control Board a representative from each of several bodies engaged in social and educational work among Maoris.

(9) We recommend that a copy of this report be made available for inspection free of charge in the office of the Native Land Court in each District.

THE EAST COAST MAORI SOLDIERS' FUND.

674. This fund has been the subject of much disquiet among Maori returned soldiers. Except for not more than £500 (£400 of which was stated by Mr. W. T. Pitt to have been sent to England), they have had nothing from a fund of about £42,000 collected by the sacrifices of the Maori people for their returned soldiers. The money was spent in connection with three sheep-stations—Hoata, Hoia, and Hereheretau. It appears to be gone beyond recall. Very little published information has been available. We have, therefore, thought it necessary to deal exhaustively with the fund.

HISTORY OF THE FUND.

675. In March, 1917, there took place the dedication of a carved hall at the house of Mr. A. T. Ngata (now Sir Apirana Ngata) at Waiomatatini. We are informed by Mr. W. T. Pitt that those present contributed on the *marae* about £3,880 towards the expense of this hall. Captain Pitt then informed us that Mr. Ngata said there was no expense owing on the hall, and that he would hand over the whole amount as a nucleus for a Maori Soldiers' Fund.

676. The idea was taken up with enthusiasm, and, in accordance with the view expressed by Mr. Ngata, the people agreed that the fund should be invested in farming properties so that only the revenue would be distributed among the soldiers for relief. A committee was thereupon set up, comprising Lady Carroll as chairwoman and Mr. W. T. Pitt as secretary. In April, 1917, trustees of the fund were incorporated under section 12 of the War Funds Act, 1915, as "The Maori Soldiers' Fund Trustees." The trustees of the fund, when incorporated, were:—

Heni Materoa (Lady Carroll), Chairwoman,
Mr. A. T. Ngata,
Dr. Tutere Wi Repa,
Henare Ruru,
Paetai Wilson,
Pita te Hau, with
Mr. W. T. Pitt, as Secretary.

677. By the end of June, 1917, £7,419 had been collected for the fund. In June, 1917, most of this money was spent in connection with Hoata Station, to which we refer later. Collections proceeded and gradually extended beyond the East Coast. The following is a list of contributions submitted to us by Mr. W. T. Pitt:—

	£	s.	d.
1917.			
March—			
Inauguration of fund	3,883	8	4
Sale of stock, Tawhiti	1,367	5	2
April—			
Wairoa *hui*	1,600	0	0
Potaka *hui*	250	0	0
June—			
Gisborne concert party	219	4	0
Gisborne Committee	100	0	0
August—			
Muriwai sports	159	0	0
Hawke's Bay Maori Committee	1,000	0	0
September—			
Mohaka sports	126	10	0
Mangahauini Station	250	0	0
November: Entertainment, Wellington	322	7	5
December—			
North Taranaki League	74	12	0
Hawke's Bay Maori Committee	1,000	0	0
1918.			
March—			
Ngatimaru Committee	266	6	0
Te Araroa *hui*	4,287	0	0
Te Araroa *hui*	150	0	0
Entertainers, East Coast	1,250	0	0
April—			
Frasertown *hui*	2,487	0	0
Carterton *hui*	694	0	0
Entertainers, Auckland	1,078	0	0
Wairoa-Hawke's Bay War Relief	104	18	5
Waipiro Station	52	3	6
Ruatoki *hui*	1,000	0	0
Arawa Tribe	1,300	0	0
North Taranaki League	6	0	0
Waiapu Art Union	345	2	0
Wairarapa Association	8	12	6
Manutahi dance	300	10	6
Football, Te Araroa	12	15	0
Tikitiki dance	353	19	11
Williams, H. B.	3	3	0
Greytown *hui*	100	0	0
1919: *Hui Aroha*, Gisborne—	£	s.	d.	
Total collected	17,217	7	2	
Less dishonoured cheques	1,450	8	3	
	15,766	18	11	
Less amount advanced out of fund	1,400	0	0	
Net amount				14,366 18 11
				£38,518 16 8

678. This list accounts for £38,518. The total fund has, however, been estimated as high as £51,367. This is the estimate of Mr. Kohere, who kept a record in a journal conducted by him at the time contributions were being obtained. It appears, however, from the early audited accounts that the actual cash collected amounted in all to about £42,000. The difference between the cash collected and the amount promised is accounted for by the fact that certain promises were not fulfilled and were written off to the extent of £5,298 and because certain land at Ruatoki was promised but was not handed over. The value of this land appears to have been about £3,150, although Captain Pitt thought that it was more.

679. Included in the total amount were also two cheques which were dishonoured. They were for £1,068 and £378 8s. 3d. respectively. Captain Pitt's explanation is :—

> "Those were cheques handed in as donations from the Hurunui Station, I suppose, and when it was presented to the bank it was returned: it was brought in again later and returned. When I submitted the matter to Mr. Ngata, he said to put it in again and it was still returned. The position is that a donation is really not like an account owing—you could not sue for it."

The Native Minister gives the following explanation with regard to these dishonoured cheques :—

> "In regard to the dishonoured cheques, these represented a portion of the Horouta Maori district contribution towards the '*Hui Aroha*' held at Gisborne in 1919. Owing to slump conditions the promises represented by these were not made good in cash or completely. I paid £200 to Hakurenga Station for grazing of Maori Soldiers' Fund cattle thereon. 1,000 sheep were contributed by several Maori Stations to Hoia Station, the cost of which was about £500. There were also payments amounting to £250 on account of promises made by the Natives of the Omaio to Whangaparaoa district, which were paid in cash by me."

We regret that we are unable to clear up this matter more satisfactorily.

680. As the collections came in from a wider area than the East Coast, the membership of the trustees was extended and came to include representatives from the Wairarapa, Hawke's Bay, and Rotorua. It is plain on the evidence before us that not even persons who were trustees have ever had satisfactory information as to the position of the fund. The accounting between 1917 and 1921 was not, in our opinion, properly audited, but it has been properly audited since 1921.

681. *Relief of Soldiers.*—Not more than £500 has been spent on the relief of Maori soldiers. This appears to comprise £400 sent to England to buy comforts for the wounded, and Mr. Pitt said that he thought that there would be about another £100. Mr. R. T. Kohere said that only about £200 was spent on the relief of Maori soldiers. The explanation given for the expenditure of such a small amount is that the people generally had resolved that the money was to be invested in farms and that only the revenue was to be used for assisting the soldiers. The consensus of opinion was that this resolution should not be broken. According to the evidence of Mr. Kohere, the Maori Soldiers' Fund trustees refused requests to salvage the fund and divide the fund up, by referring to the resolution of the people.

Farming Operations.

682. *Hoata Station.*—The first expenditure on farming operations by the Maori Soldiers' Fund trustees took place in connection with Hoata Station, near Opotiki, in June, 1917, by which time the fund amounted to £7,419. These transactions are made the subject of a charge of fraud by Mr. Reweti Tuhorouta Kohere against those of the trustees who were members of the Maori syndicate which acquired Hoata Station. The allegation is that the moneys of the fund were used to save the financial position of the syndicate.

683. This matter appears to be the cause of much disquiet among the Natives. The solicitors who acted in the formation of Hoata Station, Ltd., Messrs. Nolan and Skeet, of Gisborne, were anxious that the matter should be fully explained, and they voluntarily made available to us their documents and books relating to the matter. We therefore feel it incumbent on us to explain the position in detail as far as we have been able to ascertain it, but we may say at once that we have found no ground whatever that would support even a suggestion of impropriety in the conduct of Messrs. Nolan and Skeet.

684. Early in 1917 Native farmers from the East Coast commenced sheep-farming operations in the Bay of Plenty district about Opotiki. They were farming at least two blocks near the Hoata Station belonging to Mr. A. H. Wall. These farming operations were supervised by Mr. W. G. Sherratt, while Sir (then Mr.) Apirana Ngata exercised a general supervision over the Maoris. Sir Apirana Ngata told us that he and those associated with him were prompted to join in the general movement from the East Coast to the Bay of Plenty. Although they were, in general, non-sellers of land, Sir Apirana Ngata and those associated with him sold the Hurakia Block (on the East Coast) to the Government in 1917 on the special terms that the Government gave Crown leases to those owners who were occupying the property. Few, however, of the owners who received cash "cared," in the words of Sir Apirana Ngata, "to touch money that was derived from the sale of land," and they put their purchase-money into the purchase of Hoata Station. These purchasers were known to Mr. W. G. Sherratt as a syndicate which he termed "Ngata and Co."

685. The facts concerning the purchase of Hoata Station are as follows :—

(1) By memorandum of lease dated the 4th November, 1909, a lease was granted by the Native owners to Arthur Henry Wall, of the Hoata Station (being Lot 2 on deposited plan No. 6827, and being parts of Waihoata B and Awaawakino B), having an area of 5,005 acres 3 roods and 20 perches. The term of the lease was forty two years from the 4th November, 1909, and the rental was 1s. 3d. per acre per annum during the first twenty-one years and 2s. 6d. per annum during the second twenty-one years.

(2) By an agreement in writing, dated the 9th May, 1917, made between the said A. H. Wall (called "the vendor") and W. G. Sherratt (called "the purchaser"), the vendor agreed to sell and the purchaser to purchase all the leasehold interest of the vendor in the said land at £4 2s. 6d. per acre, payable as follows: Deposit, £500, £4,500 payable on the execution of the transfer, the balance to remain on first mortgage for seven years at 5½ per cent. Possession was to be given not later than the 30th June, 1917.

(3) Included in the said agreement was a separate and independent contract, whereby the vendor sold to the purchaser all stock and station plant on the station at a price to be paid in cash on delivery.

(4) The said agreement was executed by Messrs. Buscke and Parker (land-agents), as agents for the vendor, and Messrs. Nolan and Skeet (solicitors) as agents for the purchaser.

686. (5) By letter dated the 9th May, 1917, Sir Apirana Ngata wrote to Messrs. Nolan and Skeet as follows:—

"Waiomatatini, Kahukura,
"9th May, 1917.

"Messrs. Nolan and Skeet,
"Solicitors, Gisborne.

"D/Sirs,—

"*Hoata Station, Ltd., and Wall's Lease.*

"It has been decided to form a company to acquire Wall's leases of parts of Waiohoata and Awaawakino Blocks, adjoining the Tarakeha Station.

"It is necessary to form and secure registration of this company this month, as it has been arranged to take delivery of Wall's property and stock by the middle of June: and the transfer should be to the company direct, and the mortgage for the balance of the purchase-money to be given by it. The company will be called "Hoata Station, Limited." The cash deposit is £5,000.

"For the sake of convenience the company will consist of three persons living on or near Whangara—viz., Reupene Pahau Milner, station-manager, Pakarae; Hira Paenga, station-manager, Whangara; and Ngarue Hinaki, sheep-farmer, Whangara. They will be handy whenever required to execute documents.

"Will you please send me an estimate of costs as follows:—

"Formation and registration of above company,

"Transfer of lease from Wall,

"Stamp duty,

"so that in addition to the cash deposit referred to an amount may be called up sufficient to cover these expenses?

"Yours ffly,
"A. T. Ngata."

687. (6) On the 14th May, 1917, Messrs. Nolan and Skeet informed Messrs. Buscke and Parker by letter that "Mr. Sherratt, when executing the agreement, is merely the agent of Mr. A. T. Ngata, with whom the contract was originally made, and who is the real purchaser."

(7) On the 16th May, 1917, Messrs. Nolan and Skeet, by letter, informed Sir Apirana Ngata of the execution of the agreement and of its terms. The letter concluded, "As you are the real purchaser, we will be pleased if you will confirm above." By letter dated the 21st May, 1917, Sir Apirana Ngata gave the required confirmation, and instructed Messrs. Nolan and Skeet that "the stock will be bought for the Maori Soldiers' Fund Council."

688. (8) The Hoata Station, Ltd., was incorporated as a private company with a capital of £5,000 on the 8th June, 1917. Its registered office was at the office of the Waiapu Farmers' Co-operative Co., Ltd., at Kahukura. Mr. William Cooper was the secretary.

(9) The following persons subscribed the memorandum of association: R. P. Milner, 1,700 shares; H. Paenenga, 1,650 shares; N. Hinaki, 1,650 shares. On the 20th June, 1917, the capital of the company was increased by resolution to £7,500, and on the 30th June, 1917, the register of members was altered so that each of the three subscribers to the memorandum of association held as members of the company 2,500 shares.

689. (10) Sir Apirana Ngata informed us, however, that the following persons were the shareholders in the company:—

	Shares.
Pene Heihi	972
Te Rawhiti Paraone	270
Poiwa Paraone	108
Timi Heihi	270
Kura Heihi	270
Haupai Walworth	648
Tii Tangoiro	208
Apirana Tangoiro	108
Hone Ngata	270
Hopa Hemara	270
Apirana Ngata	540
Renata Ngata	270
Rauhina Tawhiwhi	540
Heni Materoa	500
Hirini Heeki	270

These shares total 5,514. Sir Apirana Ngata explains the position by saying that it was inconvenient for the shareholders to sign the necessary documents, and that it was agreed that Mr. Milner and others should sign for shares to enable the company to be formed. Although Mr. Milner was chairman of directors, he told us that he knew practically nothing about the company, and it is plain that the limited company was merely a dummy for the syndicate. It may be noted that the list of members of the syndicate includes Heni Materoa (Lady Carroll) and Sir Apirana Ngata, both of whom were members of the Maori Soldiers' Fund trustees.

690. (11) We have been unable to obtain any of the books, records, or accounts of the company, except the formal documents registered in the Companies Office.

691. (12) To enable the company to take over its purchase, a valuation in writing of the live- and dead-stock was made pursuant to the aforesaid agreement. This valuation is dated the 14th June, 1917, and the total amount of the valuation was £6,385 8s. 8d.

(13) By memorandum dated the 25th June, 1917, Mr. Sherratt apportioned the liability for the said sum of £6,385 8s. 8d. between the company and the Soldiers' Fund. The amount apportioned to the Soldiers' Fund was £5,756 18s. 8d.

(14) On the settlement between Mr. Wall and the company, the sum of £11,011 9s. 8d. was payable by the latter in cash, the balance of £15,650 being secured by a debenture from the company to Wall.

692. (15) Messrs. Nolan and Skeet received the following sums in connection with the transaction:—

1917.			£	s.	d.
June 6	By	Bank of New South Wales, Tokomaru Bay ..	2,265	10	0
,, 11		Bank of New South Wales, Tokomaru Bay, per A. T. Ngata	249	13	7
,, 11		Bank of New South Wales, Tokomaru Bay ..	1,703	17	3
,, 14		A. T. Ngata	540	0	0
,, 27		Maori Soldiers' Fund	5,756	18	8
,, 29		Heni Mataroa	500	0	0
July 13		A. T. Ngata	211	4	6
1918.					
March 26		Hoata Station, Ltd., balance purchase-money ..	7	19	2
			£11,235	3	2

This sum of £11,235 3s. 2d. was disbursed by Messrs. Nolan and Skeet as follows:—

1917.			£	s.	d.
June 7	To	Registrar of Companies	16	17	6
,, 26		Chrisp and Chrisp, on account purchase-moneys ..	4,759	0	10
,, 27		Chrisp and Chrisp, on account purchase-moneys ..	5,756	18	8
,, 30		Chrisp and Chrisp, balance purchase-moneys ..	495	16	2
July 13		Stamp duty	206	10	0
			£11,235	3	2

693. (16) The audited balance-sheet of the Soldiers' Fund for the period April to December, 1917, shows the following expenditure:—

1917.		£	s.	d.
June	Purchase, stock, Hoata Station	5,399	18	6
,,	Purchase, stores, Hoata Station	312	5	6
,,	Purchase, furniture, Hoata Station	44	14	8
		£5,756	18	8

694. It is plain that by the end of June, 1917, the balance of the purchase-moneys had been paid, and presumably possession was then given. Pursuant to Sir Apirana Ngata's letter of the 9th May, 1917, it had been arranged to take delivery of Wall's property and stock by the middle of June, and pursuant to the terms of the agreement possession was to be given not later than the 30th June, 1917. It may be inferred, we think, that possession was given by the end of June, although stamp duty was not adjusted until the 13th July. If this be so, then the syndicate had control of Hoata Station at the end of June, 1917.

695. Mr. Sherratt stated that about a month after he valued the stock, and therefore about the middle of July, 1917, he valued the land for the soldiers. This refers to the fixing of a rental for a grazing lease of 2,000 of the 5,000-odd acres from the company to the Soldiers' Fund trustees for a term of three years from the 1st July, 1917. He fixed a rental of 6s. per acre.

696. The question, however, of what occurred between the 30th June, 1917, and the time when the trustees of the Soldiers' Fund arranged to take a grazing lease of the land about the middle of July is of some importance.

Captain Pitt thus states the reason for the interest of the Soldiers' Fund trustees in Hoata. He said that the fund was to be invested in farming, and that Mr. Sherratt suggested that "in the meantime it was a good thing to buy stock and graze them on Hoata Station, which was at that time not carrying any stock." If this statement is accepted, then Wall's stock had gone from Hoata when the question of a grazing lease from the company to the Soldiers' trustees was first discussed. If so, that fact would contradict the inference from the book entries that the Soldiers' trustees acquired, through Hoata Station, Ltd., Wall's stock, as it continued to run on the station.

697. Mr. Sherratt could not remember what stock were on the property at the time the Soldiers' Fund trustees took the grazing lease. He promised to supply the information, but did not do so. We assume that he cannot find any records, and that he does not remember the position, although he was clear that the station and stock were bought by the syndicate for itself and not for the Soldiers' trustees.

698. Sir Apirana Ngata, in the first paragraph of his written statement submitted to us, states that the company was formed for the purpose of acquiring and farming the property of Mr. Wall, known as Hoata Station. In paragraph 8, he states:—

> "The Hoata Co., having acquired the Hoata Station, to meet the wishes of the council of the Soldiers' Fund, arranged for the council of the fund (*a*) to take over the stock purchased from Wall at the price paid for it by the company. This price was fixed by valuation and could not therefore be other than a proper price, and (*b*), to take a lease for three years of the station property at a rental to be fixed by Mr. Sherratt, in whom all parties had confidence."

He adds that the transaction, on a calculation of outgoings, was distinctly disadvantageous to Hoata Station, Ltd., that therefore the leasing arrangement resulted to the company in a definite annual loss, that the terms of the arrangement were well and widely known and approved, and that there was not a word of criticism uttered. Our comment is that this evidence refers rather to the arrangement than to what actually occurred pursuant thereto.

699. No profits appear to have been made under the grazing lease of Hoata Station during 1917, 1918, and 1919. Although Hoata was poor country, this was not a result to be expected having regard to the general live-stock and wool prices during those years. It appears that Mr. Sherratt was not appointed to full supervision of Hoata until 1919. Until then, according to the statement of Mr. W. T. Pitt, the secretary to the trustees, the only member of the trustees with farming experience was Mr. Apirana Ngata.

700. In the result, we cannot say that the evidence before us is clear that the Soldiers' trustees grazed from the outset, on their account, on their 2,000 acres the actual stock purchased by the Hoata Station, Ltd., from Wall and paid for by the Soldiers' trustees.

701. We have stated such facts as we have been able to gather, but, after the lapse of seventeen years and in the absence of records, we do not think that we are justified in drawing any conclusions as to what actually occurred when the soldiers' money was first expended in connection with Hoata Station. There is certainly no evidence whatever which would justify us in imputing fraud to Lady Carroll or Sir Apirana Ngata, the two trustees who were members of the Maori syndicate. It is regrettable, of course, that they permitted themselves to be placed in a position in which their interest conflicted with their duty.

702. The subsequent history of Hoata may be briefly stated. On the 28th February, 1921, after £19,885 had been spent in three and a half years, with a net cash loss of £5,395 and a book credit of £23 0s. 2d., Hoata was abandoned.

Hoia and Hereheretau Stations.

703. In April, 1919, the Maori Soldiers' trustees acquired the Hoia Station containing 5,122 acres, comprised in five Native leases of the Wharehika Blocks, at Hicks Bay. They paid £10,580 for goodwill. In the same year the Council also acquired the Hereheretau Station, containing 6,373 acres, comprised in a Crown lease of the Hereheretau 2A and 2D Blocks (see section 35 of the Reserves and other Lands Disposal and Public Bodies Empowering Act, 1919). The lease is for thirty-three years, with a right of renewal for a further thirty-three years, at an annual rental of £1,125: this lease is dated to run from the 1st January, 1922. Mr. W. G. Sherratt became supervisor of both properties. A thousand shares in the Gisborne Sheepfarmers' Frozen Meat Co., Ltd., were acquired. These were cancelled in 1929 and ceased to be of any value.

704. The Hoia and Hereheretau Stations were carried on by Mr. Sherratt on behalf of the Maori Soldiers' Fund trustees until 1925. In May of that year the Native Trustee was asked by the Minister in Charge of War Funds to investigate and report on the fund. In the result, the fund was transferred to and vested in the Native Trustee as from the 1st November, 1925, by section 23 of the Appropriation Act, 1925.

Farming Operations at Hoia and Hereheretau since Control was vested in the Native Trustee.

705. Attached to the Native Trustee's report to the Minister in Charge of War Funds is a statement of affairs as at the 31st May, 1925, setting out the value which the assets of both stations were expected to realize if a sale of the properties were undertaken and this statement discloses the following position:—

	£ s. d.
Hoia Station—	
Surplus of assets over liabilities	3,501 15 1
Hereheretau Station—	
Surplus of assets over liabilities	8,944 17 7
A total surplus of	£12,446 12 8

706. In addition to the foregoing surplus, the books of the Maori Soldiers' Fund trustees showed certain other assets, but as these assets were considered to be of no value, as being uncollectable, they were written off when the books were taken over by the Native Trustee. At the same time, certain liabilities of the fund were not recognized, and these were also written off. The items so written off were as follows:—

	£ s. d.
Assets of fund—	
Outstanding donations	5,298 11 11
Main fund debtors	390 3 0
Hoata Station debtors	838 17 9
Hoia Station debtors	185 6 4
	£6,712 19 0
Liabilities of fund—	£ s. d.
Tikitiki Station	567 7 0
Waiapu Farmers' Co-op. Co., Ltd.	577 7 3
Other creditors	80 10 9
	£1,225 5 0

707. After certain other necessary adjustments were made, the books showed the capital account of the fund to be £17,167 3s. 11d., and this is the figure used by the Native Trustee in his accounts. The position, therefore, is that from the commencement of farming operations by the Maori Soldiers' Fund trustees to the date of taking over by the Native Trustee (November, 1925) the capital of the fund had been reduced from the sum of £42,000, being the amount shown as collected on behalf of the soldiers, to £17,167, and, as this latter figure is a book figure only, it must be viewed in the light of the actual realizable value of the assets. This value was assessed at £12,446, plus a cash balance at the Bank of New Zealand of £3 1s. 7d. This amount of £3 1s. 7d. was the only cash held by the Soldiers' trustees when control was taken by the Native Trustee.

708. When the Native Trustee assumed control of the stations, the undermentioned mortgages were in existence:—

On Hoia £8,500 owing to Sydney Williamson.
On Hereheretau £3,000 owing to Native Trustee.

The former amount was paid off and the security taken over by the Native Trustee.

In addition to the above amounts, the Native Trustee authorized the following advances from his account as overdrafts on current account:—

	£
Hoia	5,000
Hereheretau	2,500

709. The Native Trustee realized that if he was to make a success of farming operations, considerable reductions would have to be made in overhead expenses and, as a first step, he arranged for the surrender to the Crown of 2,535 acres of bush land, being portion of Hereheretau, thereby easing the rent and rate burden on the block. Reductions and remissions of rent on the area occupied were also arranged. This resulted in a rent-free period to the end of 1927 and a future yearly rent at the rate of £425 per annum, as against the previous annual amount of £1,125. Efforts to obtain a reduction of rent payable on the Native leases comprising Hoia Station were not successful, as the Tairawhiti District Maori Land Board, acting on behalf of the Native owners, maintained that it was not their function to agree to a reduction in rent, but rather to insist that the rent, in terms of the lease, should be paid.

710. In the light of past experience of the properties, it appeared exceedingly doubtful whether or not the Native Trustee could successfully farm the properties, but after mature consideration he decided to finance the farms and work them under his supervision in an endeavour to avoid the waste of the large amount that had been collected by the Maoris for the benefit of their returned soldiers.

711. The trading results since the properties have been vested in the Native Trustee are as follows:—

	Hoia.		Hereheretau.	
	Loss.	Profit.	Loss.	Profit.
	£		£	£
1926	2,486	..	2,032	..
1927	2,500	..	323	..
1928	2,925	..	..	18
1929	2,177	..	26	..
1930	1,992	..	1,795	..
1931	4,806	..	2,645	..
1932	4,532	..	2,629	..
1933	2,071	..	1,481	..
1934	512	..	..	93

As previously stated, the book value of the capital fund, when the properties were taken over by the Native Trustee, was shown as £17,167 3s. 11d., and this amount was absorbed by the accumulated losses and disappeared from the accounts after the 31st May, 1930.

712. The position of the Native Trustee as regards the investment of his funds in these properties is shown by the following table:—

——	On Mortgage.	On Current Account.	Total.
	£	£	£
1925	3,000	..	3,000
1926	11,500	3,856	15,356
1927	11,500	11,844	23,344
1928	11,500	19,665	31,165
1929	11,500	24,565	36,065
1930	11,500	31,897	43,397
1931	11,500	44,339	55,839
1932	11,500	48,759	60,259
1933	11,500	48,611	60,111
1934	11,500	44,382	55,882

In addition to the sum of £55,882 owing to the Native Trustee at the 31st May, 1934, there were also the undermentioned amounts owing:—

	£	£
To sundry creditors	1,081	
For unpaid rent	1,724	
	——	£2,805

713. It will be noted that the liability to the Native Trustee shows a decrease for the 1933 and 1934 years, but this is accounted for by the fact that interest on the mortgage and current account advance has not been charged and debited to the current account. Interest has been debited in the Profit and Loss Accounts of the stations, but, instead of being credited to the Native Trustee's current account, it has been posted to an "Interest Suspense Account." It was apparently thought that there was no possibility of the interest ever being paid, and that therefore there was no object in increasing the liability to the Native Trustee by increasing his advance on current account. Nevertheless, in order to show the true position of the trading results of the stations, it was necessary to debit the Profit and Loss Accounts with an interest charge for the advances which had been made.

The amounts so charged to Interest Suspense Account are:—

	£	s.	d.
31st May, 1932	1,905	17	2
31st May, 1933	3,132	11	9
31st May, 1934	3,125	13	5
A total of	£8,164	2	4

714. Had the Native Trustee charged interest on his advances, the liability to him would now be £64,046, and this position should be compared with the liability to him of £3,000 when he assumed control of the properties. We cannot understand how the Native Trustee came to a conclusion that he could successfully farm these properties in the light of the information available to him, showing the losses sustained during the period they were under the control of the supervisor appointed by the Trustees of the Maori Soldiers' Fund.

715. The certificate appearing on the accounts for the year ended 31st May, 1931, reads as under:—

> "I hereby certify that the balance-sheet and accompanying accounts have been duly compared with the supporting books, documents, and papers submitted for audit, and found to correspond therewith subject to the following comments: (1) The advances made by the Native Trustee exceed the value of the realizable assets of the fund; (2) the item Capital Suspense Account represents merely the book value of certain cancelled Gisborne Sheep-farmers' Frozen Meat Co., Ltd., shares; (3) the values of live-stocks, tools, plant, furniture, and produce on hand have been accepted on the certificate of the Native Trust Property Supervisor.
>
> "(sgd.) G. F. C. Campbell,
> "Controller and Auditor-General."

Following the audit of the accounts, the following letter, dated the 4th November, 1932, was addressed by the Acting Minister of Finance to the Hon. the Native Minister:—

> "*East Coast Maori Soldiers' Fund.*
>
> "Following upon the audit of the accounts of the above fund, which is vested under the control of the Native Trustee, the Controller and Auditor-General has drawn attention to the extremely serious financial position which has been reached with respect both to the trust itself and its reaction upon the Native Trust Office Reserve Funds.

"A short *precis* of the history and present position of the fund is attached for your information, but, briefly stated, the outstanding aspects appear to be as follows:—

"(1) The fund's original equity of some £50,000 has completely disappeared.

"(2) The management over the past seven years has resulted in losses exceeding £30,000 or an average annual loss of £4,400.

"(3) The Native Trustee's advances upon mortgage and current account now total in the vicinity of £60,000, some £15,000 of which is definitely admitted as valueless, with possibly equally large further losses to be faced in the event of liquidation.

"(4) Each year's trading under present conditions is eating into the Native Trustee's security to the extent of at least £7,000 per annum, and even under pre-slump conditions an annual loss of £3,000 per annum appears to be inevitable.

"It would appear that some immediate and drastic action is essential in the interests of both the Native Trust Office finances and the Consolidated Fund as a preliminary to which a survey of the position by a practical pastoral expert in consultation with an officer experienced in farm finances is suggested as desirable.

"I should be pleased, therefore, if you would take such action as appears appropriate, and advise me as to the position as soon as progress can be reported."

716. The foregoing letter was minuted by the Native Minister to the Native Trustee, who, on the 14th December, 1932, replied and made the following suggestions:—

(*a*) *Hoia Station.*—That an attempt should be made to have the rentals waived for a period of five years to be followed by a permanent reduction to a figure not exceeding 1s. per acre, and that approximately 2,000 acres of bush country should be surrendered.

(NOTE.—The rentals at this date were 3s. per acre on 4,067 acres, and 1s. 8d. per acre on 1,054 acres.)

(*b*) *Hereheretau Station.*—That the Lands Department should be advised that it was impossible to continue the payment of rent, and that it should be remitted for five years.

Attached to the reply was a report from Mr. C. F. Jacobs, Native Trust Office Property Supervisor.

717. Following this correspondence, arrangements were made for Mr. J. R. Franklin, of Wanganui, to inspect and report on the properties, and his report of the 1st June, 1933, contains, *inter alia*, the following:—

"*Hoia Station.*—Hoia situated on the southern side of the Cape Runaway Road contains 5,128 acres.

"The back portion contains 2,000 acres of bush that is worthless from a farming point of view. There is also a block which has been felled adjacent to the standing portion which I was told amounted to about 1,000 acres, and although this carries a certain amount of stock and could perhaps be used as a run-off for stock for a number of years, the time will come when this portion will have to be abandoned. Owing to the rough nature of the ground, gorges, and cattle traps, it is impossible to stock it to control the rubbish to keep it in order. Country of this class should never have the bush felled on it.

"I have seen the disastrous results in various parts of the North Island, including the Wanganui River and the Waitomo County, and the sooner attempts to farm this sort of country is put an end to the better.

"The balance of the block, 2,200 acres, consists of second and third class sheep country. There are small patches in it which are of very little use but taking the block as a whole, it should be farmed. Improvements have been made and the place should not be abandoned.

* * * * * *

"Giving my opinion of the carrying-capacity of the 2,200 acres, I think in its present state it is safe to estimate its carrying-capacity at one and a quarter sheep mixed flock. With cleaning up, it should be possible to do a sheep and a half.

"To keep the country in order it wants a cattle beast to every 6 or 7 acres and they want to be handled and controlled to keep the place in order. I should say that on a pre-war basis of price for produce this part of the station would be worth about £4 per acre.

* * * * * *

"In referring again to the Hoia portion I wish to state that there is apparently no unimproved value for this class of country. Not even a superman could break this country in and show unimproved value on pre-war prices for produce. . . . The only thing to do is to write off and carry on."

"*Hereheretau Station.*—On appearance I would not expect this property to winter over one sheep to the acre, but apparently it is at present carrying considerably more than this. On the portion being stocked, and if the price of produce were on a reasonable basis, this should show a fair return and certainly gives one the feeling that if farming is to continue the place should be farmed and carried on, but at the same time, after coming here to make an inspection, I feel that I must state the position as it appears to me.

"There are portions of the property, possibly 700 acres, that appeared to be fair sheep country, but the balance looks to me to be dirty, unattractive country, growing fern, ti-tree, tauhinu, and blackberry.

". . . The property is well divided up with fences. I am told the biggest paddocks are about 250 acres. I do not see that much more can be done with subdivisions to improve matters.

"As far as I can see, fences are in fairly good order, and it appeared to me that the stock had been made the best use of to keep the country in order; but I can see that it is a very stubborn piece of country to deal with to keep the rubbish in check, and it will always need an expenditure every year to keep the place in order. . . . I do not think it would ever be an attractive place to put on the market.

"To try and give some basis of value, I would like to give what I consider the pre-war value of the country that is being farmed. I should say £5 per acre would be its limit owing to the dirty appearance of the country, but I feel I cannot put a lower value owing to the amount of stock the place is carrying. I would only be prepared to put a nominal value of 5s. per acre on the bush."

718. In June, 1933, the Controller and Auditor-General advised the Native Trustee that—

"the Audit Office is unable to pass any further vouchers supporting advances from the Native Trustee's Account for the purposes of the fund until an assurance is given by the Government that validating legislation will be provided."

The Deputy Native Trustee replied stating that—

"This fund is being carried on with the sole purpose of recovering the moneys that have been invested in it."

719. On the 16th June, 1933, the Controller and Auditor-General wrote to the Treasury as follows:—

"I forward for your information copy of the correspondence which has passed between the Native Trustee and the Audit Office in connection with the advances which are being made from the Native Trustee's Account to the East Coast Maori Soldiers' Fund. In view of the provisions of section 42 of the Native Trustee Act, 1930, which provides that any deficiency in the Native Trustee's Account shall be met by payment from the Consolidated Fund, I would suggest that any further advances from the Native Trustee's Account to the fund should be authorized by the Minister of Finance.

"Having regard to the financial position of the East Coast Maori Soldiers' Fund, I find it difficult to accept the assurance of the Deputy Native Trustee that the advances, which are being made, are for the sole purpose of recovering the moneys already advanced, and I do not feel disposed to pass any further expenditure in this direction without the approval of the Minister of Finance."

720. As a result of conferences between officers of the Treasury and the Native Trust Office, it was arranged that the properties comprising the trust be carried on upon the most economical basis and that budgets covering each three months' expenditure be submitted for the approval of the Minister of Finance. The first budget submitted covered the period from the 1st June, 1933, to the 31st August, 1933, and the arrangement made is still in force.

721. During this time the Native Trustee was taking steps towards obtaining a reduction in the rents payable on the properties, and an application for relief in respect of rents payable on Hoia was made to the Mortgagors' Adjustment Commission sitting at Gisborne. The application did not meet with approval. The report of the Commissioners contained the following passage:—

"The property appears to be well managed, but it will not and cannot pay interest on the mortgage. The goodwill in the block is of little value, and the greater part of the mortgage may be written off as bad.

"The returned Native soldiers, as lessees, have no equity whatever in the land and cannot in any way be assisted by the Commission. The position is absolutely hopeless.

"The Commission can only recommend that the application be dismissed."

722. The solicitors for the Native Trustee were instructed to oppose the recommendation when it came before the Supreme Court and endeavour to have it referred back to the Commission for another report. This was given effect to, and the matter adjourned till the August sessions of the Supreme Court at Gisborne.

The decision of the Court following the rehearing is:—

"(1) All arrears of rent at the 31st December, 1933, be postponed for two years with a view to repeating the postponement to the end of the lease, and then to be charged against compensation payable.

"(2) The rent shall be reduced to 6d. per acre for two years as from 1st January, 1934, with a view to continuing the reduction by further order until the expiration of the leases. The balance of rent reserved under the leases to be eventually charged against compensation."

723. In so far as Hereheretau Station is concerned, an application for remission of rent addressed to the Department of Lands and Survey was answered on the 24th April, 1934, as follows:—

"*East Coast Maori Soldiers' Fund.—Hereheretau* 2D.

"IN reply to your memorandum of the 20th instant, I have to advise that approval has been received to a remission of rent, £425.

"My Head Office advises that it is considered that a remission of one-third of the annual charges to 30th June, 1933, is all that is warranted in this case.

"With the higher prices for wool and stock this season, there should be no difficulty in meeting payment of the amount of £425 at present outstanding."

WAIKOHU BLOCK.

724. This block was purchased by the Native Trustee in June, 1930, for the purpose of improving the working of the Hoia Station. The office file contains very little information with regard to the purchase, and practically no evidence in relation thereto was tendered to the Commission. The Chief Supervisor, Mr. Jacobs, stated in evidence that the acquisition of Waikohu would materially increase the carrying-capacity of Hoia as well as improve the returns.

Waikohu is an area of Native leasehold land containing 1,393 acres, situated opposite to Hoia Station on the other side of the Cape Runaway Road. The lease is for a term of twenty-one years from the 1st July, 1915, with right of renewal for a further twenty-one years at a rental equal to 5 per cent. of the unimproved valuation. The rental during the present term was £277 2s. 6d. per annum, now reduced to £197 5s. 9d. per annum.

725. The file opens with an offer to sell 1,278 acres (a part of the final purchase) for a sum of £5,000. This offer is dated the 10th March, 1930, and is addressed to the Native Trustee, and signed by "Geo. Kirk, as agent for E. Cornish." On the same date Mr. Kirk writes to Sir Apirana Ngata as follows:—

> "I am enclosing a copy of the offer I am posting to the Native Trustee, Wellington, to-day. No doubt I will hear from them in due course. Thanking you for your assistance at all times."

This letter is minuted:—

> "The Native Trustee,
> "Referred.
>
> "A. T. Ng., 17/3/30."

On the 19th March, 1930, the Native Trustee acknowledged receipt of Mr. Kirk's letter of the 10th March, and said, "This offer is under consideration at the present time, and I will advise you in due course whether it will be accepted."

726. Next in sequence on the file is the following letter, written by the Native Minister to the Deputy Native Trustee:—

> "DEAR KING,—
>
> "You had better go into the question of the Hicks Bay lease with Mr. Kirk, although Symes report is not available. I have asked Harvey to have it supplied, and he and Symes know that I had the report verbally from them and that it was favourable when the amount involved was £6,000. Mr. Kirk has now come down to £5,000, and the negotiations can start there. Mr. Kirk has been put off long enough and the matter should be gone into.
>
> "Yours,
> "A. T. NGATA,
> "4/6/1930."

727. On the 12th June, the Native Trustee wrote to the Native Minister advising—

> "That a conference was held this morning between Mr. Jacobs, of this office, and Mr. G. W. Kirk, on behalf of Mrs. Cornish, and it was finally agreed, subject to your approval, to take over 1,278 acres and 115 acres for the sum of £4,200. The taking-over of these leases will, I think, mean that the Hoia Station will be able to carry on under better conditions than at present, and it is proposed that the office find the cash required to carry out the contract with Mrs. Cornish, and I would therefore recommend for your approval the taking-over of the two leases and the Department advancing the money necessary for the purpose."

This letter is minuted, "Appd., A.T.Ng., 12/6/30."

728. There are no reports on the file prior to purchase, which give a description of the property, its carrying-capacity, or prospects, or of its value as an adjunct to Hoia Station. In fact, the report from Mr. Symes mentioned in the Minister's letter only reached the Native Trustee's Office on the 25th June, after the purchase had been arranged.

This purchase has not been justified by the results of trading on Hoia Station, which now incorporates the Waikohu Block, as the losses made since the purchase of the latter block during June, 1930, are as follows:—

	£
To 31st May, 1931	Loss, 4,806
To 31st May, 1932	Loss, 4,531
To 31st May, 1933	Loss, 2,071
To 31st May, 1934	Loss, 512

On the other hand, as Waikohu contains land which can be used for the cultivation of root crops, it is of advantage in that respect in the working of Hoia Station.

RECOMMENDATIONS.

729. We recommend,—

(1) That the Native Land Settlement Board should seriously consider the question whether any further advances on the Hoia or Hereheretau Stations are justified.

(2) That the control of these stations by the Native Trustee be considered in the light of the recommendations in Part XIII of our Report, relating to the administration of the Native Trustee.

(3) That a copy of this report should be made available for inspection, free of charge, in the office of the Native Land Court in each District.

The Arawa District Trust Board.

730. The Arawa District Trust Board was established by section 27 of the Native Land Amendment and Native Land Claims Adjustment Act, 1922, and now exists under section 51 of the Native Purposes Act, 1931. As part of the settlement concerning Lake Rotorua effected between the Government and the Arawa Tribe, the Government pays to the Arawa District Trust Board the annual sum of £6,000.

731. The Board is a body corporate. The Governor-General has power to make regulations governing the constitution of the Board and the administration of its funds. The Act provides that the Board shall administer all funds held by it for the general benefit of the members of the Arawa Tribe or their descendants. The Board may provide moneys for specific purposes for the benefit of the members of any particular section of that tribe. Subject to the foregoing provisions, it is within the power of the Board to determine finally what may be a proper object for which payment may be made out of its funds.

732. With the precedent consent of the Native Minister, the Board may, under subsections (*c*) and (*d*) of section 51, raise money on mortgage or charge its revenues and income by way of bond. Under subsection (*e*), however, the Board appears to have an inconsistent power of raising money on mortgage of land without the consent of the Native Minister. The Board has power to purchase or sell lands, to subdivide and let lands for Maori settlement, to farm any lands owned by it, to lend money to Natives, and to act as guarantor for the repayment of principal or interest by any Native to whom advances have been made by any person. The Board may accept from any Native, trusts of land, whether European or Native. No mortgage from a Native to the Board requires confirmation, save that provision is made for an advance to a member of the Board on the security of Native freehold land to the extent of three-fifths of its value and such mortgage requires confirmation.

733. These wide powers show the need for careful and wise administration.

734. The regulations made by the Governor-General provide for a Board of fifteen members to be appointed by the Governor-General. A quorum consists of five members.

735. With regard to the administration of the Board's funds, Regulation 25 (2) provides that no moneys shall be paid except by cheque signed by two members of the Board and countersigned by an officer of the Public Service appointed by the Native Minister. Regulation 29 provides as follows:—

> "If any question shall arise as to the expenditure of any money by the Board, or as to the proportion in which any benefits shall be allocated amongst the respective hapus entitled thereto, or as to whether any project resolved upon by a public meeting of the members of the Arawa Tribe should be undertaken by the Board, any person aggrieved by the Board's decision thereon may apply to the Native Minister to decide the matter at issue. The Native Minister may thereupon decide the question in dispute or what is right and proper to do under the circumstances, and shall direct the Board accordingly, and the Board shall thereupon act upon such direction."

736. We give a brief summary taken from the accounts supplied to us by the Chairman of the Board, Mr. H. Tai Mitchell, of the manner in which the Board has expended its funds from the 1st April, 1924, to the 31st March, 1934, a period of ten years.

	£ s. d.	£ s. d.
(1) Land purchases—		
Maketu property	18,310 8 5	
Maketu farm accounts, including stock purchases ..	12,823 13 6	
NOTE.—The Board commenced its farming operations in April, 1926, and ceased them in December, 1930, when the Maketu farm was brought under the Government Native land development scheme.		
Other land purchases	1,041 3 6	
		32,175 5 5
(2) Loans—		
(*a*) Temporary advances on personal guarantees and on the security of rents assigned to the Board, about half being made to those in distress. The total number assisted is 548—		
Total advanced	14,995 5 8	
Refunded	10,639 18 5	
	4,355 7 3	
Written off	701 12 3	
		3,653 15 0
(*b*) Agricultural loans to assist Arawas back to the land—		
Total advanced	2,939 17 5	
Repaid	2,414 1 1	
		525 16 4
(*c*) Loans for workers' dwellings—to improve living conditions—		
Total advanced	2,683 2 2	
Repaid	1,358 7 11	
		1,324 14 3

	£ s. d.	£ s. d.
(3) Grants for meeting-houses, dining-rooms, church buildings, sanitary conveniences, water-supplies, and electric light and supply	..	11,483 12 6
(4) Pensions, comprising grants to the blind, infirm, disabled, and needy	..	2,856 8 7
(5) Educational grants—		
(*a*) To Arawa students	2,313 10 8	
(*b*) General grants to schools	334 13 10	
		2,648 4 6
(6) Health and hospital grants	..	2,651 14 4
NOTE.—Included in this amount is a sum of £1,694 7s. 2d., which represents cash payments in full settlement of claims made by medical practitioners and Hospital Boards totalling over £6,000.		
(7) Special grants	..	2,546 7 2
NOTE.—These include grants to other canoes, £605 17s. 11d.; grants to Arawa sports bodies, £220 10s. 3d.; burial expenses, £508 2s. 7d.; and grants to sundry Arawas, £332 6s. 5d.		
(8) Litigation expenses in connection with the Rotorua Lakes claim	..	635 15 7
(9) Other expenses	..	18,378 0 7
NOTE.—These comprise interest on overdraft and loans *re* Native Trustee and Waiariki District Maori Land Board, £4,023 5s. 10d.; salaries, £3,324 4s.; expenses of members of Arawa Trust Board, £2,842 (the allowance of members has now been voluntarily reduced from £1 to 17s. 6d. per diem per member); grant to Arawa Soldiers' War Memorial, £1,882 12s. 8d.; Kaituna River Board, contribution towards cost of diverting Kaituna River from Te Tuma to the original outlet at Ngatoro, Maketu, £1,510 7s. 1d.; and grant of £250 for five years towards the stipend of the Bishop of Aotearoa, £750 18s. 9d. There is also included the concession of 8 per cent. of the Board's income for three years commencing from the 1st April, 1932, as a contribution from the Arawas to the finances of the country during the depression, instalments for 1932 and 1933, £960.		

737. The Board is, of course, entitled to spend its moneys in its discretion, subject to the control provided for by Regulation 29. It may be doubted, however, whether the Board has been wise to spend so much money on land purchases. It may be wise for the Board to consider more, in the future, such matters for assistance as education and health.

The large amount of £4,023 5s. 10d., which has been paid by the Board for interest on loans to it, should also be noted.

738. The report of the Audit Officer shows that the main accounts of the Board are in order, but the Controller and Auditor-General makes two complaints.

(1) The Controller and Auditor-General complains that interest on loans and advances other than agricultural loans and those in respect of workers' dwellings is not debited when due, with the result that no original debit is established for the collection of interest. In these cases it is only on the repayment of principal that the amount of interest due is assessed and charged. The explanation made on behalf of the Board to the Inspecting Auditor was that there was difficulty in collecting interest, and that the Board collected on repayment of the principal sum as much above that sum as possible and treated the excess amount as paid in satisfaction of interest. This procedure is not satisfactory. We recommend that interest should be charged on due dates, and if an amount of interest is to be written off it should be written off by the Board after considering a report on the circumstances.

739. (2) The Controller and Auditor-General also complains that the Board has given the Chairman authority to make advances and grants in individual cases to an amount not exceeding £100, although in practice, except in the case of grants to *maraes* and village funds, the Chairman does not commit the Board under this power to an amount exceeding £10. In many cases the Chairman makes the advances or grants out of his private funds, and, in general, takes an informal receipt or an assignment of rents or other interests as security. Such advances or grants are journalized about once a year through the Chairman's current account with the Board, and the Chairman periodically draws on this account by way of reimbursement.

740. The balance-sheet of the Board for the year ending the 31st March, 1933, was "tagged" by the Controller and Auditor-General as follows:—

> "The practice of making authorized advances and grants out of the Board's funds through the Chairman and of recouping the Chairman for grants made by him personally is irregular and is required to be discontinued."

We are informed that the Board was instructed by the Native Minister to discontinue these practices, but that it did not do so. We recommend that the practices be discontinued and that arrangements should be made by the Board for dealing with urgent cases through a subcommittee of the Board, which has power to make a payment within a specified limit directly through the Board's own accounting system.

741. The Controller and Auditor-General has also raised, we were informed, an objection to a resolution of the Board authorizing the payment of an honorarium of £100 per annum to the chairman. The chairman, Mr. Mitchell, has never in fact drawn any such moneys, and we think that, as the amendments to the regulations made on the 10th December, 1928, provide only for a salary to the Secretary of the Board, it is not clear that the resolution authorizing the honorarium is within the powers of the Board.

742. Complaint has been made to us by Wiremu Karawana (William Galvin) and Henry te Reiwhati Vercoe that the members of the Arawa Tribe do not know in detail how the Board's funds are expended. We think that this is probably the position, and we recommend that a copy of the Board's annual balance-sheet and accounts, which it is required to forward to the Native Minister under Regulation 24, should be filed in the office of the Native Land Court at Rotorua not later than sixty days after the 31st March in each year for inspection by members of the Arawa Tribe free of charge; and that the regulations be amended accordingly. We think that this is a matter of some importance.

743. Complaint has been made to us by Henry te Reiwhati Vercoe that after the completion of the Lakes agreement, the Arawa people, at Maketu, with the unanimous approval of the elders, agreed to set aside £1,000 out of the Arawa Trust Fund to help to re-establish their returned soldiers in civil life; that a promise was made that the wish of the people would be honoured; and that it has not been honoured. This is a complaint which should be investigated by the Arawa Trust Board itself. The findings and proposals (if any) should be recorded in the minute-book and published to the Arawa people.

744. Complaint has been made to us by Mr. H. M. Macpherson of partiality in the granting of a scholarship by the Board, particulars of which he gave. No general partial treatment in the granting of scholarships has been established. We think, however, that the making of the balance-sheet and the accounts available for inspection, as we have recommended, would assist the Board in making an impartial distribution of its funds.

745. Complaint has also been made by Wiremu Karawana and H. M. Macpherson that the present Native Minister has prevented the Arawa people from selecting their nominees for the Board. It appears that it has been the practice for the subtribes to nominate by election persons to fill vacancies on the Board, but these elections, though useful as indications of the opinion of the people, are informal, and do not bind the Governor-General in making his appointments to the Board. The particular complaint is that the Native Minister exercised an influence in these informal elections in 1933 and secured the nominations of only those persons whom he wished nominated. It would have been better, we think, if the Native Minister had not so intervened, but, as the elections were purely informal and the power of appointment rests with the Governor-General, we have no recommendation to make in the matter. It is sufficient, we think, to note that to ensure general satisfaction with the appointment of Board members by the Governor-General, the discretion of the Native Minister in submitting nominations must be wisely exercised.

746. Serious complaints have been made to us as to the manner in which the Board has trenched upon its future resources. The following table shows the fixed commitments existing as from the 1st April, 1935, in respect of a loan of £16,000 from the Native Trustee, and two purchases from one Robert King of lands at Maketu.

	£	s.	d.
1st April, 1935—			
Native Trustee: Sixth instalment on loan of £16,000	2,000	0	0
Robert King: Third instalment, first purchase	800	0	0
Robert King: Second instalment, second purchase	400	0	0
	£3,200	0	0
1st April, 1936—			
Native Trustee: Seventh instalment	1,500	0	0
Robert King: Fourth instalment, first purchase	800	0	0
Robert King: Third instalment, second purchase	400	0	0
	£2,700	0	0
1st April, 1937—			
Native Trustee: Eighth instalment	1,500	0	0
Robert King: Fifth instalment, first purchase	800	0	0
Robert King: Fourth instalment, second purchase	400	0	0
	£2,700	0	0
1st April, 1938—			
Native Trustee: Ninth instalment	1,500	0	0
Robert King: Sixth instalment, first purchase	800	0	0
Robert King: Final instalment, second purchase	423	4	3
	£2,723	4	3
1st April, 1939—			
Native Trustee: Tenth instalment	1,500	0	0
Robert King: Final instalment, first purchase	946	0	0
	£2,446	0	0
1st April, 1940—			
Native Trustee: Final instalment	£805	6	4

747. The Arawa District Trust Board appears to be under the impression that Cabinet has authorized a grant of £400 per annum from the funds of the development schemes towards the cost of the second purchase from King—viz., a purchase of 354 acres at a price of £3,879, secured by bonds spread over a period of six years with interest at 6 per cent. The only authority for this assumption appears to be a Cabinet minute of the 7th July, 1933, whereby Cabinet approved the payment of £400 from the development scheme funds as one-half of the first instalment of £800 payable by the Arawa District Trust Board to King. See Native Department file, N.D. 1/8/14.

748. On the 26th July, 1933, the Controller and Auditor-General raised with Treasury the question as to why the Government should be required to defray one-half of the cost of redeeming bonds issued by the Arawa District Trust Board as consideration for this purchase. The explanation of the Under-Secretary of the Native Department, dated the 5th October, 1933, was that the land in question adjoined the Arawa District Trust Board's farm at Maketu and was purchased by the Arawa District Trust Board, with the consent of the Native Minister, upon the terms that the Native Land Development Fund would contribute a proportion of the cost each year, such annual contribution being charged on the land purchased and also on the Board's Maketu farm as a whole. We gather from the evidence of Mr. Mitchell, the chairman of the Board, that the Board's view is that the original agreement was that only the land purchased was to be charged, and that the Board was not required by that arrangement to give security for the annual contribution from the development funds by way of bonds charged on its income. No memorandum in writing appears to have been made of the terms of this arrangement.

749. The control of the Maketu Development Scheme is now in the hands of the Native Land Settlement Board, and on the 21st March last that Board passed the following resolution:—

> "That the sum of £400 be paid to the Arawa Trust Board in respect of the first instalment of the purchase-money payable under the purchase of lands at Paengaroa from Mr. R. King subject to that Board giving to the Treasury similar security to that given to King—viz., a bond charging the Board's annual income; also that the area purchased be included in the Maketu Development Scheme and made subject to the provisions of section 522 of the Native Land Act, 1931."

The Arawa Trust Board has not yet, we understand, agreed to comply with these conditions.

750. Whether the Board is or is not entitled by some arrangement to obtain the assistance, in respect of King's purchase, of an annual advance from the Government, the present position of the Board raises a serious question as to the administration of the fund. The consent of the Native Minister was required by the Act (now section 51 (1) (*d*) of the Native Purposes Act, 1931) to the charging of its revenues or income by way of bond. The Native Minister does not appear to have exercised sufficient control over the issue of these bonds. He admitted that the Arawa Trust Board had been getting out of control. We think that the Board got out of control, and was not properly checked.

751. With regard to the future, the Native Minister made the suggestion that some one from the Department should be connected with the working of the Board and keep a watch on the position. The Native Minister also accepted the following suggestion:—

> "*Question (Mr. Johnston):* Do you think it would be feasible by legislation to limit their liabilities to not more than one or two years' income so that the public dealing with them would know the position?
>
> "*Answer (Sir Apirana Ngata):* I think the best thing is to say straight out, so that the public would know that the Board is not in a position to engage itself in anything without the consent of the Minister or the Department, that would be fairly drastic but it would be the only thing to do.
>
> "*Question:* Is that your view that they need to have something of the sort?
>
> "*Answer:* Yes. We have been pulling up the Tuwharetoa Board and trying to bring the Arawa Trust Board into line as they were getting out of control.
>
> "*Question:* I would like your views in connection with their future.
>
> "*Answer:* The Arawa Trust Board has only about one-third of the income available."

752. *Further recommendations.*—We recommend—

(1) That the powers of the Arawa District Trust Board under section 51 of the Native Purposes Act, 1931, be redrawn so as to make it clear what powers of raising money are subject to the control of the Native Minister.

(2) That the Board should be restrained from anticipating any future year's income without the consent of the Governor-General in Council, such restraint to be without prejudice to the payment of the existing commitments.

(3) That a copy of this report be made available for inspection, free of charge, in the office of the Native Land Court in each District.

The Tuwharetoa Trust Board.

753. The Tuwharetoa Trust Board was established by section 16 of the Native Land Amendment and Native Land Claims Adjustment Act, 1926, and now exists under section 55 of the Native Purposes Act, 1931. As part of the settlement concerning Lake Taupo effected between the Government and the Tuwharetoa Tribe, the Government pays to the Tuwharetoa Trust Board the annual sum of £3,000, together with certain other payments in respect of camp-sites and fines. The Board is a body corporate. It is required to administer its funds for the general benefit of the

members of the Tuwharetoa Tribe or their descendants. It may provide moneys for a specific purpose for the benefit of members of any particular section of that tribe. It is within the power of the Board to determine what may be a proper object for which payment may be made out of its funds. The Board has powers of purchasing and selling land, raising money, and the like, similar to those conferred on the Arawa Trust Board.

754. The Board is constituted under regulations made by the Governor-General. It consists of eight members. A quorum at any meeting of the Board is five. Regulation 27 (2), relating to the countersigning of cheques, corresponds to Regulation 25 (2) of the Arawa Trust Board Regulations, and Regulation 31, relating to the determination of expenditure by the Native Minister should any question arise, corresponds to Regulation 29 of the Arawa Trust Board Regulations.

755. The Tuwharetoa Trust Board proceeded to spend its funds in such a manner that in the year 1931 it became involved in financial difficulties. The Board endeavoured to maintain a free medical service for the Tuwharetoa Tribe. On the average, it expended nearly one-half of its annual income in maintaining this service. The Board also made loans to individual Natives. Some of the securities which were taken, such as assignments of rents and royalties, are yielding very little, and, in some instances, appear now to be practically worthless. The Board also guaranteed payment of stores and goods supplied to Natives and made weekly or monthly allowances to Natives. It made some small grants for educational purposes.

756. The chief liability of the Board arises from the fact that in 1930 it undertook the liability of members of the tribe to the Jones Estate, of Tokaanu, for a proportion of the amounts owing by them to the estate for stores supplied. The claim of the estate amounted to £12,000. The Native Minister informed us that a large amount of debt for stores was incurred by the Natives, because they received large timber royalties at one time from the Tongariro Timber Co., Ltd. As much as £8,000 was paid from this source in one year. The Board compromised the claims of the estate at £6,000 and undertook to pay that sum to the estate by a payment of £750 in cash on the execution of the agreement and the balance of £5,250 by five bonds of £1,050 each. There appears to have been some arrangement between the Board and the Natives that each Native would pay to the Board two-thirds of the debt owed by him to the estate.

757. In making its arrangements, the Board does not appear to have been assisted by legal advice, as, according to the Native Minister, each member of the Board regarded himself as a lawyer in the matter. The Board was apparently also relying on the Natives being assisted at a later date by a settlement of certain compensation claims relating to river and timber rights. The transaction does not seem to us to have been conducted in a business-like manner, but the Native Minister gave his consent to the deed between the Board and the Jones Estate dated the 1st day of September, 1930.

758. The Board, with its other outgoings, was soon in difficulties, and in 1931 applied to the Native Minister for his consent to borrow £8,000 for the purpose of paying Natives' debts with storekeepers (other than the balance of the compromised debt owing to the Jones Estate), amounting to £4,000, and paying off the said balance of the Jones Estate amounting to £4,750. The Native Minister refused his consent and advised the Board to exercise greater care and prevision in regard to its finance, and not to involve its future to an extent that would embarrass it. In November, 1932, the Board attempted to raise a loan of £3,500 from the Bank of New Zealand, but was unsuccessful. In December, 1932, the Native Minister directed that the Board should be asked to reduce its expenditure, and he suggested that all medical services and assistance to education should be dispensed with, and that administration expenses should be reduced.

759. During 1933, new proposals for raising money by a debenture issue of £8,500 were made. In their final form they were (1) to meet the balance owing to the Jones Estate; (2) to settle a claim by Mr. M. H. Hampson for £2,000 for legal costs in respect of Tongariro Bush claims; (3) to provide a loan of £500 for the Tuwharetoa Timber Co., Ltd.; and (4) to secure an increase in the bank overdraft from £1,400 to £2,000. Before consenting to this debenture issue, the Native Minister required the assurance of the owners of the Tongariro Bush that the amount of the legal costs would be refunded to the Trust Board when compensation-moneys in respect of that bush became available. At a meeting held at Tokaanu on the 13th July, 1933, the owners gave the required assurance by signed resolution. The Native Minister then consented to the issue of eighty-five debentures of £100 each payable at spread dates between the 1st May, 1934, and the 1st May, 1944.

760. The Jones Estate were paid £975 in cash out of the Board's income from the Government for 1933–34 and the issue of debentures was disposed of as follows, according to the statement prepared by Mr. Norman Smith, of the Native Department, who has ably controlled the financial reconstruction of the Board:—

> "£3,000 of the debentures were non-interest-bearing and were handed to the Jones Estate Trustees in settlement of the balance of their debt, £2,000 handed to the Bank of New Zealand to cover the overdraft, £2,000 to Mr. Hampson in respect of his Tongariro Bush account, £1,000 sold to provide the balance of the cash payment to be made to the Jones Estate, and £500 to the Tuwharetoa Timber Co., Ltd., as a loan by the Board to that company, which is a Native concern operating in the district."

761. With regard to the Board's claim for repayment by the Natives, many of the debts owed by them to the Jones Estate are now, or will shortly become, statute-barred. A special meeting of the debtors was held at Tokaanu early this year, but only a few acknowledgements and assignments were made.

762. Since the completion of the foregoing arrangements, Mr. Norman Smith has been appointed a countersigning officer for the Board, and he signs all cheques and orders. The claims of all creditors are now being checked and examined. The Secretary's salary has been reduced from £170 to £45 per annum. The allowance to members of the Trust Board for attending meetings has been reduced from

£1 per day to 15s. per day, and meetings of the Board are now held quarterly instead of bi-monthly. All the Hospital Boards concerned have been advised that they must in future look to the patients personally for the payment of fees. The Native District Nurse has been retained and arrangements for her transport have been made jointly between the Board and the Health Department.

763. By the end of the present financial year, the bank overdraft should be clear. From and after the 1st April, 1935, the Board will, under proper control and management, have a balance of available income as follows:—

Year.	Debentures payable. £	Balance Income available. £
1935	500	2,500
1936	500	2,500
1937	500	2,500
1938	1,000	2,000
1939	1,000	2,000
1940–44 inclusive	500	2,500

Interest is not included in these figures.

764. The Controller and Auditor-General has complained that four members of the Board have received advances out of the Board's funds against rents and other moneys to become payable through the Maori Land Board instead of on the security of Native freehold land. The members of the Board are under the same restrictions as the members of the Arawa Trust Board, and there has been a breach by the Board of this obligation. The highest amount involved was £78. Repayment of these amounts is gradually being made.

765. The Controller and Auditor-General has also complained of the transaction with the Jones Estate. The assumption of liability was, we think, permissible for the Board, and, if it had been questioned by any member of the tribe, any person aggrieved might have applied to the Native Minister to decide the matter at issue under Regulation 31. We are not satisfied, however, that the arrangements with regard to the Jones Estate were made in a businesslike manner, and we think it clear that in a matter of such magnitude and importance the Board should have obtained competent and independent legal advice.

766. The Board has not shown financial wisdom since the beginning of its operations and the association of an officer of the Native Department with its operations should assist to develop in the Board a due sense of its administrative responsibilities.

With regard to the future, attention should be given, we think (as suggested by Mr. Norman Smith), to providing better sanitation in the pa areas and an improvement in the general living-conditions there. We think that more attention should also be given to the assistance of education.

767. *Recommendations*:—

(1) We recommend that the powers of the Tuwharetoa Trust Board under section 55 be clarified, and that it be made clear, as we have indicated in connection with the Arawa Trust Board, what powers of raising money are subject to the control of the Native Minister. We think that this recommendation is not affected by the fact that the form, conditions, and rate of interest of the bonds referred to in section 55 (*f*) are now to be determined by the Minister of Finance pursuant to section 24 of the Native Purposes Act, 1933.

(2) We make the same recommendations with regard to the restraint on anticipation of any future year's income as we have made in connection with the Arawa District Trust Board.

(3) We recommend that a copy of this report be made available for inspection in the office of the Native Land Court in each District, free of charge.

PART XIII.—THE ADMINISTRATION OF THE NATIVE TRUSTEE.

768. A strong attack upon the administration of the Native Trustee was made before us by Mr. A. K. North, counsel for certain beneficiaries in the West Coast Settlement Reserves, and by Mr. R. C. Sim, who represented certain other beneficiaries of the Native Trustee. They both stressed the fact that the result of the operations of the Native Trustee was such that, notwithstanding the State guarantee of the Common Fund, his Native beneficiaries had been seriously inconvenienced because he did not have at his disposal when required during the years 1932 and 1933 sufficient ready money. Complaints were also made to us by officers of various Maori Land Boards that they had deposited large funds with the Native Trustee, and that the beneficiaries of the Maori Land Boards had also been seriously inconvenienced for the same reason. We have come to the conclusion that the complaints were well founded, that there is at present a dislike of the Native Trustee among many Natives, and that a review of his policy is necessary. We deal separately in Part XV of our Report with the special complaints made by Mr. North and Mr. Sim.

769. The Native Trust Office was established by the Native Trustee Act, 1920, which provided for the appointment of a Native Trustee, and was designed to make better provision for the administration of Native reserves. Prior to this Act the Public Trustee had undertaken the duties and functions of a trustee for the Natives.

770. The Native Trustee commenced operations on the 1st April, 1921, by taking over from the Native division of the Public Trustee the administration of the Native reserves and the funds of Native minors. The Native Trustee also took over under the Native Trustee Amendment Act, 1921, cash and securities representing the surplus funds of the Maori Land Boards which had been deposited with the Public Trustee. The total cash which should have been transferred was approximately £800,000, but, owing to financial difficulties at the time, only £25,000 was made available in cash and the balance was met by taking over at face value Government scrip, local-body debentures, and mortgages bearing interest at rates varying from 4 per cent. to 6 per cent.

The Native Trustee Act of 1920 provided that there should also be paid into the Native Trustee's Account—

(*a*) All moneys thereafter payable in respect of any Native reserve that would have been payable to the Public Trustee if the Act of 1920 had not been passed:

(*b*) All moneys thereafter payable in respect of any Natives pursuant to any statute that would have been payable to the Public Trustee if the Act of 1920 had not been passed:

(*c*) All other moneys payable to the Native Trustee pursuant to any lawful authority.

771. By section 20 of the Act of 1920 all the moneys payable to the Native Trustee were to be held in accordance with the trusts affecting the same. The Act of 1921 provided that all these moneys not required to be specially invested should be held in the Common Fund of the Native Trustee. The payment of any deficiency in that fund was guaranteed by the State. (See now section 42 of the Native Trustee Act, 1930.)

772. The Act of 1920 provided for the establishment of a Board called the Native Trust Office Board, which controlled the investment of the moneys in the Native Trustee's account. This Board has now been superseded by the Native Land Settlement Board. (See section 15 (2) of the Native Land Amendment Act, 1932.)

773. We have dealt in Part IV of our Report with the legislation conferring investment and farming powers upon the Native Trustee.

774. *Balance-sheet.*—The balance-sheet of the Native Trustee at 31st March, 1934, shows the following assets:—

	£
Office furniture, fittings, &c.	275
Local bodies' securities	10,200
Mortgages including special investments	532,060
Properties acquired under mortgage	12,110
Interest and rent due and accrued	37,448
Advances (on overdraft) to estates and accounts	150,580
Sundry debtors	306
Cash balances	20,723

775. *Earnings and Expenses.*—The earnings and expenses of the Native Trustee since the establishment of the office in April, 1921, are as follows :—

——	Earnings.	Expenses.	Salaries included in Expenses.	Other Expenses.
	£	£	£	£
To 31st March, 1922	19,208	5,730	..	..
,, 1923	18,730	6,241	..	..
,, 1924	16,423	7,148	5,386	1,762
,, 1925	18,519	8,623	..	..
,, 1926	17,449	10,595	..	..
,, 1927	17,404	11,877	..	..
,, 1928	16,158	11,844	9,034	2,810
,, 1929	14,946	11,725	..	..
,, 1930	16,066	12,756	9,735	3,021
,, 1931	22,906	15,508	..	..
,, 1932	23,071	15,082	11,322	3,760
,, 1933	17,438	14,170	10,455	3,715
,, 1934	17,050	13,151	9,067	4,084

The Deputy Native Trustee told us in evidence that the reductions in earnings were to a certain extent accounted for by reason of reduced charges made in the collection of rents and other concessions made by the Native Trustee to his beneficiaries (to which we refer at the end of this part of our Report).

776. *Appropriation Account and Reserve Funds.*—The annual profits made by the Native Trustee have been dealt with as under :—

——	Reserve and Assurance Fund.	Investment Fluctuation Fund.	Reserve against Unpaid Interest.
	£	£	£
To 31st March, 1922	12,193	1,285	..
,, 1923	11,240	1,249	..
,, 1924	8,348	927	..
,, 1925	8,906	990	..
,, 1926	6,169	685	..
,, 1927	4,975	552	..
,, 1928	3,883	431	..
,, 1929	2,899	322	..
,, 1930	2,979	331	..
,, 1931	6,659	739	..
,, 1932	7,191	798	..
,, 1933	585	65	2,618
,, 1934	3,124	347	426

In addition to the foregoing a " special reserve against claims " amounting to £242 has been created, and the total reserves as shown by the balance-sheet for the year ended 31st March, 1934, are—

	£	s.	d.
Reserve against unpaid interest	3,044	0	0
Special reserve against claims	242	18	6
Assurance and reserve fund	102,414	18	8
Investment fluctuation fund	6,155	16	10
	£111,857	14	0

777. *Mortgages.*—The majority of the mortgages taken over by the Native Trustee from the Public Trustee in 1921 comprised loans to Europeans, but as it is the policy of the Native Trustee to lend only to Natives, he has endeavoured to arrange with the European mortgagors for repayment so that a reinvestment could be made upon the security of Native lands. This policy has been successfully carried out, and there are now only eight mortgages from Europeans, covering, at 31st March, 1934, a total principal of £22,952 plus interest at the same date amounting to £1,215.

778. The existing mortgages granted by the Native Trustee himself have all been made during the period when the Native Trust Office Board was in existence. With the few exceptions we are about to mention, these investments have all been made under section 47 (*c*) upon Native freehold lands to amounts not exceeding three-fifths of the estimated value of the security according to valuations approved by the Board. The following are the exceptional investments. Five investments have

been made under section 47 (*f*), which authorizes advances secured by the mortgage of any freehold or leasehold interest in any Native land vested in or administered by the Native Trustee. These mortgages were granted over interests in Native reserves and the total principal sums amounted to £1,210, of which £400 has been repaid. Eight advances have been made to Natives under section 47 (*d*) upon lands held by them under European titles, the total principal sums being £5,756. The only advance made under section 47 (*g*), which authorizes advances secured by way of floating charge to a company or association approved by the Native Minister, is one of £6,100 to the Ngatiporou Co-operative Dairy Co., Ltd. This advance is secured by a first mortgage over the freehold owned by the company and a debenture over the assets and undertaking of the company.

779. We set out hereunder particulars of the mortgages granted by the Native Trustee classified under Maori Land Board Districts, and showing the original loan, the repayments, and the principal and interest owing at 31st March, 1934 :—

Number of Mortgagors.	Maori Land Board District.	Amount of Loan.	Amount repaid.	Due 31st March, 1934.	
				Principal.	Interest.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.
21	Tokerau	12,001 13 8	4,576 10 3	7,425 3 5	228 5 0
46	Waikato-Maniapoto ..	38,915 14 2	15,134 19 11	23,780 14 3	1,162 7 2
15	Waiariki	40,382 14 3	13,825 6 10	26,557 7 5	66 15 8
56	Tairawhiti	148,342 6 1	20,837 6 4	127,504 19 9	13,765 3 4
135	Aotea..	168,979 4 7	41,771 13 2	127,207 11 5	4,194 1 11
120	Ikaroa	181,924 0 1	39,981 4 10	141,942 15 3	8,004 15 4
38	South Island	28,499 9 6	7,875 15 3	20,623 14 3	1,003 13 1
45	Charging orders ..	59,179 16 9	25,764 2 6	33,415 14 3	806 10 9
	Pakeha mortgages taken over from Public Trustee—				
2	Waikato-Maniapoto ..	5,900 0 0	4,400 0 0	1,500 0 0	..
1	Waiariki	8,895 0 0	43 0 7	8,851 19 5	..
4	Aotea	14,900 0 0	3,000 0 0	11,900 0 0	1,215 3 11
1	Tairawhiti	700 0 0	..	700 0 0	..
	Totals	708,619 19 1	177,209 19 8	531,409 19 5	30,446 16 2

At 31st March last, therefore, the Native Trustee had invested on mortgage principal sums amounting to £531,409, and the interest in arrear at that date was £30,446.

780. The following is a summary of the position of some of the mortgages which are in arrear, as disclosed by the files submitted to us :—

Date of Loan.	Amount of Original Loan.	Principal owing at 31st March, 1934.	Interest owing at 31st March, 1934.
	£	£ s. d.	£ s. d.
13th August, 1924	3,800	3,888 17 8	627 16 4
13th August, 1924	3,000	3,000 0 0	443 18 3
13th August, 1924	1,200	1,200 0 0	202 11 1
13th August, 1924	1,200	1,200 0 0	177 11 1
13th August, 1924	8,500	8,500 0 0	1,349 18 3
30th August, 1924	1,500	1,500 0 0	578 10 9
13th August, 1924	4,000	3,412 10 0	385 6 0
17th February, 1926	600	429 16 4	83 8 1
10th August, 1926	650	650 0 0	96 14 10
29th May, 1924	400	410 8 0	55 18 0
8th May, 1925	900	900 0 0	179 14 3
15th March, 1930	2,000	2,000 0 0	317 11 0
8th November, 1925	2,500	2,500 0 0	447 4 11
14th April, 1928	350	350 0 0	51 10 6
8th August, 1929	900	900 0 0	123 2 11
29th January, 1924	2,965	2,965 0 0	559 9 9
16th October, 1924	5,000	5,000 0 0	921 1 8
1st October, 1925	225	225 0 0	56 16 4
15th December, 1928	1,500	1,400 0 0	221 12 11
27th November, 1924	200	200 0 0	60 4 4
1st August, 1924	750	750 0 0	177 17 7
28th February, 1921	6,500	6,500 0 0	1,186 11 11

781. We recognize that, during the period of depression after 1930, the mortgagors of farming properties have been gravely handicapped by the fall in prices, and that defaults in the payments of interest were to be expected. We recognize, too, that after the legislation in relief of mortgagors and tenants was enacted steps taken to enforce payment were likely to lead to applications for relief. In these circumstances we do not think that the arrears of interest—£30,446—are exceptional on an investment of £531,409. We have noticed in the files cases where there might have been more inspection of mortgaged properties after a loan was granted, but, in that respect, we recognize that some supervisors of the Native Trustee have been used for the purposes of Native-land development and have had their time fully occupied on other duties. In general, the investment business of the Native Trustee reflects credit on his administration.

782. On the other hand, there are certain cases in which the Native Minister, who was the Ministerial head of the Native Trust Office, has occupied or has come to occupy the position of the mortgagor under securities held by the Native Trustee. This position has adversely affected the Native Trustee in the discharge of his duty and has resulted to the detriment of his trust. It is of such importance from the point of view of public administration that we feel obliged to set out the cases in question.

783. (*a*) A loan of £2,000 was granted to a Native woman (Hutita Waititi) over her leasehold interest in a property the freehold of which was vested in the Tairawhiti District Maori Land Board. The loan was for a period of five years from the 31st March, 1924. The mortgagor's husband was stated by the Government Valuer in 1924 to be the best Maori farmer on the East Coast, to be financially sound, and a good business man who kept proper books. The Government valuation of the lessee's interest was £3,967. Rent was payable to the Tairawhiti District Maori Land Board. Interest was paid until October, 1929, when it began to fall in arrear. This corresponds with the downward trend in the price of wool and sheep.

784. When the Native Trustee wrote to the mortgagor on the 9th March, 1929, asking if she was in a position to repay the loan due on the 21st April, 1929, the following reply was received from Mr. C. Goldsmith, manager of the Waiapu Farmers' Co-operative Co., Ltd., dated the 15th April, 1929:—

> "The above lady's husband has asked us to reply to your letter of 9th ult., and state that the leasehold over which you hold a mortgage has been transferred to Sir Apirana Ngata, although the documents in connection with same have not yet been completed. Sir Apirana will no doubt communicate with you on this matter in the near future."

This letter is minuted by the Deputy Native Trustee under date 19th April, 1929, "Leave matter stand over for 2 or 3 weeks." A further minute by the Deputy Native Trustee under date 16th May, 1929, reads:—

> "I saw the Hon. Sir A. T. Ngata about this, and he advises that the lease will be taken over by the Tikitiki Station in the course of consolidation proceedings. He will advise the office when the matter has been finalized. Mortgage can run on in the meantime."

785. The rent was two years and a half in arrear—£162 15s. was due—on the 1st July, 1929, and, in reply to a demand for payment made by the Tairawhiti District Maori Land Board, the Native Trustee replied under date the 7th October, 1929:—

> "I understand this leasehold property is being taken over by the Tikitiki Station, and I would suggest that you get into touch with the Hon. A. T. Ngata on the matter."

786. Interest due on the 21st October, 1929, was unpaid, and a request for payment was answered by Mr. C. Goldsmith on the 26th March, 1930, as follows:—

> "I have to acknowledge your letter of the 21st inst., and have to advise that some time ago Sir Apirana Ngata arranged with the present lessees to transfer the lease to myself on behalf of Tikitiki Station, which Sir Apirana controls. The said station has been occupying the land during the last season, and therefore it should pay your interest and make arrangements *re* the payment of the loan. The matter rests with Sir Apirana Ngata entirely. The transfer of the lease has not yet been made, and I understand the solicitors are awaiting instructions from Sir Apirana in the case. To expedite the position may I suggest that you communicate with that gentleman."

787. There is no reply on the file to a letter from the Native Trustee to Sir Apirana Ngata dated the 31st March, 1930, requesting payment of interest due on the 21st October, 1929, for £70, and interest due on the 21st April, 1930, for £60; a total of £130. The lease was transferred to Mr. C. Goldsmith during June, 1930.

788. On the 4th July, 1930, the Native Trustee wrote to Mr. Goldsmith requesting payment of £140 arrears of interest due to the 21st April, 1930, and received the following reply:—

> "In reply to your memorandum of the 4th inst., I have to advise that the lease was transferred to me as agent for Sir Apirana Ngata on account of Tikitiki Station, and I am therefore referring your letter to him.
>
> "At present the Tikitiki Station stock are grazing on the property, and no doubt Sir Apirana will see that your interest is met."

789. The Native Minister was asked by letter of the 26th August, 1930, for a cheque for interest, and the office copy of this letter contains the undermentioned minutes made by the Deputy Native Trustee:—

> (1) Dated 17th October, 1930: "I have advised the Minister of what is owing. Please leave this stand over in the meantime."

At this date £210 was owing for interest.

(2) Dated 12th March, 1931: "I discussed this with the Hon. Minister to-day when he stated that he hoped to bring the land under a development scheme at a later date. Meantime payment of interest can stand over."

790. On the 21st July, 1931, the Tairawhiti District Maori Land Board advised that they intended re-entering upon the land, as rent for £97 13s. 10d.—a period of eighteen months—was in arrear and they understood the lessee was quite unable to pay. On the 3rd August, 1931, the Tairawhiti Board advised that the Government valuation of the lessee's total interest in the lands at the 31st March, 1930, was £1,860. At this date the lessee was indebted to the Native Trustee for the principal sum of £2,000 plus £300 for arrears of interest.

791. A letter was sent to the original mortgagor by the Native Trustee advising her of her liability under the covenants of the mortgage and calling upon her to pay both rent and interest as the transferee had failed to meet his obligations. No reply was received to this letter.

Messrs. Dalgety and Co., Ltd., were then communicated with as it was understood they were financing the Tikitiki Station, but, although they paid the rent due to the District Maori Land Board to the 1st January, 1932, no payment in reduction of interest was made.

792. A letter was then addressed by the Native Trustee to Mr. C. Goldsmith requesting payment of the arrears of interest—now totalling £410—and he replied as follows on the 9th May, 1932:—

"In reply to your letter of the 28th ultimo I have to advise that I have forwarded your letter to Sir Apirana Ngata for his consideration. You are no doubt aware of my position in this matter and that this is the only course for me to take."

This letter is minuted by the Deputy Native Trustee: "Please file in the meantime."

793. Several letters asking if a payment of interest could be made were written by the Native Trustee to Messrs. Dalgety and Co., Ltd., and on the 1st June, 1932, they wrote, *inter alia*:—

"We have now received authority from Sir A. T. Ngata to pay you the sum of £100 being on account of interest . . ."

The file does not disclose any further attempts to collect arrears of interest.

794. The lease of the three blocks over which the mortgage was secured expired in January, 1933, and no notice of intention to renew was given, and on the 15th September, 1933, the Tairawhiti District Maori Land Board stated that, in view of the expiry of the lease, the lessee's interest in the unimproved value had disappeared and that the lessee's interest in the value of the improvements was £1,845, this amount being in accordance with the valuation figure of the 31st March, 1930.

795. On the 30th October, 1933, the Native Trustee wrote to Mr. Goldsmith advising him that, as the option to obtain a renewal of the lease had not been exercised, it would be necessary for him to appoint a valuer to have the compensation for improvements assessed in accordance with the terms of the lease. Goldsmith having been convicted of fraud and sentenced to a term of imprisonment, no reply was received, and the file contains no further letters of any importance. The arrears of interest at the 31st March, 1934, were £468 4s. It would appear from a perusal of the file that at no time was a report obtained from a field supervisor.

796. We are informed by the Native Trustee that section 97 of the Native Land Amendment Act, 1913 (under which, if a lease, mortgaged to a State Loan Department, contains a compensation clause, the land comprised in the lease is charged with the payment of the value of such improvements to the mortgagee), will apply to this mortgage and the Native Trustee considers there is little chance of a loss if a sale under the mortgage has to be effected. We are also now informed by the Native Minister that he proposes to investigate the position in regard to consolidation proceedings with the object of enabling the liability under the mortgage to be spread over the Tikitiki interests of the owners of this mortgaged land and so to arrange for a proper security of the indebtedness to the Native Trustee. However these proposed steps may result, it is clear that the Native Trustee failed to take proper steps to protect his security. He was, of course, in a difficult position when the Native Minister became, in effect, the mortgagor. The inference we draw is that this situation reduced the Native Trustee to inaction.

797. (*b*) On the 8th June, 1926, a loan of £2,800 for a period of five years was granted to the proprietors of the Kahuitara A 2 Incorporated Block. Sir Apirana Ngata was a member of the committee of management, but states that he has no personal interest in the land. A special valuation obtained for the purposes of the loan showed a capital value of £5,615.

The half-yearly interest due in June, 1928, was not paid on the due date. Following instructions received from Sir Apirana Ngata, a request for payment was made to the Waiapu Farmers' Co-operative Co., Ltd. That company replied that it was not financing the property, and it referred the Native Trustee to Sir Apirana Ngata. The latter replied that interest should be available in December after the sale of stock.

798. Interest continued in arrear, and on the expiry date of the mortgage (8th June, 1931), the sum of £365 7s. 9d. was owing for interest. Advice to this effect was sent to the Waiapu Farmers' Co-operative Co., Ltd. The company replied, *inter alia*:—

"At present there seems no prospect of a payment of any description . . . Sir Apirana Ngata knows something of the position this place is in and he may be able to give you some idea as to its future."

There is a minute on this letter signed by the Deputy Native Trustee and dated the 2nd July, 1931, as follows:—

"I discussed this with the Hon. the Native Minister to-day and matter will have to stand over in the meantime."

799. The following is contained in a report dated the 15th October, 1931, from a field supervisor :—

> "This property, if properly managed, could be brought into a good place but under the present management and conditions it is fast going back . . . The security is quite fair providing the property is not let go back too much and the arrears of interest get too high . . . . I consider it quite impossible for these people to carry on the way they are placed at the present time."

800. On the 18th November, 1931, the Native Trustee suggested to the Native Minister that the control and management of the land should be vested in the Native Trustee but nothing was done.

By April, 1932, the arrears of interest were £445 7s. 9d., and a request for payment was met by a reply from the Waiapu Farmers' Co-operative Co., Ltd., that "there is absolutely no possibility of any interest being paid on this place for some time to come."

801. On the 16th May, 1932, a letter was sent to the members of the committee of management, including the Native Minister, stating that if interest was not paid, the Native Trustee would have no alternative but to consider the question of exercising his power of sale in accordance with the mortgage deed.

By June, 1932, interest was in arrear to the extent of £527 6s. 5d., and the Deputy Native Trustee placed the following memorandum, dated the 21st September, 1932, on the file :—

> "The Hon. the Minister proposes to take this land over under a development scheme and no action need be taken for the present."

The action proposed by the Native Minister was not taken. At December, 1933, arrears of interest amounted to £745 14s. 5d., and in the following March a payment of £103 2s. 2d. was made. The arrears of interest at the 31st March, 1934, were £642 15s.

802. The only report obtained on the security before March, 1934, was dated October, 1931, and, although this report disclosed an unsatisfactory position, no efforts were made by the Native Trustee to take control of the property with the object of protecting the loan. We understand that a further report was obtained from a field supervisor at the end of March last.

803. It is plain to us, as in case (*a*)—paras. 783 *et seq.*—that the Native Trustee was hampered in his management as a trustee by the fact that the Native Minister was a member of the committee of management of the mortgagors. We are informed by the Native Trustee that he now proposes to place the new supervisor, who has taken up duty in the district, in control of this station and regulate its running. The Native Minister has also informed us that he has no personal objection to the institution of a method of control that would improve the position of this security for Native Trust funds.

804. (*c*) *Pohutu Station.*—This station comprises the following blocks :—

	Acres.
(*a*) Tihiomanono 4C 2B and other blocks	2,408
(*b*) Tihiomanono Omaika 1A, 1B 2	664
(*c*) Tihiomanono 4F	296

Loans were granted as follows :—

	£
On 13th August, 1924, over (*a*) above	10,500
On 17th February, 1926, over (*b*) above	4,400
On 17th February, 1926, over (*c*) above	1,600

on the security of the respective blocks mentioned and in the order shown. Sir Apirana Ngata was chairman of the committee of management, but states that he is not an owner in any of the lands included in the station.

805. The following were the Government valuations submitted when the loans were granted :—

	£
Security (*a*) : Capital value	21,198
Security (*b*) : Capital value	7,735
Security (*c*) : Capital value	4,395

The lands were previously leased, and the loans were required so that the owners, who had now come into possession, could farm the lands on their own account.

Interest fell in arrear early in 1927, and a request for payment addressed to the Waiapu Farmers' Co-operative Co., Ltd., met with a reply to the effect that the station was heavily indebted and that the proprietors were unable to meet the payment of interest.

The interest position at the 21st March, 1927, was as under :—

	£	s.	d.
On security (*a*), £10,500 loan, granted 13th August, 1924 : Arrears	699	3	7
On security (*b*), £4,400 loan, granted 17th February, 1926 : Arrears	266	17	0
On security (*c*), £1,600 loan, granted 17th February, 1926 : Arrears	94	4	10

It will be noted that the arrears of interest on the last two loans show that at the end of the first year after the loan was granted, practically the full year's interest was in arrear.

806. On the 20th April, 1927, the Native Trustee advised the chairman of the committee of management (Sir Apirana Ngata) that, owing to non-payment of interest, he was taking steps to sell the property through the Registrar of the Supreme Court. Formal notice to this effect was served on the interested parties on the 16th May, 1927. The threatened action was not proceeded with, but during June, 1927, the Native Trustee paid rates as under, adding the amount so paid to the principal sum owing :—

	£	s.	d.
On security (*a*)	1,451	1	4
On security (*b*)	578	17	4
On security (*c*)	210	4	11

and at the request of Sir Apirana Ngata the Native Trustee agreed to forego the penal rate chargeable under the mortgage and in lieu thereof to charge interest at 6 per cent. on each half-year's interest owing and credit the difference between the above and the penal rate which had been paid. A further request that the balance of interest owing should be capitalized was complied with and at the 1st May, 1928, the advances were :—

	£	s.	d.
On security (*a*)	11,417	12	3
On security (*b*)	4,697	17	5
On security (*c*)	1,697	11	7

807. During August, 1927, the farm supervisor reported on these properties and stated, *inter alia*—

> "I do not consider the present manager is looking after the property. He does not appear to understand farm management in any shape or form. Until the property is fully improved, there will be no profits for distribution."

On the 23rd September, 1927, the Native Trustee suggested to Sir Apirana Ngata that the mortgaged blocks should be taken over and administered by the Native Trustee in the same way as the Maori Soldiers' Fund properties were being worked, but nothing was done.

808. Sir Apirana Ngata became Native Minister in December, 1928. The principal sum became due on the 13th August, 1929, and this fact was brought under the notice of the Native Trustee by his office staff. The Native Trustee concurred in a suggestion made by his Deputy, "that the mortgage could be allowed to run on in the meantime." The files do not disclose any action by the office advising the mortgagor that the mortgage was due and requesting repayment.

809. Arrears of interest due on the 14th August, 1931, amounted to £1,952 10s. 8d. In reply to a request for payment of interest the Waiapu Farmers' Co-operative Co., Ltd., who were financial agents for the incorporated blocks, replied on the 28th October, 1931 :—

> "I have to thank you for your letter of 14th inst. regarding interest due by various incorporated blocks. In reply I have to advise that the seriousness of the position is fully realized and it is earnestly desired that some portion of this interest will be paid during the coming season. The ability to pay, of course, depends on the value of the produce from the stations concerned . . . "

810. An office supervisor reported on the blocks in October, 1931, and on the 19th November, 1931, the Native Trustee suggested to Sir Apirana Ngata that, as interest was considerably in arrear and the properties were going back, he should approve of the control and management being vested in the Native Trustee under section 25 of the Native Trustee Act, 1930. No response was made to this proposal.

On the 12th November, 1931, a field supervisor made a report which covers an inspection of the East Coast securities held by the Native Trustee, but does not deal with the individual securities. The following extract is taken from that report :—

> "*Incorporated Blocks.*—All of these blocks have managers on them at a salary ranging from £50 to £100 per annum and so far as managing is concerned the only work done is a little stock work now and again. Everything from these blocks is sold through the Waiapu Farmers' Co-operative Association, but I am unable to get a balance-sheet showing how these blocks stand . . . During the past few years the return from these blocks must have been quite good, and the working-expenses for all that has been done fairly small, so that I fail to see why these places are not on a fairly sound footing. I was unable to get any assignment from any of these blocks as they are all controlled by a committee with Sir A. T. Ngata as chairman of committees, and it would be necessary for him to sign any assignments. From information I was able to gather in the district it would appear that Sir A. T. Ngata is also chairman of directors of the Waiapu Farmers."

811. A demand for payment dated the 15th March, 1932, addressed to the Waiapu Farmers' Co-operative Co., Ltd., contained the following paragraph :—

> "As you are probably aware, the position is most serious and cannot be allowed to continue any longer. I should be glad therefore to receive your reply at your earliest possible convenience."

No reply was received to this letter and no action seems to have been taken, as the next letter on the file, dated the 17th November, 1933, states that the Matakaoa County Council has demanded payment of rates covering two years, and if the Native Trustee is called upon to make payment "it will be looked upon as a breach of covenant under the mortgages, thereby giving a right to take action thereunder."

812. The file does not disclose that any action has been taken for the collection of interest since the letter of the 15th March, 1932.

The position at 31st March, 1934, was :—

	Principal owing. £	s.	d.	Interest owing. £	s.	d.
On security (*a*)	11,417	12	3	3,360	11	8
On security (*b*)	4,697	17	5	1,337	11	6
On security (*c*)	1,697	11	7	419	11	8

813. Pohutu Station is a sheep-station, and the fall in prices from 1930 onwards affected its income, but we consider that the interest owing at March last was excessive in relation to the principal sum and that the fact that the Native Minister exercised control over Pohutu Station and became, in December, 1928, Minister in Charge of the Native Trust Office reduced the Native Trustee to inaction and resulted to his definite disadvantage.

814. The situation disclosed by the particular mortgages we have dealt with shows that the Native Minister was placed in a position in which his interest as a member of the committee of management conflicted materially with his duty. When the Native Minister found that he occupied such a position in relation to a public office of which he was the ministerial head, we think he should have taken steps to acquaint the Government with the position and so have placed the responsibility for his continuance as ministerial head of the Native Trust Office on the proper shoulders. Whether the Minister took such steps we do not know, and we have not thought it within our function to inquire.

Stations farmed by the Native Trustee as Mortgagee in Possession.

815. In addition to his investments on mortgage, the Native Trustee farms seven stations. We have dealt with two of them in Part IV of our Report as schemes for Native land development and farming assistance. We have dealt with two of them (at Hick's Bay and Hereheretau) in Part XII of our Report under the title "East Coast Maori Soldiers' Fund." We now give a description of the remaining three stations—Tawanui, Motuweka, and Tiratu—which are farmed by the Native Trustee as mortgagee in possession.

Tawanui Station.

816. Area, 916 acres. Crown Leasehold (L.I.P.). Situated at Ngapaenga, about twenty-two miles from Te Kuiti, in the Mairoa area. The Native Trustee is farming this property on his own account with the previous owner acting as manager at a salary of £156 per annum (£218 before the 1st April, 1933), plus a proportion of the net profits.

In April, 1921, the Public Trustee, who held a mortgage for £4,000 on the property, transferred the mortgage to the Native Trustee in terms of the Native Trustee Act, 1920, and of the Native Trustee Amendment Act, 1921.

817. The mortgagor was always in difficulty owing to the burden of debt on the property and, despite postponement and remission of interest, amounting in all to £1,020, the property had to be realized under the powers of the mortgage. On the 23rd September, 1931, it was sold by auction through the Registrar of the Supreme Court, the Native Trustee becoming the purchaser at the estimated value of £4,476.

818. The Head Supervisor for the Native Trustee, Mr. C. F. Jacobs, had inspected the property on several occasions while the mortgagor was in possession, and on the 23rd October, 1931, one month after the Native Trustee had entered into possession, reported as follows:—

> "It is extremely difficult to advise what is the best policy in regard to this property as with the present knowledge we have of farming this class of land affected with sheep sickness any money spent looks like throwing good money after bad and one is very tempted to advise offering the property to the highest bidder and thereby making the first loss the only one. However, there are a number of people concentrating their efforts in endeavouring to find a solution to the difficulty and their outlook is hopeful so that it is possible that in a few years the trouble will be solved and the property would then become valuable. In the meantime I estimate that the present gross return would be in the vicinity of £600 per annum, while the working expenses would be in the vicinity of £1,000—*i.e.*, to improve the property. To be quite candid the alternatives are:—
>
> "(1) To abandon the property and lose the £4,500 at present in it; or
>
> "(2) To farm the property at a loss for about two seasons with a reasonable prospect of an ultimate recovery of the whole amount."

819. After consideration of the above report, and as there was no prospect of a sale, the Native Trust Office Board decided to farm the property as a fat-lamb-producing property. This meant systematic improvement of the pastures, ploughing, top-dressing, and cropping. As the country was subject to sheep-sickness and the previous owner had met with continual losses in an endeavour to establish his flock, it also meant the physical treatment of the sheep.

820. The estimates, expenditure, and receipts were set down as follows:—

	1st December, 1931, to 31st March, 1932.	1st April, 1932, to 31st March, 1933.	1st April, 1933, to 31st March, 1934.
	£	£	£
Estimates	1,538	1,000	1,000
Expenditure	1,322	1,050	495
Receipts	126	333	1,145

The sum of £1,322 expended to 31st March, 1932, included stock taken over at a valuation of £538. Purchases of requirements, such as seeds, manures, wire, &c., are carried out under Stores Control Board procedure.

821. *Farming Organization and Native Labour.*—As stated above, the previous owner, a European, is engaged as manager, and there is one European farm labourer permanently employed. The property is subject to the supervision of the Native Department's field officers.

822. *Valuations, Farming Results, and Cost.*—In 1919 the capital value was £7,507 and the lessee's interest £6,834. A further Government valuation in 1921 gave the capital value as £10,827 and the lessee's interest as £10,094.

The farming results to date are:—	Loss.	Profit.
	£	£
To 31st March, 1932	42	..
To 31st March, 1933	549	..
To 31st March, 1934	..	70

The actual cost to the Native Trustee is :—	£
Purchase-price	4,476
Cost of capital improvements, including live and dead stock	805
Interest written off	1,020
Loss on trading	521
A total of	6,822

The stock on hand at the 31st March, 1934, consisted of 709 sheep, 90 head of cattle, and 7 horses, of a total book value of £654.

Motuweka Station.

823. Area, 5,622 acres, of which 3,204 acres are freehold. Situated between Porangahau and Wimbledon, in the Hawke's Bay district, and about five miles inland from the coast.

Motuweka Station comprises a group of five properties mortgaged to the Native Trustee, together with a separate Native leasehold. Owing to the financial position of one of the mortgagors, the Native Trustee entered into possession of his property on the 1st July, 1930, a deed of trust being executed in favour of the Native Trustee under section 15 of the Native Trustee Act, 1930, which was amplified by the operation of section 25 of the Act. The other properties comprising the group were taken over during January, 1931, July, 1931, April, 1932, and March, 1933. During March, 1933, the Native Trustee also took over a lease as essential to the working of the whole property, the lease being over an area of Native land and the Native Trustee being trustee for some of the owners.

824. Reports from Supervisors after inspection of the properties had for some time been unsatisfactory, and on the 15th March, 1930, the report was again to the effect that the position was unsatisfactory and it gave two alternatives :—

(1) To lease the places and dispose of stock and chattels to pay debts and reduce the mortgage account.

(2) To enter into possession and farm the property to the best advantage.

The Head Supervisor on the 16th July, 1930, reported on the property and estimated that a total capital expenditure of £7,500 would be required, £5,500 of this being for the first season. The first clear season, according to his estimates, should give a gross return of £1,500, rising fairly rapidly to a gross return of £5,000 per annum. After these estimates were made, other properties were included in the group, and this fact affects the estimates made and the returns received from the properties.

825. *Estimates, Expenditure, and Receipts.*—The following covers the estimates, expenditure, and receipts, as submitted to the Native Trustee :—

	To 30th June, 1931. £	1st July, 1931, to 30th June, 1932. £	1st July, 1932, to 31st May, 1933. £	1st June, 1933, to 31st May, 1934. £
Estimates	7,500	5,000	5,000	5,000
Expenditure	11,317	8,904	8,919	7,985
Receipts	1,410	3,807	3,175	7,729

In the sum of £11,317 covering expenditure to the 30th June, 1931, is included £2,340 received for scrub-cutting from the Unemployment Board, also a sum of £900 on scrub-cutting expended from funds supplied by the Native Trustee. This amount of £900 was not included in the original estimate. The Department has no record on its files of the area cleared for this expenditure of £3,240.

826. *Payments to Owners.*—The Native Trustee is paying to one of the owners a cash payment of £8 per month, plus a further amount not to exceed £4 per month. This latter amount is arranged by the owner purchasing goods to the extent of the sum mentioned, and the account being met by the Native Trustee. The sum paid out is debited against the account of the station in the books of the Native Trustee, and has reached the sum of £494. In addition to the above, the following rents have been paid by the Native Trustee to the beneficial owners who failed to make a success of farming the property, and the amount paid out is debited against the station :—

	£	s.	d.
To 30th June, 1931	138	7	3
To 31st May, 1932	797	1	10
To 31st May, 1933	594	4	1
To 31st May, 1934	812	13	7

827. *Management.*—There is a European farm-manager in residence on the property, which is under the supervision of field supervisors attached to the Native Department. Casual labour, mostly Maori, is engaged for shearing, crutching, &c.

828. *Financial Results of Operations.*—The Profit and Loss Accounts show the following results :—

	Loss. £	Profit. £
Period to 30th June, 1931	1,434	..
Year ending 31st May, 1932	2,569	..
Year ending 31st May, 1933	..	2,123
Year ending 31st May, 1934	..	1,779

The present liabilities are :—	£
Owing to Native Trustee	30,347
Owing to Unemployment Board	2,340
Owing to other creditors	1,740
	£34,427

The stock on hand at the 31st May, 1934, was as follows, the book value being £12,633 : Sheep, 10,495 ; cattle, 513 ; horses, 12.

The Government valuation made on the 31st March, 1934, shows a capital value of £27,830.

Tiratu Station.

829. Area, 733 acres. Situated about four miles from Dannevirke.

Present position : The owner had been advanced £6,000 by the Public Trustee, and, owing to default, the mortgagee threatened to sell. During September, 1930, the Native Trust Office Board took over the mortgage in order to save a sale, and, in an endeavour to retain the property for the owner, advanced a sum of £1,000 so that a composition could be arranged with the creditors, the mortgagor having been declared bankrupt. The Native Trustee, therefore, had a mortgage of £7,000 on the property and took possession under section 25 of the Native Trustee Act, 1930.

830. The field supervisors suggested the following alternatives :—

(*a*) To lease the land. This would have returned insufficient to meet the mortgage interest.
(*b*) To advance sufficient to restock the place. This could not be entertained.
(*c*) To enter the property to conserve the security. This was decided upon on the 23rd July, 1931, and section 25 of the Native Trustee Act, 1930, was utilized.

A special report and valuation of the property was obtained from the Valuation Department by the Public Trustee for mortgage purposes on the 3rd December, 1928, and disclosed the following figures :—

	£
Unimproved value	8,785
Improvements	3,442
Capital value	£12,227

A report received from an independent valuer dated the 1st June, 1933, contains the following :—

> "I cannot see that I can recommend any better means for dealing with this property than is at present being carried out. I understand that the property is being used for the raising of fat lambs. I should say it is quite suitable for this purpose . . . I do not think that £14 per acre pre-war price would be out of the way."

831. *Estimates, Expenditure, and Receipts.*—The following were submitted to the Department. It will be noted that no estimates were submitted for the 1933 and 1934 years.

	To 31st May, 1932.	1st June, 1932, to 31st May, 1933.	1st June, 1933, to 31st May, 1934.
	£	£	£
Estimates	1,250	..	..
Expenditure	1,707	1,900	2,760
Receipts	488	1,109	2,702

832. *Management.*—The management is in charge of a European, with the assistance of one farm labourer. Casual Native labour is engaged for seasonable occupations. The property is subject to the supervision of the field officers employed by the Department.

833. *Financial.*—The results of farming since the Native Trustee has been in charge are—

	Loss.	Profit.
	£	£
To 31st May, 1932	139	..
To 31st May, 1933	145	..
To 31st May, 1934	..	38

For a considerable period the Native Trustee paid, under Court Order, the sum of £10 5s. 10d. per month to the wife of the owner, and this amount has been debited against the station. This allowance is reduced as each child reaches the age of fourteen years, and the allowance is now £7 0s. 10d. per month.

The present liabilities are—	£
Owing to Native Trustee	9,695
Owing to other creditors	592

Stock on hand at the 31st May, 1934, is as follows, the book value being £1,604 : Sheep, 1,516 ; cattle, 161 ; horses, 4.

The latest Government valuation made on the 3rd December, 1928, shows a capital value of £12,227.

834. *General.*—The demands made by these three stations and the other stations of the Native Trustee have been very heavy and have widely shaken confidence in the Native Trustee as the guardian of the investments and deposits of the Natives and the Maori Land Boards. We proceed now to deal with that position.

Cash Balances, Liquid Funds, and the State Guarantee.

835. The accounts of the Native Trustee show that at 31st March, 1934, his cash balances and liquid funds were—

	£
Local-body securities	10,200
Cash balances	20,723
	£30,923

On the other hand, the total liabilities at the same date to beneficiaries, to Maori Land Boards, to Treasury for advances, and to sundry creditors are in excess of £650,000. It is not reasonably possible that this amount will be required within a short space of time, but nevertheless the comparatively small sum represented by cash balances and liquid funds shows how precarious is the position of the Native Trustee should a demand be made upon him for a substantial sum held in trust by him. As we indicated at the outset, the Native Trustee has, during the years 1932 and 1933, been unable to meet the demands made upon him by beneficiaries, notwithstanding the State guarantee of his Common Fund. In the result, the Native Trustee has had to ration his payments to his beneficiaries.

836. A striking example of this position is the failure to pay the interest received on the Waikaremoana debentures. These debentures, of the value of £29,323, were issued by the Minister of Finance under the Urewera Lands Act, 1921–22, as the consideration-money for the acquisition of the Waikaremoana Block. The debentures were held by the Native Trustee for the owners, and interest was paid half-yearly by Treasury to the Native Trustee. Interest was at the rate of 5 per cent. per annum, and the half-yearly dates for payment were 31st March and 30th September. The debentures matured on 30th September, 1932. By section 96 of the Native Purposes Act, 1931, power was taken to renew, extend, or exchange the debentures, and the debentures and the income arising therefrom were vested, as from the 1st January, 1932, in the Tairawhiti Maori Land Board on behalf of the beneficiaries entitled thereto. Treasury made its last payment of interest to the Native Trustee on the 30th September, 1931. Treasury made its first payment of interest to the Maori Land Board on the 9th April, 1932. At this latter date the Native Trustee was holding the previous year's interest undistributed, and was unable, owing to his financial difficulties, to pay any amount to the Maori Land Board. The total amount received, due, but unpaid by him to the beneficiaries, was then £4,175.

837. At this time, the Native Trustee answered, by his Deputy, requests for payments of the arrears of interest by stating to beneficiaries that "the debentures were transferred to the Tairawhiti District Maori Land Board in January last, and all future payments of interest will be paid by the Board," or he used words to that effect. When writing in this strain the Native Trustee knew that the Maori Land Board was not in a position to pay the beneficiaries owing to the Native Trustee's own failure to transfer to the Maori Land Board interest actually paid to him. This interest was paid into the Native Trustee's Common Fund, but as the moneys in that fund had been and were being drained away for other purposes, and as the State guarantee, though available, was not acted upon, the Native Trustee was unable to meet the just demands of the beneficiaries. We think that the correspondence of the Native Trustee with the beneficiaries shows a lack of appreciation of his duties and responsibilities as a trustee.

838. We may add that the matter was concluded in this way: On the 9th May, 1932, the sum of £733—an amount equal to a half-year's interest—was forwarded by the Native Trustee to the Tairawhiti Maori Land Board. This amount, together with the sum received from Treasury on the 9th April, 1932, was distributed by the Maori Land Board on the 9th May, 1932. On the 16th July, 1932, a further sum of £1,000 was paid by the Native Trustee on account of the moneys received by him and owing to the Maori Land Board for the beneficiaries. No further payments were, however, made by the Native Trustee. On the 1st October, 1933, the Maori Land Board decided to pay out the arrears of interest due to the beneficiaries, and for that purpose came to an arrangement with the Native Trustee, who was still unable to find the arrears, that the amount advanced by the Maori Land Board should be treated as a deposit, without interest, owing by the Native Trustee to the Maori Land Board. Pursuant to this arrangement the beneficiaries were paid their arrears by the Maori Land Board.

839. A further example of the inconvenience caused by the inability of the Native Trustee to meet his obligations from the Common Fund supported by the State guarantee occurred in the failure to pay the rents on the accustomed days to the beneficiaries of the West Coast Settlement Reserves. In June, 1932, the Native Trustee paid only two-thirds of the rents received; and in December, 1932, he paid only one-third of the rents received. The arrears were paid in full by the end of 1933. Nevertheless, we entertain no doubt that the beneficiaries who were dependent on these rents suffered great inconvenience.

840. The effect of the Native Trustee's farming operations in reducing his liquid resources is shown by the following table of the change in the Native Trustee's investments during the last twelve years.

As at 31st March,	Government Securities.	Local body Securities.	Mortages.	Sundry Debtors.
	£	£	£	£
1922	65,000	195,000	451,000	Nil.
1923	65,000	195,000	500,000	Nil.
1924	115,000	195,000	485,000	Nil.
1925	15,000	195,000	626,000	10*
1926	65,000	195,000	551,000	1,200*
1927	Nil	167,000	585,000	8,800*
1928	Nil	167,000	559,000	17,600*
1929	Nil	167,000	544,000	27,000*
1930	40,000	39,000	571,000	55,000*
1931	Nil	23,000	602,000	127,000†
1932	Nil	11,800	585,000	135,000†
1933	Nil	10,000	543,000	154,000†
1934	Nil	10,200	532,000	150,000†

* Advances to Accounts, &c. † Including advances to Estates.

841. The disappearance of Government securities from the foregoing list, the dwindling of local-body securities, and the very rapid rise after 1929 of "Advances to Accounts" and "Advances to Estates" throw into striking relief the position into which the Native Trustee was forced during a period of low prices for farm products. In the year 1932, when a substantial proportion of the rents actually collected by the Native Trustee was not paid to the Native beneficiaries, there were no Government securities held by the Native Trustee. Local-body securities which in 1922 amounted to £195,000 had dwindled to below £12,000, and the item "Sundry debtors" including advances to estates, had increased to £135,000.

842. In explaining what efforts were made by the Native Trustee to meet his obligations, the Deputy Native Trustee said that by invoking the aid of section 42 the Native Trustee got some money from the Treasury but it was not sufficient. With regard to a distribution to be made in June, 1933, the Deputy Native Trustee said "Application was made to the Treasury for a further advance under section 42 and Cabinet approved of an advance of £10,000, but the Treasury would not approve. The Treasury was the stumbling block." He was asked, "I suppose Treasury had some reason for refusing?" and he replied, "They may have had, but I was not aware of it—I was not given their reason." If these statements were correct it would indicate a refusal by Treasury to meet an actual request to honour the State guarantee of the Native Trustee's Common Fund, and we have thought it important to investigate the matter.

843. The position is not as the Deputy Native Trustee expressed it to be. The position is as follows: Under section 6 of the Finance Act, 1930 (No. 2), which confers, *inter alia*, powers additional to those conferred by section 42 of the Native Trustee Act, 1930, relating to the State guarantee, the Minister of Finance advanced £100,000 to the Native Trustee. In July, 1931, the Native Trustee applied for an additional £25,000 from the Treasury. In the result a new section—section 521—was inserted in the consolidating Native Land Act of 1931. This section enables the Minister of Finance, in his discretion, on the recommendation of the Native Minister, to make advances to the Native Trustee—

(1) For the purpose of the development, improvement, and settlement of any land the administration whereof is vested in the Native Trustee; or
(2) For discharging any liability, mortgage, or charge thereon; or
(3) For such other purpose as the Native Minister may approve.

This last power is of a general nature.

844. It appears that under section 521 sums amounting in all to £39,800 were, up to August, 1933, advanced by Treasury to the Native Trustee for the expressed purpose, for the most part, of enabling the Native Trustee to meet his obligations to the Maori Land Boards.

845. On the 17th August, 1933, the Native Minister applied to the Minister of Finance for a further sum of £10,000 under section 521 for the following purposes:—

"(1) To the Native Trustee, £7,000 for funding his account to meet distributions to Maori beneficiaries.
"(2) £3,000 to be reserved for Maori Land Board distributions."

With regard to the first item, the Native Minister said, in effect, that the additional advance of £7,000 would enable the Native Trustee, with £10,000 which he had in hand, to meet and bring up to date distributions in the Native reserves which were considerably overdue and in respect of which the beneficiaries—especially those in Taranaki—were pressing for payment.

846. On the 23rd August, 1933, the Minister of Finance replied as follows:—

"23rd August, 1933.

"Memorandum for—

"The Hon. Native Minister, Wellington.

"*Advances to Native Trustee under Section 521, Native Land Act, 1931.*

"WITH reference to your memorandum of the 17th instant, applying for an advance of £10,000, to the Native Trustee in terms of the above Act, as you are aware advances to the Native Trust Office during the past three years have totalled some £139,800, of which, when the advances were made, at least £100,000 was represented as more or less by way of temporary assistance. It would now appear, however, that all these advances will have to be funded over a lengthy period.

"These advances appear to have been applied broadly for the following purposes:—

	£
"Development of Trust estates	21,500
"Mortgage commitments	30,000
"Maori Land Board and Maori Purposes Fund distributions	64,800
"Native Trust Office revenue distributions	23,500
	£139,800

"The further sum now applied for is partly to meet Native Trust Office distributions and partly for Maori Land Board purposes, which if advanced would make the total of £100,000 as having been advanced for the purpose of meeting revenue distributions and Maori Land Board purposes generally.

"A further important contingent aspect appears to arise out of the investment factor. Returns recently obtained by the Treasury indicate that the total mortgage advances made by the Native Trust Office as at the 31st March last were £544,000, in respect of which arrears of interest totalled £26,200 (an increase of £8,000 within twelve months, whereas the principal sum owing upon certain of the mortgages had been decreased by £6,000 within that period).

"The major portion of these arrears has accrued in the Tairawhiti district (some £12,000), substantial sums also being due by mortgagors in the Ikaroa (£6,300) and Aotea (£3,000) districts. The principal sums advanced within the Tairawhiti and Aotea districts are in the vicinity of £130,000 each and in Ikaroa £143,500, but the Tairawhiti district interest arrears greatly exceed the combined total of the other two districts.

"Obviously, therefore, the present position has arisen substantially by reason of the failure of the East Coast district to meet its revenue obligations upon advances from the Native Trust Office Common Fund, which comprises Maori trust funds generally, and I should be pleased to know whether the situation could not be met by steps being taken to compel these defaulting mortgagors to meet their obligations and thus avoid embarrassment to other sections of the Maori people. The collection of one-half of the interest outstanding in the Tairawhiti district would apparently meet the Native Trustee's immediate needs.

"There is a definite financial objection to loan-moneys raised for development purposes being used for Native Trust Office revenue distribution.

"(Sgd.) J. G. COATES,
"Minister of Finance."

847. This memorandum explains itself. The Minister of Finance was entitled to refuse to make an advance under section 521, and no application to honour the State Guarantee under section 42 of the Native Trustee Act, 1930, was made. On the other hand, section 42 was mandatory, and the Minister of Finance did not observe the requirements of the section. We are not concerned with the reasons for that inaction, as they involve Government policy which is beyond the scope of our Commission, but we state the fact because it bears upon the administration of the Native Trustee and the confidence reposed in his administration.

848. We need only add that, in the result, the Native Trustee was forced to rely on his own resources. He was able to raise money from Dalgety and Co., Ltd., on the stock of Aohanga Station, and, by December, 1933, he was able to pay the arrears to his beneficiaries.

849. The reference in the letter of the Minister of Finance to the non-payment of interest on the East Coast indicates a further reason for the failure of the Native Trustee to pay his beneficiaries. But that does not dispose of the question whether the policy of the Native Trustee should not be changed, and we proceed now to consider that matter.

850. In the past, we think it plain that the Native Trustee has not been adequately equipped to manage and control large farming operations.

The persons responsible before the Native Land Settlement Board took control of farming expenditure from the beginning of 1933, were the Native Trustee, the Deputy Native Trustee, and the Chief Supervisor. The office of Native Trustee has been filled by the late Judge Rawson, and for a short time by Chief Judge Jones. We think that a Judge, however experienced and learned he may be, is not fitted by his training to control a large farming business. The Deputy Native Trustee, Mr. King, is a departmental officer who claims no knowledge of farming. He, too, is not

fitted by his experience to exercise control. The Chief Supervisor, Mr. C. F. Jacobs, told us that he laid down the farming policy and saw that the managers carried it out. We inquired into his experience, and we think that he had not sufficient experience to be entrusted with the sole control of the policy required of a trustee conducting large farming operations. We have no doubt that these officers did their best according to their abilities, but we think that their lack of business prudence has contributed to some extent to the financial embarrassment of the Native Trustee.

851. The question now is whether the existing control of farming expenditure by the Native Land Settlement Board is sufficient to justify the continuance of the powers of the Native Trustee to conduct large farming operations with his trust funds. Assuming the Native Land Settlement Board to be an excellent Board of farm management, it cannot control the prices of primary products. It is a commonplace that the prosperity of the country is bound up with those prices, but there is a difference between conducting a trust business which is directly dependent on the vicissitudes of those prices and one which is only indirectly dependent on them. In the former class is a trust business which conducts farming operations on its own account. In the latter class is an investment trust business which lends on mortgage on an estimated safe margin of security. We think that when there is any undue fall in prices it should only affect the investments of the Native Trustee indirectly. He should not be placed in the position, on the one hand, of either attempting to save his farming properties by expending his funds on them and of letting his ordinary beneficiaries go short, if, as actually occurred, the State does not make up the deficiency; or, on the other hand, of paying his ordinary beneficiaries and allowing his farming properties to deteriorate. It might be, of course, that the farming operations of the Native Trustee contributed so largely to the welfare of a large body of Natives that these risks should be run, but the facts are to the contrary. On these large sheep-stations, very few Natives are employed, except for seasonable occupations such as shearing and crutching. The Native Trustee may, and does, make advances for sustenance to the Native owners against their interests in the land, but the amounts so paid are an accumulating debit which must be met before the property can be resumed by them; but, quite apart from this and in any event, the prospect that the Native owners will be able to resume possession and farm as settlers on their own account is very remote. If they were so able, only a few Natives would be benefited.

852. In our opinion, there is need for a trustee who will act as a safe investment trustee for the Natives. We think that the Native Trustee should be limited to the functions of such a trustee and should not be permitted to act as a farmer, except in so far as he is a mortgagee in possession, or is otherwise protecting a security upon which he has advanced moneys subject to the safeguards proper to a trustee board of investment. We think that the schemes for the development of Native lands and for granting farming assistance to Natives should be carried on by the State and by the Maori Land Boards (whose funds are not guaranteed by the State) and should not be undertaken by the Native Trustee; and we make recommendation accordingly.

853. As an investment trustee the Native Trustee should hold substantial liquid assets, but, if he is to continue farming operations with trust funds as part of his business, we recommend that a large proportion of his funds, exceeding perhaps one-third, should be invested and kept invested in liquid securities easily realizable. Again, when the Native Trustee requires to buy stock for his farms, arrangements should be made to ensure that he does not buy in competition with buyers for the State development schemes or the Maori Land Boards. We have had evidence indicating that this precaution is necessary. Furthermore, if the Native Trustee is to be used for the purpose of assisting Native farming, we think that for the same reasons as we have advanced in connection with the Maori Land Boards, assistance given to approved units is a much more useful method of settling Natives on the land than the development and farming of comparatively large areas. We recognize that these large waste areas require control, but, to repeat our view, we do not think that that control should be exercised by a trustee whose Common Fund is guaranteed by the State, and whose funds are of the kind held by the Native Trustee.

854. We have made a serious criticism of the administration of the Native Trustee, and we are glad to say, in conclusion, that the accounts of the Native Trustee are in order and that no complaint has been made to us of the accounting methods of the office. He has shown himself to be capable of acting as an investment trustee. We think, however, that, with the amalgamation of the positions of Native Trustee and Under-Secretary of the Native Department, better service will be given to the beneficiaries of the Native Trustee by decentralizing, where possible, the accounts of beneficiaries. We think, too, that the Natives will be happier in their association with him if they can obtain information by a personal visit to his representative at a District Office rather than by correspondence with Head Office.

855. We desire to say also that the Native Trustee has made various concessions to his beneficiaries since he started operations. The following is a list of the concessions supplied to us:—

	Operating from these Dates.
1. Administration expenses such as costs of inspections, accounts, special reports, &c., are charged against the ordinary Profit and Loss Account of the office instead of against the particular estate	1/10/1921.
2. The commission on collection of rents on West Coast Settlement Reserves and estates reduced from 7½ per cent. to 5 per cent.	1/4/1922.
3. Interest allowed increased from 4 per cent. to 4½ per cent. (During currency of National Expenditure Adjustment Act, 1932, this has been reduced to 3½ per cent.)	1/4/1923.

	Operating from these Dates.
4. The personal accounts system ensures that all rents are brought to the credit of person entitled to same	1/10/1924.
5. In North and South Island Tenths deduction of 50 per cent. for credit of benefit funds reduced to 25 per cent.	31/12/1924.
6. Where practicable, legal documents prepared in office at nominal fee. Wills are prepared free of charge by Office Solicitor	1/4/1925.
7. Current rate of interest in Common Fund mortgages and overdrafts in estates reduced from 6½ per cent. to 6 per cent.	1/7/1926.
8. Reduction of commission on collection of assigned rents from 5 per cent. to 2½ per cent.	1/4/1928.
9. No charge or commission on collection of assigned milk cheques ..	1/7/1929.

856. We trust that the analysis of the Native Trustee's administration which we have made may ensure the proper meeting of his obligations to beneficiaries and a closer and happier contact between the Native Trustee and his beneficiaries.

PART XIV.—THE EAST COAST NATIVE TRUST.

857. The East Coast Commissioner presented to us a lengthy but complete and admirable survey of the East Coast Native Trust now constituted under Part IV of the Native Puposes Act, 1931. We considered, however, that the investigation of this Trust was not directly within the scope of our Commission. Counsel for the Commissioner recognized this. We were, however, urged to deal with a certain aspect of the trust which concerned the prospect of farming by the Natives on their own account, and we consented to hear submissions on this point.

858. The trust now comprises (*a*) the East Coast lands of 114,400 acres with a capital value, according to the Government valuations of 1929, of £578,803; and (*b*) the Mangatu lands of 108,661 acres with a capital value, according to the Government valuations of 1929, of £536,192. Some of these lands are farmed by the East Coast Commissioner and some are leased by him. Most of the leases of the East Coast lands will expire in 1943 and of the Mangatu lands in 1942. Between the present time and the expiration of the leases the Commissioner will be required to formulate a policy for adoption when the leases fall in, and that policy must be materially governed by the amount of external debt which he then owes. So long as there is a large external debt, the mortgagees are not likely to consent to the release of blocks to enable the Native owners to be settled on the lands as farmers on their own account. To achieve a substantial reduction in the external debt a considerable part of the income of the trust must be applied to the reduction of debt and smaller distributions must be made to the Native owners than would be required if the blocks were to be retained for an indefinite period under the control of the East Coast Commissioner.

859. Running parallel with the policy to be adopted regarding the external debt, which affects all the mortgaged blocks, is the policy to be adopted with regard to questions now arising concerning the "internal debt." This debt arose in the following way. A method of salvaging the East Coast blocks from realization by the Bank of New Zealand was provided by the East Coast Native Trust Lands Act, 1902. Pursuant thereto, some of the blocks owned by different groups of Natives were alienated. These alienations enured for the benefit of the preserved blocks and the owners of the blocks that were alienated acquired equitable claims against the owners of the preserved blocks. This process created the internal debt.

860. The settlement of this internal debt was undertaken by the Validation Court in 1906. A settlement was made on the basis of valuations made in 1907 whereby the debts due by the blocks that were saved to the blocks that had contributed to their salvation were finally settled, and it was provided that interest should be paid or credited to the creditor blocks and debited against the blocks that were saved.

861. We were informed by Mr. Gambrill, counsel for the East Coast Commissioner, that, on the basis of the 1907 valuations, the settlement by the Validation Court was fair, but that in the light of the experience of the past twenty years it appeared that lands which were thought to be of a certain value when the original allocation was made have proved to be worth less than they were thought to be. In the result, it appears that they are bearing a larger proportion of the debt than they can hope to pay if interest is added annually to their debt. On the other hand, some of the blocks are very heavily in credit; and when the external debt is sufficiently reduced they might be released from the trust and farmed by the Native owners on their own account. If this were done, the weaker blocks must fail. The question which then arises is whether the Native owners of the creditor blocks are to be harsh creditors, on the basis of the 1907 settlement, or whether, since all the

blocks have been under one management and unequal management is not an element in the situation, they are to make concessions to the owners of the debtor blocks in order that these owners may have their lands preserved for them.

862. These questions raised regarding the internal debt arise from a general consideration of an ultimate fair solution of a lengthy salvage operation. We think that the Native owners of the creditor blocks should consider the position, and that, if any reopening of the 1907 settlement is to take place, it is advisable and proper that the first proposal should come from the Native owners of the creditor blocks. It has also to be remembered that any rearrangement of the internal debt, as well as the reduction of the external debt, will be governed by the prices for primary products during the period elapsing before the expiration of the existing leases. There may be another "slump." The only view which we think we should express is that in the interests of the settlement of as many Natives on their own lands as possible some readjustment may be required, and that the whole situation should be carefully considered by the Native owners concerned.

863. Evidence was tendered to us on the question whether the lands should remain with the East Coast Commissioner or be vested in the Native Trustee. We have no hesitation in saying that the trust of the East Coast Commissioner should continue. He appears to us to have managed the lands of his trust admirably during a difficult period.

PART XV.—SPECIAL COMPLAINTS BY PRIVATE PERSONS.

West Coast Settlement Reserves.

864. Mr. A. K. North, counsel for certain beneficiaries in these reserves, made specific complaints about their administration by the Native Trustee, and made certain submissions for future action.

865. Certain lands on the west coast of the North Island were, pursuant to the West Coast Settlement Reserves Act, 1892, vested in the Public Trustee in trust for the Native owners.

The Public Trustee was given certain powers, including power to grant leases of the lands with perpetual rights of renewal on revaluations every twenty-one years, the lessees being entitled to the whole value of improvements.

Particulars of the reserve lands now show—	Acres.
An area of some	71,926
Beneficiaries recently numbered	6,238
Tenants recently numbered	278
Total capital value (including improvements)	£2,130,780
Annual rentals	£31,186
Average half-yearly distribution	£12,040
Amount of rentals lying unclaimed	£2,537

Pursuant to the Native Trustee Acts the trust is now, and since the year 1920 has been, administered by the Native Trustee.

866. There are certain customary half-yearly days on which the Native Trustee distributes (after deduction of commission) rentals on hand. As we have shown in Part XIII, rentals in the hands of the Native Trustee, which in the ordinary course of events should have been paid out to beneficiaries on certain customary days, were not so paid out. The arrears were, however, paid by the end of 1933.

867. Mr. North complained that these irregularities, which were admitted, had caused serious inconvenience to his clients, and we have no doubt that they did. Mr. North made the following submissions:—

(1) Statutory provision should be made for the payment of the rents when received by the Native Trustee into a separate Trust Account.
(2) Statutory provision should be made fixing definite half-yearly dates for the distribution of the rents received by the Native Trustee.
(3) Compensation should be paid to the beneficiaries for the hardship and loss sustained by them though the unjustifiable delay in the payment of the rents.
(4) Proper balance-sheets should be issued for each grant, such balance-sheets to contain all proper information usually appearing in well-drawn trustee and beneficiary accounts, including full particulars of arrears of rent.
(5) Valuers should be appointed to report on the administration of the reserves by the Native Trustee since he accepted the trust in 1920, such valuers to consider, in particular, whether the reserves or any part thereof have deteriorated in value, and whether as the result the beneficiaries' interests have been adversely affected.
(6) An inquiry should be held into the position regarding all unclaimed rents.

868. *As to Submissions Nos. 1 and 2.*—We consider that there is no necessity for the payment into a separate trust account of the rents collected, nor for the fixing by statute of half-yearly distribution dates. We have dealt in Part XIII, however, with the necessity of holding a proportion of the Common Fund in liquid form. Steps should, moreover, be taken by the Native Trustee to ensure that in future his officers do make payments with reasonable promptness on certain customary days in respect of the rents received.

No alterations of such customary pay-out days should be made without due and proper previous notice to the Native beneficiaries.

869. *As to Submission No. 3:* We recommend that interest calculated at the rate of £5 per centum per annum on the respective amounts short paid to the beneficiaries, from the Native Trustee's Common Fund, in respect of the June, 1932, and December, 1932, payments from the dates on which the shortages should have been paid out until the date or dates on which the shortages were actually paid out to the beneficiaries, should be allowed to and paid to the respective beneficiaries and charged against the Commission Account of the Native Trustee.

870. *As to Submission No. 4:* In our opinion the "pay-out" sheets used in the past by the Native Trust Office have not supplied sufficient information to the beneficiaries.

The evidence disclosed that Natives had applied for information. The Deputy Native Trustee said:—

"We supplied them with what we thought was necessary for them."

It appeared that this meant merely the information contained in "the usual statement which covers the half-yearly distribution."

We were not favourably impressed by the objections or the reasons therefor raised by the Deputy Native Trustee to counsel's requests for the supply of reasonable information. Nor did this officer's evidence dispose of counsel's complaint that too much consideration had been given to the feelings and interests of the European lessees, and too little to the needs of the Native beneficiaries.

Proper statements should be furnished from time to time to representative beneficiaries supplying such full particulars and information as would be supplied in like cases by well-conducted trustee companies, and we see no reason why the names of lessees in default should not be supplied in the statements.

871. *As to Submission No. 5:* Mr. North did not press this. In our opinion the Native Land Settlement Board should be given, by legislation, a power to inspect any lands vested in or administered by the Native Trustee, and there is no need for further consideration of this matter at present.

872. *As to Submission No. 6:* We recommend that particulars of the rentals from time to time lying unclaimed should be gazetted at reasonable intervals, say, in every third year. Copies of such respective *Gazette* notices should be posted on a public notice-board in each Native Land Court office, and Maori Land Board office, and exhibited there for a period of not less than six months in each respective case.

If the publicity suggested be given in respect of the rents now lying unclaimed, we consider there will be no need for any special inquiry, unless further reasons appear in the future.

873. *Standard Rent-days:* Arising out of the complaints made by Mr. North, we have noted that it might be of advantage to the Native Trustee and his beneficiaries if steps were taken to ensure that all rentals in trusts under his administration fell due on set yearly, half-yearly, or quarterly dates. We suggest this matter for consideration, as we think it would ensure more prompt payment to beneficiaries. If it is thought advisable, legislative authority should be obtained to enable this proposal to be carried out.

Complaint by Mr. Sim as to Non-payment by a European Lessee and his Wife of their Rents on Due Dates.

874. Mr. R. C. Sim complained, on behalf of certain beneficiaries of the Native Trustee, that a European and his wife, who are lessees of West Coast Settlement reserves, have failed to pay their rents on due dates to the Native Trustee, that the Native Trustee has failed to take proper steps to see that the rents were duly paid, and that the Native beneficiaries have suffered materially.

875. The male lessee was described by Mr. Sim as one of the most extensive dairy-farmers in New Zealand and as a wealthy man. It appears that part of the leased land, which is not farmed by him, is subleased to advantage. The rents under the leases are payable half-yearly in advance and they aggregate £1,268 14s. per annum. We are informed by the Native Trustee that these leases all come within section 32 (1) (*b*) of the National Expenditure Adjustment Act, 1932, but that the moderate rentals did not permit of any reduction in favour of the lessee pursuant to the provisions of the Act.

876. We have obtained a return from the Native Trustee which shows that there are eight leases, and which gives the due dates for payment of the rent, the amount of the rent, and the actual date of payment. From part of this return, we have extracted the following information. (The period of late payment of the full amount of rent due is given approximately, but with sufficient accuracy. We refer to each lease by a number):—

Lease No. 1: The half-yearly rentals of £71 15s. each due from 28th June, 1931, to 28th December, 1933, both dates inclusive, were outstanding three, five, five, five, five and a half, and three months respectively before they were paid; and the rental due on the 28th June, 1934, was still outstanding on 1st October, 1934.

Lease No. 2: The half-yearly rentals of £18 8s. each due from the 9th July, 1931, to the 9th January, 1934, both dates inclusive, were outstanding one and a half, one and a half, eight and a half, ten (until full payment), five, and four months respectively before they were paid; and the rental due on the 9th July, 1934, was still outstanding on the 1st October, 1934.

Lease No. 3: The half-yearly rentals of £21 12s. each due from the 28th June, 1931, to the 28th December, 1933, both dates inclusive, were outstanding three, five, five, five, five and a half, and three months respectively before they were paid; and the rental due on the 28th June, 1934, was still outstanding on the 1st October, 1934.

Lease No. 4: The half-yearly rentals of £80 5s. 6d. each due from the 29th June, 1931, to the 29th December, 1933, both dates inclusive, were outstanding three, five, five, five, five and a half, and three months respectively before they were paid; and the rental due on the 29th June, 1934, was still outstanding on the 1st October, 1934.

Lease No. 5: The half-yearly rentals of £31 17s. 6d. each due from the 2nd June, 1931, to the 2nd December, 1933, both dates inclusive, were outstanding three and three-quarters, five and three-quarters, six, six, six and a half, and three and three-quarter months respectively; and the rental due on the 2nd June, 1934, was still outstanding on the 1st October, 1934.

Lease No. 6: The half-yearly rentals of £19 2s. 6d. each due from the 10th August, 1931, to the 10th February, 1934, both dates inclusive, were outstanding one and a half, three and three-quarters, ten, eleven and three-quarters, five and a half, and one month respectively; and the rental due on the 10th August, 1934, was still outstanding on the 1st October, 1934.

Lease No. 7: The half-yearly rentals of £129 18s. 6d. due from the 1st July, 1931, to the 1st January, 1934, were outstanding two and three-quarters, two and three-quarters, seven, twelve (until full payment), six, and two and three-quarter months respectively before they were paid; and the rental due on the 1st July, 1934, was still outstanding on the 1st October, 1934.

Lease No. 8: The half-yearly rentals of £261 18s. due from the 31st July, 1931, to the 31st January, 1934, both dates inclusive, were outstanding two, two, six, fourteen (until full payment), eight, and two months respectively before they were paid; and the rental due on the 31st July, 1934, was still outstanding on the 1st October, 1934.

877. The Native Trustee usually pays out rents in the West Coast Settlement reserves received to the 31st March, in the month of June following; and rents received to the 30th September, in the month of December following, but we are informed by the Native Trustee that this procedure is not strictly adhered to as rents received after the 31st March and the 30th September are included if time permits the shares of the rents for the respective beneficiaries to be worked out and posted to their cards.

878. With regard to the rents of the lessees complained of, the Native Trustee states that, although the male lessee has been late in paying the rents, these have been paid out in the nearest distribution, and the following table sets out the date of receipt of a big proportion of his rents and the distribution of same:—

Date received.	Distribution.
6th January, 1931	April, 1931.
29th September, 1931	November, 1931.
30th May, 1932	June, 1932.
1st December, 1932	December, 1932.
5th June, 1933	August–September, 1933.
19th December, 1933 29th March, 1934	June, 1934.

The Native Trustee further explains that when the lessee's cheque was received in December, 1933, the distribution had already commenced and it was not possible to bring the rents into it, but owners who lived in Wellington applied for and received advances on account of the same. The Native Trustee further states that, previous to this, the rents were paid out at the same times as they would have been disbursed if the lessee had paid on the due dates. Even so, the position is not as satisfactory as it should be.

879. The view of the Deputy Native Trustee, who appears to have had the control of these leases during the greater part of the time in question, may be thus expressed:—

(1) The Native Trustee has not insisted on payment in advance by the lessees in question, as they are among his best tenants and he thinks that they are entitled to some latitude.

(2) The only delays of any consequence were due to the necessity for ascertaining, pursuant to section 32 (2) of the National Expenditure Adjustment Act, 1932, what rent would have been payable to 1st January, 1930, in order to determine whether the lessees were entitled to a reduction of rent as from the 1st April, 1932.

880. With regard to the first of these statements, we think that a trustee is not entitled to adopt the view taken by the Native Trustee. The rents are payable in advance, and should be kept paid in advance, on due dates.

With regard to the second statement, the return we have obtained, which goes back to June, 1930, shows that under leases 1, 3, 4, 5, and 6 the half-yearly rental last payable in each case before the 1st April, 1932, was paid late so as to miss the routine, if not a special, inclusion in the customary distribution, but there was no such late payment in the case of leases 2, 7, and 8. Under leases 1, 3, 4, and 5, the payment was made on the 30th May, 1932, and under lease 6 on the 14th June, 1932.

With regard to the late payment of rentals after the 1st April, 1932, the Native Trustee has informed us that the tenants of the West Coast Settlement reserves did not make a move to have the hypothetical rent determined. It would perhaps have been surprising if they had, and the Native Trustee, apparently, did not act until June, 1933, when Supervisor Brown was sent to Taranaki to meet the tenants and adjust the rents. At this time the male lessee had met with a motor-car accident and had left on a trip abroad, not returning until early in 1934. He left his solicitor to attend to his affairs, and of this the Native Trustee was advised by letter of the 9th June, 1933.

881. There was no special reason of which we are aware why the settlement of the question of future rental under the National Expenditure Adjustment Act should not have been proceeded with, but the Native Trustee appears to have thought that the matter could stand over until the lessee's return. When the lessee did return, it was found, as we have stated, that the lessee was not entitled to any reduction. During the period between April, 1932, and January, 1934, while the amount of future rent remained undetermined, the lessee or his representative appears to have met the situation by delays in payment. Our view is, however, that, for practical purposes, the onus was on the Native Trustee, in the interests of his beneficiaries, to press for the settlement of the question of reduction, and he did not do so. We can see no sufficient reason why the Native Trustee, while maintaining his amicable relationships with the lessee or his representative, should not have taken the necessary steps, particularly when his Native beneficiaries were in a distressed condition. If necessary, some temporary reduction might have been allowed to ensure prompt payment during a period of financial distress for the beneficiaries. On the other hand, these beneficiaries might have received little more during the period in question than they actually received, because the cash from the Native Trustee's Common Fund was being drained away to his farming ventures and to satisfy his obligations to the Maori Land Boards, as well as to meet the payments due to his own beneficiaries; and insufficient moneys were being paid by the State to the Native Trustee in relief of his Common Fund.

General Complaints by Mr. R. C. Sim, representing certain Beneficiaries of the Native Trustee.

882. These can be summarized as follows:—

(1) The administration of the Native Trustee has been a failure.
(2) The financial administration of the Native Trustee has been a failure.
(3) That there is a lack of officers in the Native Trust Department, and that in consequence there have not been proper inspection and proper supervision of Native reserves.
(4) Bad administration in respect of the Greymouth reserves.
(5) Bad administration of the Westport reserves.
(6) Unfair allocation of the Wellington and Nelson "tenths."

We have dealt sufficiently with complaints (1), (2), and (3) in Part XIII of our Report concerning the administration of the Native Trustee.

883. With regard to complaint No. (4), Mr. Sim complained that the Native Trustee had ceased to observe certain statutory requirements covering the publication of the accounts of the Greymouth and Westland reserves which had been complied with by the Public Trustee when the reserves were vested in him.

Section 12 of the Native Reserves Act, 1882, is as follows:—

> "Before the thirtieth day of April, in the year one thousand eight hundred and eighty-three, the Public Trustee shall furnish to the Minister for Native Affairs a full statement of all such accounts, with such remarks appended to the account of each reserve as he may think fit to make:
>
> "And, so long as any reserve shall remain under his management or control, the aforesaid Trustee shall annually furnish such account of each reserve as aforesaid to the Minister for Native Affairs.
>
> "A copy of all such accounts shall be laid by the aforesaid Minister before each House of the General Assembly as soon as may be after the receipt thereof by him."

In 1920 the Greymouth and Westland reserves were, *inter alia*, transferred to the Native Trustee by section 13 of the Native Trustee Act, 1920, which is as follows:—

> "All Native reserves which on the commencement of this Act are vested in the Public Trustee shall thereupon by force of this Act and without the necessity of any instrument of conveyance or other assurance be transferred to and vest in the Native Trustee, who shall hold the same for the same estate, upon the same trusts, with the same functions, powers, and duties, and with the same liabilities and engagements, as in the case of the Public Trustee immediately prior to the coming into operation of this Act."

A further alteration in the law relating to these reserves was made by section 6 of the Native Trustee Amendment Act, 1921–22, which is as follows:

> "6. (1) The Native Trustee shall, within sixty days after the close of each year ending on the thirty-first day of March, prepare—
>
> "(*a*) A balance-sheet showing the total liabilities and assets as at the thirty-first day of March, which balance-sheets shall incorporate the statement of accounts of Native reserves required to be furnished by section twelve of the Native Reserves Act, 1882, and the said section shall be read subject to the provisions of this section:
>
> "(*b*) A statement showing the total receipts and payments of or from the Native Trustee's account during the financial year:
>
> "(*c*) A Revenue Account for the financial year ending on the thirty-first day of March.
>
> "(2) The Native Trustee shall send such balance-sheet, statement, and Revenue Account to the Controller and Auditor-General, who shall forthwith transmit the same, together with such report thereon as he thinks fit, to the Native Minister, by whom it shall forthwith be laid before Parliament, if sitting, or if not, then within fourteen days after the commencement of the next ensuing session."

884. Each balance-sheet, presented by the Native Trustee, pursuant to this section 6, for the yearly periods ending on the 31st March of the years 1922 to 1925 inclusive, contained the following reference: "Native Reserves Act, 1882 (as per statement attached)," and there was attached to the balance-sheet a statement setting out against the name of each reserve the amount in hand at the beginning of each respective year, the receipts and disbursements during that year, and the amount in hand at the end of that year. This constituted, no doubt, a substantial compliance with the requirements of section 12 of the Act of 1882.

From 1926 onwards, however, the accounts presented by the Native Trustee pursuant to the said section 6 did not have attached to them any statement of accounts of these Native reserves, although a statement of gross amounts appeared in the annual balance-sheets under the item, "Native Reserves Act, 1882." Thus from 1926 onwards there has been a lack of the detailed information previously furnished to the public in general and to the interested parties in particular.

885. In reply to our inquiry, the present Native Trustee has informed us that in 1926 the Deputy Native Trustee (after reference to and with the approval of Judge Rawson who was then Native Trustee) abandoned the supply and incorporation of the said statement of Native Reserves Accounts as theretofore had been the practice, as it was believed that section 6 of the Native Trustee Amendment Act, 1921, effected an implied repeal of section 12 of the Act of 1882.

886. Although we are not a Court of construction, we think it plain that there has been no such implied repeal. Indeed, section 6 requires the incorporation of "the statement of accounts of Native reserves required to be furnished by section twelve of the Natives Reserves Act, 1882." This is a repetition of the requirements of section 12. The only effect of the words "the said section shall be read subject to the provisions of this section" is—

(1) To bring the statement required by section 12 into one set of accounts for transmission to the Controller and Auditor-General, and by him, with his report, to the Native Minister, and by the Native Minister to Parliament, and

(2) To effect an implied repeal of the requirements that the statement of accounts required by section 12 shall be furnished direct to the Minister for Native Affairs, and by him of that account alone, without the report of the Controller and Auditor-General, to Parliament.

887. In our opinion, it is plain that the Native Trustee is bound by law to bring into his balance-sheet the whole statement of accounts required by section 12 of the Act of 1882, and reveal them there for inspection as required by section 6, and for presentation to Parliament as required by section 6. We sustain Mr. Sim's complaint.

888. As to Complaint No. (5)—Westport reserves. A certain area in the Town of Westport was reserved when the sections in the township were offered to the public for sale. After certain intermediate steps, an area of 10 acres was vested in the Public Trustee for social, moral, and religious purposes for the members of the Ngaitahu Tribe. Mr. Sim complained that for over seventy years this land has been held in trust for this special purpose, that nothing has been done to carry out the trust, that since 1891 rent has been received therefrom, and that the rentals have accumulated and now form part of the Common Fund of the Native Trustee.

889. The Deputy Native Trustee stated that "the trust has failed, but until it is definitely cancelled by legislation, the Trustee must hold the land under the existing trusts." He also stated that some four or five years ago the Native Trustee had advised a firm of solicitors in the South Island that special legislation was necessary to have the trust cancelled and to enable the Native Land Court to investigate the ownership of the land. The view of the Deputy Native Trustee was that when these matters had been determined the Native Trustee could then pay out to the owners the rents that had been collected and accumulated. The Deputy Native Trustee also stated that he understood that a petition to Parliament for the necessary special legislation was in course of preparation.

We recommend that such legislative authority as is found to be necessary should be obtained and this matter investigated.

890. As to Complaint No. (6): The Wellington and Nelson "tenths," otherwise known as the North and South Island "tenths," comprise the New Zealand Company's reserved "tenths" dealt with in the Native Reserves Act Amendment Act, 1896. These "tenths" are part of the reserves set aside by the New Zealand Company, the history of which is traced in an informative and valuable paper prepared by Mr. R. L. Jellicoe, the present Accountant of the Native Department, and printed as Parliamentary Paper G.–1, 1929.

891. The first proper provision for disbursing the revenues of the reserved "tenths" was made by the Act of 1896. Section 3 of that Act provided for the distribution of the accumulated rents and proceeds of the lands in the following way, namely—

(*a*) Three-fourths amongst the Native beneficiaries entitled thereto, in such relative shares as had been determined by the Native Land Court; and

(*b*) The remaining fourth to be distributed by the Public Trustee for the physical, social, and moral benefit of the Natives, individually or collectively, interested therein, and the relief of such of them as were poor or distressed.

The section contained a proviso permitting a beneficiary aggrieved with the manner in which the Public Trustee exercised the powers conferred upon him to appeal to the Governor, who in his discretion might refer the matter to the Chief Judge of the Native Land Court, whose decision was to be binding on the Public Trustee.

892. Section 4 of the Act of 1896 provided for the application of the annual rents and proceeds accruing after the 31st March, 1896, and made the following provisions:—

(1) A part, not exceeding one-half thereof, shall be annually or from time to time distributed by the Public Trustee amongst the same beneficiaries, and in the same relative shares, as in the case of the aforesaid accumulations.

(2) The residue thereof shall be applied by the Public Trustee, at such times and in such manner as in his discretion he thinks fit, towards the physical, social, moral, and pecuniary benefit of the Natives, individually or collectively, interested therein, and the relief of such of them as are poor or distressed.

It is the residue spoken of in sections 3 and 4 which provided the nucleus of the two funds now known as the "Benefit Funds" of the North and South Island "tenths." It will be noted that the residue might be of a varying amount, as only a part "not exceeding one-half" was to be paid out in the shares determined by the Native Land Court.

893. Further provision for disbursing the annual revenues of the accumulations of the reserved "tenths" was made by section 6 of the Native Trustee Amendment Act, 1924. This section altered the proportion of the annual rents for distribution according to the shares determined by the Native Land Court from "not exceeding one-half" to "not exceeding three-fourths." This involved a diminution of the residue if the Native Trustee acted upon the power given to him.

With regard to accumulations of the residue, subsection (2) of section 6 provided that the Native Trustee (who had in the meantime taken over the administration of the reserves from the Public Trustee) might use both existing and future accumulations of the residue for the following purposes:—

(1) Completion of the titles of the said lands.
(2) Bringing the same under the provisions of the Land Transfer Act, 1915.
(3) Surveys necessary therefor, or for such other purpose as the Native Minister, on the recommendation of the Native Trustee, might approve.

894. It follows from the provisions of this section that any residue, which the Native Trustee chooses to accumulate, can be used for the new purposes defined by subsection (2), and as he need not distribute as much as three-fourths to the beneficiaries determined by the Native Land Court, he may accumulate a very large residue if he thinks fit.

The provisions of section 6 of the Act of 1924 are now contained in section 36 of the Native Trustee Act, 1930.

895. The tables set out in Appendix IX show the receipts and payments of the North Island "tenths" from the 1st April, 1921, when the Native Trustee took over the reserves, until the 31st March, 1931. Appendix X continues the receipts and payments, showing the details of the expenditure until the 31st March, 1934. Appendices XI and XII give similar information respectively for the South Island "tenths."

896. The Native Trustee receives applications for assistance from—

(*a*) Groups: The groups operate through committees acting, or purporting to act, on behalf of all beneficiaries in certain areas.

(*b*) Individuals: Some individuals send written applications to the Native Trustee. Others visit his office personally. No record is kept of personal applications, if such are refused.

The assistance given comprises for the most part small grants for the payment of food, rent, and funeral and hospital expenses. We are informed by the Native Trustee that he has during the last three years endeavoured to make grants to persons in poor circumstances, on the same basis as unemployment relief was granted.

897. The Native Trustee also subsidizes medical services as follows: In the North Island at Petone and Johnsonville; in the South Island at Picton, Blenheim, Havelock South, Nelson, Motueka, and Takaka. The payments for these medical services are made through the Health Department. The Health Department pays the doctors and then obtains a refund of the amount paid from the Native Trustee. Payments are made half-yearly and have amounted for the past two years to £192 2s. 9d. each half-year, or £384 per annum. The Health Department receives quarterly returns from the doctors containing particulars of the numbers of patients attended and the like. The payments are thus reviewed periodically by the Health Department. Individual doctors do not receive more than £50 per annum. Some only receive £25 per annum.

898. The Native Trustee also assists hostels for the Natives out of the benefit funds. Hostels are established in the North Island at New Plymouth and in the South Island at Havelock South and Nelson. At New Plymouth the Native Trustee pays the salary of the caretaker only. This amounts approximately to £100 per annum. At Havelock South the Native Trustee pays repairs, rates, and maintenance only. At Nelson he pays all expenses except for food and clothing.

899. In some cases the Native Trustee makes advances from the benefit funds to Natives and then recoups himself from rents payable to the Natives. This can scarcely be termed benefit assistance.

900. A consideration of the tables in Appendices IX and X shows that the Public Trustee commenced a policy of accumulation with the revenues of the benefit fund of the North Island "tenths," as he handed over to the Native Trustee in April, 1921, a credit balance of £8,203. Since that date the fund has been further accumulated and the present credit balance is £14,966.

We have been surprised at the extent of this accumulation, particularly when the origin and history of the grant are considered. In our view the benefit funds exist to relieve the temporal necessities of the Natives and for definitely benefiting them. If the moneys are hoarded many Natives may die without receiving the assistance and benefit which they rightly should have had.

901. With regard to the South Island "tenths," it appears from a perusal of Appendix XI that a considerable amount has been spent on surveys and titles under the authority of the legislation of 1924—namely, at 1st April, 1925, £1,098; of 1926, £867; and of 1927, £159. The credit balance in the South Island "tenths" sank to £4 8s. 1d. at 31st March, 1931, but has now recovered to £1,838 4s. 6d. at 31st March, 1934. It may be noted that as from 1st April, 1931, the proportion of the rents allocated to the benefit fund of the South Island "tenths" was increased by the Native Trustee, under the flexible powers of section 36 of the Native Trustee Act, 1930, from 25 per cent. to 50 per cent.

902. The accumulations in both the North and South Island "tenths" are held at the present time without earning interest. From 1st April, 1924, interest at the rate applicable to the Native Trustee's Common Fund was allowed on the balance in the hands of the Native Trustee, but no interest has been credited since 31st March, 1931. This was the result of a recommendation by the Economy Committee set up by the Government, and an Order in Council was gazetted to give effect to that recommendation. We think that, as the Native Trustee is no doubt earning interest on the money, he should pay interest on it. He should, of course, also, be entitled to make some reasonable charge for the expenses of administration.

903. We recognize the need for some reserve in the benefit funds to meet special circumstances such as, for example, the exigencies of an epidemic or of some disaster, but we do not consider that the results shown by the accounts are satisfactory. It may be that an accumulation of £1,000 or even more is desirable, but an accumulation of nearly £15,000 in the North Island "tenths" seems to us to show that the administration of the benefit fund has not been in accordance with the spirit of its establishment.

904. In our opinion, it is not satisfactory that any one individual should have the sole administration of this fund. We think that an Advisory Committee should be attached to the Native Trustee for the purpose of administering the benefit funds and that such committee should consist of—

(*a*) The two Maori members of Parliament in whose electorates Wellington and Nelson are situated; and

(*b*) The Director-General of Health.

The Native Trustee should be required to consult this Advisory Committee, say, by February of each year, so that the policy for the administration of relief during the ensuing financial year may be settled, and we think that the Native Trustee should have no discretion in this matter of consultation. We think that records should be kept of personal applications for relief which are refused and of the the reasons for refusal. We think also that the Advisory Committee should be entitled to call on the Native Trustee at any time to produce for their inspection the records of relief granted or refused. We think also that the Native Trustee should be required to report to the Advisory Committee on the state of the administration at least once during the winter months, and also to present a full report to the Committee within sixty days of the termination of the financial year.

It would, of course, be undesirable that the names of those receiving relief should be made public, and we think there is no necessity for that. We think, however, that a summarized return of the type shown by Appendices X and XII should be published in the *Kahiti* and *Gazette* every year.

905. We make recommendations in accordance with the views we have expressed.

Storekeepers' Accounts.

906. Six storekeepers gave evidence before us at Rotorua, and stated that substantial sums were owing to them for stores by various Natives who had been employed on development schemes. Some of these storekeepers alleged that they had been induced to give credit to the Natives by promises made by officers of the Waiariki Maori Land Board that they would be paid. The Accountant of the Board admitted that he thought he had committed the Department to one storekeeper to the extent of £50, but not of £150 as claimed by the storekeeper. In only one other case did the statement to the storekeeper appear to amount to more than a hopeful indication that the storekeeper would be paid.

907. Where Natives have no resources of their own and they take up heavy work, they generally require credit for some necessaries. It happens with some of them, as with some pakehas, that when they are paid they are not very ready to pay the storekeeper. The difficulty is to see what should be done by a Government Department to remedy this position. The storekeepers are in competition, and they take trading risks in supplying the Natives. The Native Department should not be called upon to shoulder these risks.

908. We asked for and received suggestions from counsel for the storekeepers, from the Accountant to the Waiariki Maori Land Board, and from the Under-Secretary of the Native Department. We have considered them all, including the suggestion of counsel that the Department should accept orders on salaries or wages, but we have come to the conclusion that the views of the Under-Secretary are sound, and that the Department should not be burdened with a system of orders. There is no certainty that a Native will be retained on any particular job for any definite length of time, the office work would be considerably increased, and there is also a possible danger of commissions being offered to officials of the Department for assistance in collecting accounts. Furthermore, it is important on the development schemes that a Native should realize the need for accepting personal responsibility for supplying food and clothing for himself and his family.

909. We recommend only that in the future, in the best interests of the Natives themselves, officers of the Department in each district should not only be permitted, but encouraged, to inform storekeepers of the amounts that will be drawn by Native employees or contractors, and of the times and places of payment.

Collection of Timber Royalties.

910. Certain of the owners of blocks of forest land in the King Country, represented by Pouaka Wehi, made complaint before us at Rotorua with regard to the collection of timber royalties on a block known as Maraeroa C, containing some 13,727 acres. The complaint was presented by Mr. Gabriel Elliott, a Native Agent, and Pouaka Wehi gave evidence.

911. From the evidence and a perusal of the relevant files, it appears that prior to the year 1930 Ellis and Burnand, Ltd., held, by deed, certain cutting-rights affecting, *inter alia*, the block in question; and by deed dated the 12th May, 1930, the Waikato-Maniapoto District Maori Land Board granted to the company an extension of these rights affecting this block.

The royalties payable under the new deed were raised to 2s. per hundred superficial feet for totara timber and 10d. per hundred superficial feet for other timber. The deed provided for all logs to be measured, the respective measurements to be marked thereon, and the logs to be numbered consecutively before they were removed from the land.

The Maori Land Board reserved the right to have competent persons attending at the places of measurement to record each and every measurement on its behalf.

912. For some years the Board had, at the request of certain Native owners, employed Mr. Gabriel Elliott as a measurer, but his services were later on dispensed with at the request of some of the Native owners. The Maori Land Board had no competent timber-measurer on its staff, and it accepted for some time the details and royalties tendered by the company without proper check measurements of the logs before they were removed from the ground.

913. The files show that disputes and difficulties had arisen from time to time regarding the computation of royalties payable under the deed of 1930, and also under the preceding deed. For whatever reason, it is plain that the royalties payable in respect of the block have varied greatly—*e.g.*, the amount payable for the quarter ended 31st March, 1932, was £373 14s. 8d., while the amount payable for the quarter ended 31st March, 1934, was £509 19s. 4d. In 1931 certain Native owners took steps through a firm of solicitors to get the Maori Land Board to investigate the accuracy of the measurements supplied by Ellis and Burnand, Ltd., on which royalties had been paid. In the result the Maori Land Board appointed a retired sawmiller to investigate the company's records. The result of these investigations appears to be that the solicitors have taken no further action since December, 1933. Apparently they have been satisfied that certain discrepancies were satisfactorily explained.

914. The President of the Board has stated that he has "always pressed for field inspectors or rangers," but, when all due allowance has been made for the Board's shortage of staff, we think that the Maori Land Board's duty to its beneficiaries to satisfy itself that the measurements were correct was not fulfilled by accepting the measurements of the company, although we make no reflection on the company. The Board might well have endeavoured to obtain assistance in making check measurements from the Crown Lands Department or the Forestry Department. In our opinion sufficient business diligence was not displayed by the Maori Land Board in this matter.

915. If it be not economical for the Board to have some experienced and capable member of its staff available to conduct check measurements under the provisions of the deed, the Board should endeavour to make some working arrangement with the Forestry Department or the Lands Department. If that be not possible, then, so long as the Board fails to provide a system of check measurement, it will be failing in its duty as a trustee for its beneficiaries. On that view it is necessary that some steps should be taken by the Board, perhaps with the aid of the Department, to ensure a system of check measurement, and we recommend accordingly.

916. So far as the Tiroa Blocks are concerned, over which Ellis and Burnand, Ltd., have timber-cutting rights, these blocks are not vested in the Board. Consequently there is nothing to prevent the Native owners from taking such steps as they think fit under the documents conferring the cutting-rights and we have no recommendation to make regarding the Tiroa Blocks.

Complaint of Mrs. Burgess (Kahutopuni Ngatai).

917. Mr. Michael Chris Burgess, a pakeha, made a complaint on behalf of his wife, a Native, who is sometimes known as Kahutopuni Ngatai.

918. From his evidence and copies of certain correspondence tendered by him and a statement lodged by Mr. Shepherd, the Chief Clerk of the Native Department, it would appear that in the year 1919 certain moneys amounting to about £4,136, to which Mrs. Burgess became entitled on the alienation of lands, came into the hands of the Waikato-Maniapoto District Maori Land Board. Certain of these moneys were invested by the Board on behalf of Mrs. Burgess on securities which proved unsatisfactory, and, to enable payments to be made to her, the Board had to draw on its own account and take over the mortgages on which the moneys were invested. Payments as follows were stated to have been made to Mrs. Burgess:—

Payments to Kahutopuni Ngatai.

	£	s.	d.
August 26, 1919. Paid cash	500	0	0
October 25, 1919. Paid cash	86	19	1
September 11, 1924. Paid cash	440	0	0
December 22, 1922. Paid cash	88	0	0
March 16, 1928. Paid cash	3	12	10
January 10, 1928. Paid cash	100	0	0
August 21, 1928. Mortgage to Native Trustee discharged	1,340	1	0
September 20, 1928. Paid cash	1,000	0	0
August 5, 1933. Paid cash	76	11	6
	£3,635	4	5
Balance	£501	14	8

919. Mr. Burgess said in evidence that his main complaint was that the Maori Land Board had £559 which it held in trust for his wife; that she was entitled to get it but could not get it.

He also said that on the 30th August, 1931, he wrote to the Native Minister, who replied on the 3rd September, 1931, that he was obtaining a report on the matter. To a further letter the Minister replied on the 28th October that he was "awaiting report from Board and Court." After an inspection of the property of Mrs. Burgess had been made by an officer, the Minister informed her that the money would be available if she would place her land under his control. According to Mr. Burgess, his wife and he were conversant with the way in which the Waimiha lands were being developed by the Minister and his officers under the Waimiha Development Scheme, and she therefore would not accede to the Minister's suggestion.

920. They made further applications for the money through two members of Parliament, but without result.

921. Bush-felling had in 1931–32 been done by Mr. Burgess on his wife's farm, and money was urgently needed for grass-seeding and other necessary farming operations, and through a solicitor further application was made to the Waikato-Maniapoto Maori Land Board to pay out the moneys held, and a letter from their solicitors to the Board dated the 13th April, 1932, enclosed the following memorandum:—

"The President, "Ongarue, April 11th, 1932.
"Waikato-Maniapoto Land Board.

"Sir,—

"We, the undersigned, having inspected an area (of approximately 200 acres) recently felled and burnt, on Mrs. Burgess' property, affirm that it is essential that finance be made available immediately to obviate a very serious loss.

"Yours,
"A. H. Delaney, J.P.
"C. Sneddon, J.P.
"Neil Prussing, Police Constable."

922. A reply was received dated the 22nd April, 1932, which read:—

"Re *Mrs. Burgess (Kahutopuni Ngatai)*.

"Your letter of the 13th instant came before the Board for consideration to-day.

"In reply I am directed to inform you that the Board regrets it has no funds available in hand at present for the purpose of making a further advance to your client.

"E. P. Earle, Registrar."

923. Mr. Burgess's statement goes on to say:—

"In July I proceeded to Wellington to place the matter before the Prime Minister. In his absence his Private Secretary advised me to go to interview the Native Minister. Mr. Taite te Tomo was present. When I endeavoured to explain the matter, the Minister said he did not wish to hear anything about it, and after accusing me of a variety of sins, proceeded to examine his correspondence, leaving me no alternative but to retire.

"On November 3rd I forwarded a letter to Judge MacCormick:—

"'Mr. Justice McCormick, Te Kuiti. "'Ongarue, November 3rd, 1932.

"'Dear Sir,—

"'I regret the necessity of approaching you again for financial assistance for Mrs. Burgess.

"'Unfortunately I have been ill for the past five weeks with little prospect of undertaking any strenuous work during the next two months.

"'During the winter I ploughed 40 acres intending to sow in swedes, &c., during this and next month, but have been unable to carry on with fencing. I have split posts and was at work on battons "*sic*" when I took ill. Will you finance a contract for 120 chains of fencing? Part of area ploughed is ready for sowing and discing is being continued. I beg you to relieve me of the anxiety *re* this matter.

"'Yours faithfully,
"'M. C. Burgess.'

"No reply was received to the above letter.

"Following further correspondence a wire was received from the Minister (November 4th, 1932):—

"'Telegram received. Mr. P. Hurunui Jones has been instructed to visit your farm and see you. Supply the Waikato-Maniapoto Board with an estimate of your requirements and approximate cost; arrangements could then be made with the Board for the supply and payments recommended by Mr. Jones.

"'A. T. Ngata.'

"When he made inspection there, various accounts were handed to this officer with the request that they be included with his report. Not receiving any further advice, I wrote the Registrar on December 17th, 1932, and received the following reply:—

"'Memorandum for—
"'Mr. M. C. Burgess,
"'P.O. Box 12, Ongarue.

"'In reply to your letter of the 17th instant, I have to inform you that as funds of the Board are very limited, Mr. P. H. Jones was asked to report on the essential requirements necessary to bring the property to a productive basis, and cost of same.

"'His report has not yet come to hand. When it does the Board will be faced with the task of finding the funds.

"'E. P. EARLE, Registrar.'

"Early in the New Year these accounts were returned to me for certification. The official date stamp of the Department shows that they had been received in Auckland on November 26th, 1932.

"In August, 1933, the Board forwarded £100, £75 on a/c principal and £25 rents. This was not sufficient.

"The position at present is, owing to lack of fencing and grassing, two-thirds of the 138 acres has reverted to fern and scrub, thus wasting the original expenditure and entailing heavy expense for future operations.

"To date the 700-acre block remains unstocked with consequent deterioration. The homestead property wintered 300 sheep and 50 cattle, 22 milking cows included. Had the 138 acres been brought into cultivation a further 200 sheep could have been carried on the property.

"I instructed my Solicitor, Mr. J. J. Sullivan, to interview the Registrar (Mr. Earle) regarding this matter, and, amongst other things, he was informed by Mr. Earle that Mrs. Burgess was a rangitira and over generous in spending any money she received from the Board."

924. The last four paragraphs of a statement submitted at Rotorua dated the 15th May, 1934, by Mr. Shepherd, Chief Clerk to the Native Department, read as follows:—

"During the past three years there have been numerous applications to the Board and the Department by Kahutopuni Ngatai and her husband for the release and payment of the amounts held by the Board, and in respect of the present balance it has been stated that the money was required for development of the lands owned by the beneficiary and being farmed by her and her husband.

"The Department's supervisors have inspected and reported upon the farming property, and Kahutopuni was asked whether or not she was agreeable to the Department exercising supervision of her property, and farming, under development should the money be released. Mr. Burgess called at Head Office and the matter was discussed with him, but neither of them were willing to submit to control. On the 8th March, 1933, the Hon. Native Minister minuted the papers as follows:—

"'My view is that if the money can be released Mrs. Burgess should have it and use it in the way she and her husband desire.'

"The Board was consulted in the matter and reported on 6th July, 1933, *inter alia*, that—

"'The Board cannot possibly pay the whole of the £560 which Kahutopuni wants.'

"The reason for this position was, of course, due to the fact that the Native Trustee was unable to honour the requisitions of the Board on its deposit account with his office.

"The matter is not one of administration so much as of finance, and provided the Board can obtain the necessary funds from the Native Trustee, the Hon. Minister's minute of the 8th March, 1933, would appear to indicate that he is prepared to direct payment of the amount held by the Board to Mrs. Kahutopuni Ngatai."

925. No explanation was rendered by the Native Minister in his evidence. In reviewing the statements we have quoted, we note that there is no dispute as to the facts stated by Mr. Burgess, and the case affords a striking example of the hardship caused to a Native beneficiary of the Maori Land Board, whose husband is an energetic and hard-working man, by the inability of the Native Trustee to honour his obligations though they are guaranteed by the State. We think that Mrs. Burgess has just cause for complaint, and that the payment she asks should be made to her without delay.

HORIMA TE AMOHANGA.

926. Horima te Amohanga is a Native farming a partly improved property at Hangatiki. He has a large family to support. He appears to be a good worker. He made the following complaints to us at Rotorua:—

(1) The Waikato-Maniapoto District Maori Land Board would not assist him to finish his house, which in its unfinished state was not fit to live in.
(2) That his milking-shed had been condemned by the Health Officer as it was also his washhouse; and that he had made a concrete floor for another milking-shed but that the Board would not assist him to finish it.
(3) That he had to sign a bill of sale for £460, but did not owe that amount.
(4) That he did not have sufficient advice or supervision.
(5) That the Native Trustee holds about £600 in the estate of Margaret Grace, who died in 1932, and that the Native Trustee had not yet made any payment to the beneficiaries, of whom Horima was one.

927. With regard to the first complaint, we find that in August, 1931, Horima offered to do the necessary work on his house for £90. The supervisor reported to the Board that the renovations were essential but, in view of the shortage of funds at that time, he would endeavour to keep down the expenditure. The Board ordered all the material requisitioned by the supervisor, and no complaint was made by Horima to the Board that the house was still uninhabitable. We are informed by the Board that the security does not at present warrant any further advances. We can only recommend that the President of the Board should satisfy himself, either personally or through his executive officer, as to the position, and take such action as may be available and necessary.

928. With regard to the second complaint, we think that similar inquiry should be made, and we make the same recommendation as in the first complaint.

929. With regard to the third complaint, the Board wrote to Horima on the 26th October, 1932, as follows, in reply to a letter from him :—

> "It is apparent you have not understood the purport of the bill of sale, which merely gives the Board security for the amount of the balance owing by you, irrespective of the amount of the advance sanctioned in the first place."

With its letter, the Board enclosed a statement of account. This statement is a statement of expenditure and of credits showing—

(*a*) A total expenditure to October, 1932, of £435 16s. 3d., plus interest to 31st March, 1932, £46 4s. 5d., a total of £482 0s. 8d. ; and

(*b*) Total credits to October, 1932, amounting to £111 6s. 6d., thus leaving a balance which was shown as "Balance owing, £370 14s. 2d."

The account bears a resemblance to a current account, but a note at the foot of the statement was as follows :—

	£	s.	d.
"Loan authorized	460	0	0
"Amount advanced to date	435	16	3
"Unexpended balance	£24	3	9"

We confess that this note might make a Native farming unit think that £435 16s. 3d. was secured under the bill of sale, instead of £370 14s. 2d. The Registrar, Mr. Earle, informs us that he personally explained to Horima, at Te Kuiti, in November, 1932, that the bill of sale was collateral with the mortgage of the land, as the bill of sale itself showed, and that after a full discussion, Horima signed the bill of sale. It is plain that the bill of sale cannot be used to secure more than the amount actually owing.

931. We think, however, that the case may be considered by the Maori Land Board and the Department as one illustrating the need for making the securities and the statements of account plain in their form. It may be that, where it is not proposed to continue a current account within a limit, but only to make a small advance and further advances up to a fixed limit, a bill of sale expressed to secure the initial advance and further advances up to the fixed limit would be more clear. We have recommended legislation for financing Native units by current accounts in suitable cases.

932. With regard to the fourth complaint, the Native unit should, of course, have as much supervision as is required. We think that every complaint from a unit of inadequate supervision should be investigated by the Registrar as the executive officer of the Board, and that he should report to the President upon it.

933. With regard to the fifth complaint, we have ascertained from the Native Trustee that an order of the Native Appellate Court in the estate of Margaret Grace was received in the Native Trust Office on the 18th September last. This will enable stamp accounts to be prepared, estate and succession duty to be paid, and a final distribution to be made to the beneficiaries, to whom payments in advance have already been made.

Mrs. Margaret Thomason.

934. Mrs. Margaret Thomason has complained that she and her sister desired to take over, with their mother's consent, their mother's interests in certain blocks, have them partitioned, and settle on the land with their mother and farm it, but that they could not do so because the land was being developed under section 522 of the Act of 1931, and that they had been refused permission under that section to settle upon the land. The facts alleged are not in dispute.

935. The Under-Secretary of the Department, who is a member of the Native Land Settlement Board, has advised the petitioner that until development has proceeded to a stage at which it would be safe and wise to define sections on the land for settlement by selected units, it is not advisable to permit a partition of the land. What the Under-Secretary, no doubt, means is that it is not advisable to permit interference with the development works by occupation pursuant to a partition ; and it would be useless to obtain a formal partition, if the partitioned area could not be used. If the Native Land Settlement Board takes the same view as the Under-Secretary, then it is useless to apply for a partition.

936. The petitioners are only in the same position as other Natives whose lands are subject to section 522, and they should recognize that great benefits may accrue to them later on if their land is developed with funds advanced by the State. It may be that they will be acceptable as units on the land. Under the legislation we have recommended, that will be a matter for the Native Land Settlement Board. We have no recommendation to make.

Keith McKenzie's Complaint.

937. Mr. Keith McKenzie, of Rotorua, timber-dealer, appeared before the Commission and complained that his father, Mr. William McKenzie, whose affairs he and his brother were managing, had been unjustly treated in connection with certain negotiations which had taken place between the owners of the Okataina Nos. 3, 7, and 8 Blocks and himself. He claimed, *inter alia*, the refund of fees paid amounting to £10 and certain incidental expenses incurred amounting to £57 10s.

938. It appeared that an agent of the owners made certain arrangements with Mr. McKenzie, and an offer on Mr. McKenzie's behalf was submitted to a meeting of assembled owners duly called by the Registrar of the Waiariki District Maori Land Board for the 23rd March, 1933. The alternative royalties offered by Mr. McKenzie for posts out of dead totara timber on the blocks were—

(1) All roading costs to be borne by Mr. McKenzie,—

Posts	23s. 6d. per hundred.
Strainers	1s. each.
Sleepers	9d. each.

(2) Road to be formed by contractor, but cost to be borne by owners and paid for by them through deductions from royalties,—

Posts	30s. per hundred.
Strainers	1s. 3d. each.
Sleepers	9d. each.

A resolution accepting offer No. 1 made by Mr. McKenzie was put to this meeting and carried unanimously. Between seventy and ninety of the owners were present, and these were stated to represent a large proportion of the Native interests.

939. Mr. McKenzie complained that he did not hear from any one in authority for some time, and he wrote to the Registrar on the 13th April, 1933. He received no reply, and consequently on the 15th May, 1933, he called at the Registrar's office and was then informed by Mr. Kepa Ehau, a leading Native owner in the blocks, that Okataina had been acquired by the Native Minister for development purposes, but that the Native Minister had agreed to reimburse Mr. McKenzie for the expenses he had incurred in connection with the blocks, and that he should deliver a list of these.

As the foregoing information was received by Mr. McKenzie from Mr. Kepa Ehau and not from any more official source, Mr. McKenzie again wrote to the Registrar on the 17th May, and received a reply dated the 22nd June, 1933, some ten weeks after the date of his first letter to the Registrar. This reply stated that the lands had become subject to section 522 of the Native Land Act, 1931, and that effect would not be given to his proposals.

940. This action was taken by the Native Minister, and he was entitled to take it even after Mr. McKenzie had incurred the expense which he had. Mr. McKenzie appears to have no legal rights. It would, however, be equitable that the Native owners, who allowed the transaction to go as far as it did, should honour their promises to Mr. McKenzie as stated to us by Mr. Kepa Ehau—viz., that the expenses incurred by Mr. McKenzie should be paid by the Native owners out of their royalties from the Department. We have no other comment to make.

George Melville.

941. Mr. George Melville has complained to us that on a sale by him to the Department of 350 acres in the Parish of Waimana the Department retained £65 for the purpose of paying the vendor's half-cost of a certain survey and fencing that was to be done, that the Department undertook to have the boundary-fences completed within a reasonable time, but that the Department has failed to carry out its undertaking. We referred this matter to the Department, and it now appears from the copy of the instructions sent by the Under-Secretary to the Registrar at Rotorua on the 3rd October, 1934, that provision has been made in the approved estimates for the completion of the boundary-fencing in accordance with the arrangement, and that instructions have been given to have the fence proceeded with as soon as possible. No recommendation is necessary.

Patrick Barry.

942. Mr. Patrick Barry has complained to us that he was unjustifiably dismissed as a Supervisor of the Native Land Development Schemes. Barry was the first farm supervisor attached to the Native Department and, as such, he reported on various proposed development schemes in both the North and the South Islands, and was the first officer in charge of the development schemes in the Waiuku District.

The excellence of his work as a farm director is apparent in the good results obtained at Waipipi and Kaihau. These were observed when we inspected those development schemes.

943. Difficulties arose between this officer and Te Puea Herangi, who was acting as Native leader at Waiuku.

In his evidence, Barry said:—

> "The arrangement for the employment of labour eventually led to conflict because I desired to carry out the work on sound business lines, having the ultimate result in view. Te Puea, on the other hand, wanted to get an immediate living for as many Natives as possible whether they were required or not. She wished to draw money and get supplies for every one on the property whether employed or not, and she complained to the Minister because I would not fall in with her views. On Sunday, 27th July, 1930, the Minister visited Waipipi and discussed various settlement matters with me. This discussion was at the home of Te Puea, and she was present. During the discussion the Minister said that Te Puea had been complaining that she could not get what she wanted from me, and he said that if Te Puea did not get what she wanted he would 'sack' me. This was said in her presence. I asked the Minister to point out where I had done anything wrong. He did not reply. The result of this was that my authority with Te Puea and the Natives was undermined."

944. The following passage is also quoted from Barry's evidence :—

"*Question (Mr. Quilliam) :* The trouble seems to have started about July, 1930. The Minister told you that complaints had been made and that if Te Puea could not get what she wanted he would 'sack' you ?

"*Answer (Barry) :* Yes.

"*Question :* Were you able to find out what the complaints were ?

"*Answer :* The Natives wanted clothes and extra food bought for them.

"*Question :* What was your attitude about that ?

"*Answer :* I might have been quite in sympathy with them and with the views of Te Puea, but I could not overweight the scheme with labour and thereby overcapitalize it. I advised Te Puea to see the Welfare Officer, as the matter did not come under my jurisdiction.

"*Question :* You did not look on the scheme as a charitable-aid concern, and thought Te Puea should apply to the proper quarter ?

"*Answer :* Yes, I asked the Judge whether the scheme was to be run on business lines or as a benefit institution.

"*Question (Chairman) :* What did he say ?

"*Answer :* He agreed with me, and he would have told Te Puea so, but, as a matter of policy, he refrained from doing so. He referred the matter to the Native Minister, who 'phoned to Mr. Shepherd to 'sack' me."

Barry's evidence on these points was not contradicted, although his dismissal did not take place at once.

945. In March, 1931, the Minister made a minute on the Ranana Block file :—

" . . . my verbal instructions should now be carried out. These are to dispense with Mr. Barry."

As Mr. Finlay informed us that the Native Minister accepted the real responsibility for dismissing Barry, there is no need for us to consider whether the Public Service Commissioner was or was not the person responsible for giving the notice of dismissal. The question which is raised is whether the Native Minister was justified in securing Barry's dismissal.

946. Barry's methods were businesslike. He would not pay or agree to the payment of wages, except to actual workers from time to time on the scheme lands. The Natives began to go slow. They wanted to get rid of Barry. Te Puea gave out that she was abandoning the scheme. The following passage occurs in Barry's cross-examination by Mr. Finlay (page 1716) :—

"*Question (Mr. Finlay) :* But did not Te Puea actually go away and take up her residence in Ngaruawahia and abandon the place ?

"*Answer (Barry) :* She went there for three days, and I understood that she had run away from the settlement owing to my not paying these moneys, but if you look at the records you will find that she had to be there to appear in a Court case, and immediately it was over she came back.

"*Question :* She left the place and went to Ngaruawahia, and she gave the Board, and through the Board the Minister, to understand that she had abandoned the scheme. That is what the Board told you ?

"*Answer :* Yes.

"*Question :* If she had abandoned the scheme it was useless retaining you on it ?

"*Answer :* If they would not work I could not make them. If I had to bribe them it was hopeless.

"*Question :* The Minister really had no alternative but to withdraw you.

"*Answer :* There was never any ground for withdrawing me. The people should have been given to understand that there was work to do, and that if trust funds were to be paid out they were to do as they were told and the funds could not be spent wholesale and retail.

"*Question :* Supposing they could not be dealt with in that way—being the people they are—then the only alternative was to withdraw you. That is clear.

"*Answer :* I suppose it was, but the proper thing to do——

"*Mr. Finlay :* Never mind that. The Minister can explain that. It is a question of Maori psychology."

947. We think that Barry's admission is to be accepted—viz., that if the Natives could not be dealt with according to his methods, the only alternative was to withdraw him. That stage was reached, but the real question is as to how it was reached. It was reached, in our judgment, because the wrong attitude was adopted towards Te Puea by the Native Minister. The basic consideration was that a responsible Minister of the Crown was not justified in permitting the expenditure of State funds or of Maori Land Board funds held, as they were, for many beneficiaries, on the lines that Te Puea wished to adopt, and succeeded in adopting. We recognize the value of her services and the need for tactful co-operation, but even the need for Te Puea's services was secondary to the need for the performance by the Minister of his duty to see that the funds were properly expended on the development work within the authority of the legislation.

948. In our judgment the Minister approached the problem of securing the co-operation of Te Puea from the wrong angle. He sided with her without inquiry, and disparaged Barry in her presence. He should, we think, have led her to accept the view that expenditure on the scheme lands must be within the authority of the legislation, and, further, that charitable expenditure out of scheme funds would have a bad effect in the future when the Natives would be required to undertake farming operations on their own account. If further funds for the maintenance of Te Puea's party were required, they should have been obtained from relief sources. In our judgment, Barry has just cause for complaint concerning the manner in which he was treated by the Minister and by Te Puea, even if Barry did not show enough tact, and even if the situation created by a lack of tact and the treatment he received ultimately required his removal from the supervision of the development schemes at Waiuku. We may add that the Chief Clerk, Mr. Shepherd, who was acting as the Director of Native Land Settlement, did not agree with Barry's dismissal.

Complaint of Mr. J. H. D. Rutledge.

949. Mr. J. H. D. Rutledge has complained to us that he was unjustifiably dismissed by the Native Minister from the position of farm supervisor of the Ruatoki Development Scheme. Rutledge was appointed to this position on 11th April, 1930. He was given no definite instructions as to his duties, but he thought out various matters connected with the development scheme and, on 21st April, 1930, he presented to the Native Minister a series of questions based on his consideration of the scheme. Some of these inquiries anticipated the future development of the scheme and foreshadowed some of the questions we have had to consider. The Native Minister answered only a few of his questions. Rutledge also devised forms of returns for units and for the development scheme as well. These forms were not approved by the Native Minister. We mention these matters, because they indicate that it was unlikely from the outset that the minds of Rutledge and the Native Minister would word harmoniously on the subject of Native-land development.

950. Rutledge appears to have done well in his control of the farming operations. The Native Minister has paid him an indirect tribute in this respect in the description of the Ruatoki Scheme given in Parliamentary Paper, 1931, G.–10, pages xvi and xvii, which description covers generally the period during which he was in charge.

951. Rutledge was, however, dismissed by the Minister by notice given by letter dated the 9th October, 1931. This letter gave no reason for the dismissal. Three reasons have since then been given by or on behalf of the Minister.

952. The first reason is that the control of the Ruatoki Scheme by Rutledge had been weak and incompetent. In so far as this statement might apply to farming operations, the evidence before us is, as we have indicated, to the contrary. In so far, however, as it affects matters of organization, we note that on 21st May, 1931, the Native Minister, when writing to Mr. H. Tai Mitchell, referred, *inter alia*, to the Ruatoki Scheme and showed plainly that he (the Minister) considered Rutledge to be poor in estimating his requirements. The Minister added :—

> " Poor Rutledge, I think, is very much in the hands of his committee. They are doing themselves well."

We think, therefore, that the Minister was not satisfied with Rutledge as an organizer.

953. The second reason is that Rutledge's reports to the Minister were confusing. We have not seen Rutledge's reports, and, if we had, we should think it impracticable to say whether they were or were not confusing to the Minister. A question of that kind involves the determination of whether one man is able to work with another, and we cannot set ourselves to judge such a question. That is a very different matter for decision than the determination of the course of action which the Minister should have taken as a Minister of the Crown in relation to the dispute between Te Puea and Supervisor Barry. We may say, however, that there is positive evidence that the Minister was not satisfied with Rutledge's reports. In a letter to Rutledge of the 10th January, 1931, the Minister said that he did not want " eyewash," but solid facts confined to what the scheme was actually responsible for. Furthermore, the Minister did not send Rutledge to make a report on the Bay of Plenty area in June, 1931, when the Minister proposed to extend his development schemes into that district. Although Rutledge was near at hand, the Minister sent a Native Trust Supervisor from Hamilton with Rangi Royal, a Native officer, and the Minister subsequently described the reports received from them as being everything they should be.

954. The third reason is that Rutledge was dismissed from motives of economy. This is not apparent in the results, as Rutledge was succeeded by Rangi Royal, who was not a farmer, but who was forthwith provided with facilities not provided for Rutledge—viz., a departmental motor-car and an office. On the other hand, Rangi Royal had to cover a larger territory than Rutledge.

955. In our opinion, the case is only to be judged as one in which the Minister felt that he could not work well with Rutledge, and accordingly the Minister was quite justified in dismissing Rutledge by notice, as he did. We have no recommendation to make.

Complaint of Mrs. Rahera Dix.

956. Mrs. Rahera Dix complains of maladministration by the Native Trustee in respect of the estate of Rena Dix (deceased). We have obtained particulars of the present position from the Native Trustee, and it appears that a substantial debt had first to be paid before there could be any distribution to the beneficiaries. There is no evidence before us that the Native Trustee has shown neglect of the property, having regard to the means at his disposal. There is at present a balance in hand in the estate, but it appears that the ownership of the land producing the income is now subject to an application to the Native Land Court and that, until this application is disposed of, the Native Trustee can make no distribution.

Our only recommendation is that a copy of the statement setting out the position of the estate supplied to us at our request should be forthwith sent by the Native Trustee to the complainant, and we understand from the Native Trust Office that this will be done.

We have the honour to be,

Your Excellency's most obedient servants,

[L.S.] D. S. Smith, Chairman.
[L.S.] John Alexander.
[L.S.] D. G. Johnston.
[L.S.] L. W. Nelson.

Dated at Wellington, this 20th day of October, 1934.

APPENDICES.

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES.

(Para. 172)

Compiled from information supplied by the Head Office, Native Department, and brought up to 31st March, 1934.

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34. Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
TOKERAU DISTRICT.																				
				Acres.	Acres.	Acres.	Acres.	£	£	£	£	£	£						£	
Hokianga ..	26/6/30	August, 1930	County district																	Prior to the passing of section 23 of the Act No. 19 of 1929 an extensive area of land in the North Auckland District had been brought into grass and was being farmed by the Native owners. Some of the Native farmers had been assisted financially by the Tokerau Maori Land Board, others were depending upon their own resources. Before any money had been spent from the Native Land Development Account in bringing unimproved land into grass, over two thousand dairy cows were being milked by Natives upon some of the established pastures. Between the years 1930 and 1934 a large number of Natives, who had a part of their land in grass and otherwise improved, came into the scheme. All of the grassed lands referred to are included in this summary as "areas developed" by expenditure from the Native Lands Development Account, although an extensive area was "developed," more or less, before gazetting took place. We are unable to supply any details of the area "developed" from expenditure of Native Land Development Funds, as records are not available in the Department which will permit of an estimate being made giving the total area developed for the sum expended.
Kaipara ..	19/6/30	August, 1930	County district	434,068	21,368	..	412,700													
Bay of Islands ..	26/6/30	August, 1930	County district																	
Mangonui ..	26/6/30	August, 1930	County district																	
Panguru Base Farm	(Leasehold and freehold purchased)	April, 1933 ..	On Hokianga Harbour	319	..	..	319													
Tautoro Bush ..	(Crown land) ..	Feb., 1932 ..	Motatau Survey District	1,607	900	677	30													
Waima Bush ..	26/6/30	April, 1931 ..	Part Waima South Block	1,414	240	1,074	100													
Waiomio ..	26/6/30	July, 1933 ..	Between Whangarei and Kaikohe	2,000	..	1,436	564													
								147,502	10,3[illegible]	2,150	29,858	21,178	96,466	5,589	138	104	70	..	690	
Motatau Base Farm	(Leasehold purchased)	Jan., 1931 ..	Near Kawakawa ..	770	130	50	590	8,473	1,0[illegible]0	3,713	1,463	217	6,793	82	..	181	5	8 pigs	459	This leasehold was acquired in November, 1930, for the sum of £3,700. The intention was to use it as a holding-area for the live-stock required for the development-scheme farms. Upon the best portion of the block a dairy herd of eighty cows is established.
Bulk Purchases Account for Tokerau District (to be later allocated to various schemes)				..	..	..	..	3,180	..	..	1,785	..	1,395	223	606	..	..	..	884	
				440,178	22,638	3,237	414,303	159,155	11,3[illegible]0	5,863	33,106	21,395	104,654	5,894	744	285	75	8	2,033	
WAIKATO-MANIAPOTO DISTRICT.																				
Kawhia ..	19/3/31	June, 1931 ..	On Kawhia Harbour	4,241	870	..	3,371	8,004	5[illegible]6	..	1,376	804	5,824	202	..	..	1	..	217	This area was gazetted during 1931. Quite a lot of improvements had been effected prior to the gazetting, but no record is available as to the area that could be brought under this category. Regarding an area of 242 acres, the Farm Supervisor reported on the 21st April, 1931, as follows: "This section has been partly grassed, approximately 200 acres having been felled some years ago. The pasture is now run out and requires top-dressing." The present Farm Supervisor in a general report upon this scheme states, "As it is at present the sections will not make either dairy or sheep farms, there being no water for dairying and the areas too small for sheep-farming. The Mangaora Block is a good piece of hilly country very suitable for sheep-farming.
Mahoenui ..	17/4/30	Sept., 1930 ..	On Te Kuiti–Awakino Road	5,380	2,000	..	3,380	16,766	1,5[illegible]0	76	2,597	1,054	13,115	26	346	2,100	..	146 goats	263	In giving evidence before the Commission the Farm Supervisor in charge of this area said: "This section has probably 400 acres which will revert to fern. The practice of the Native Department has been to sow grass at any time of the year; a good deal of this area was grassed in June, July, or August, and of course, the strike was a failure." Mr. L. G. [illegible], a witness who owns a large area of improved country adjoining Mahoenui scheme land when under examination, stated: "The weeds are [illegible] back on the area. The land is all right, but [illegible] condition it is in." In answer to a question as to how long it would take to clear the country and improve the pastures, he said, "eight to ten years." The members of the Commission visited the area and found that owing to lack of proper control in stocking, a considerable area that had been grassed was reverting to fern and second growth, and tutu and gorse were growing strongly. If the area [illegible] is not top-dressed and properly controlled [illegible] during the next two or three years, the money that has been expended will be lost and the area re-
			Carried forward	9,621	2,870	..	6,751	24,770	2,[illegible]6	76	3,973	1,858	18,939	228	346	2,100	1	146	480	

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34. Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
WAIKATO-MANIAPOTO DISTRICT—*continued.*																				
		Brought forward		Acres. 9,621	Acres. 2,870	Acres. ..	Acres. 6,751	£ 24,770	£ [illegible]	76	£ 3,973	£ 1,858	£ 18,939	228	346	2,100	1	146	£ 480	
Onewhero ..	2/10/31	Feb., 1931 ..	..	4,642	1,100	..	3,542	16,771	[illegible]	56	1,825	23	14,923	482	..	..	19	..	386	One block is of approximately 170 acres, 160 acres of which is low-lying swamp adjacent to the Waikato River. The following opinion regarding this area was given in evidence by the Farm Supervisor: "It is questionable whether this will ever make a farm, as it is too low lying. All but 20 to 30 acres is in its virgin state, and I do not think there is any chance of properly draining it. There are European owners adjoining who have a higher swamp and they cannot drain theirs. At flood-times the river backs up the drains until they are running flush with the top of the drains. At times the area is submerged." The balance of the land in the scheme is volcanic country situated some miles from the swamp land and could be made into good dairy-farms if an adequate supply of water were provided at an approximate cost of £1,000.
Oparure ..	12/5/32	June, 1931 ..	Near Te Kuiti ..	582	120	220	242	1,420	87	73	222	116	1,082	54	..	114	1	..	42	This is an area near Te Kuiti. The work on this scheme has been most unsatisfactory and expensive.
Waikato ..	30/6/32	April, 1931 ..	Near Ngaruawahia	769	41	..	728	661	42	136	61	..	600	13	..	..	..	..	..	The following comments are taken from a report dated 6th April, 1932, made by the Farm Supervisor regarding this area: "This scheme has not shown much activity, and the main operations were confined to those carried on by four units. One of these, a woman, who is keen and hard-working, has done her own clearing, ploughing, and fencing. A considerable amount has already been spent on these sections, but proportionate progress does not appear to have been made. In the first place, the areas are too small to be profitably farmed, and, when fully improved, they will be overcapitalized in view of their possible production."
Waipipi ..	16/6/33	March, 1931	Six miles from Waiuku	282	255	..	27	6,885	466	..	251	..	6,634	20	..	..	..	..	39	Before being brought under the Native Land Development Act this area was overrun with noxious weeds, principally gorse and blackberry. To-day it consists of well-laid pastures, good fences, cow-sheds, and is a farming area that is a credit to all concerned in its development. This scheme is operated for farming purposes through the District Maori Land Board, who receive all revenue and pay all working-costs. If, as in other schemes, the transactions had gone through the Native Department's books the total gross expenditure would be increased to £9,559 and the credits from sales of produce and live-stock and assignments of cream cheques would be increased to £3,496, leaving a net expenditure of £6,063 as against the figure of £6,634 supplied to us by the Head Office.
Waahi ..	20/2/30	March, 1930	Near Huntly ..	618	18	..	600	2,318	258	1,175	204	..	2,114	51	..	..	..	..	3	A section of 69¾ acres in fair pasture was purchased in August, 1931, for £1,175 for Te Rata Mahuta to enlarge the dairyable area near the Waahi Settlement. Since the date of the purchase of the land referred to several of the Natives owning land in the locality have consented to their holdings being gazetted, and there are now 600-odd acres included in the scheme. Exclusive of the amount paid for the land, most of the expenditure has been for live-stock, buildings, fencing-material, and fertilizers.
Waimiha ..	13/3/30	May, 1930 ..	South of Te Kuiti	7,872	2,000	..	5,872	23,013	2,058	..	2,843	1,184	18,986	360	..	3	6	..	1,533	The major portion of the area included in this scheme consists of terrace lands of a pumiceous nature, and it will be an expensive and protracted undertaking to establish good pastures upon it. The work already done is not impressive; in a number of the paddocks the grass appears starved for want of fertilizers. In the last area brought in, the strike of grass is extremely poor. Success can only be attained by top-dressing and judicious stocking over a number of years.
		Carried forward		24,386	6,404	220	17,762	75,838	[illegible]	[illegible]56	9,379	3,181	63,278	1,208	346	2,217	27	146	2,483	

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34, Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		

WAIKATO-MANIAPOTO DISTRICT—*continued.*

				Acres.	Acres.	Acres.	Acres.	£	£	£	£	£	£							
Brought forward				24,386	6,404	220	17,762	75,828	6,209	1,516	9,379	3,181	63,278	1,208	346	2,217	27	146	2,483	
Kaihau	27/4/33	March, 1930	Near Waiuku ..	386	322	..	64	8,360	93[illegible]	..	2,430	..	5,930	111	..	54	4	..	901	This is an area adjacent to the Waipipi Block, and the same commendable work has been done with excellent results.
Te Kuiti Base Farm	16/6/32	Feb., 1931 ..	Near Te Kuiti ..	617	270	150	197	10,724	[illegible]	..	984	45	9,695	2	..	836	1	..	75	The former proprietors of this property defaulted, and the [illegible] of the Waikato-Maniapoto Maori Land Board [illegible] it amounted to £9,802 16s. 11d. The Board [illegible] over the property. It was thought that, by using the area as a stock base farm for the Native Land Development schemes and for the farms financed by the Board in the district, the property would be maintained in good order and pay the cost of such maintenance. The area was eventually taken over by the Native Land Development Board. The land is of good quality. The following opinion is expressed by the Farm Supervisor in a report made in August, 1930: "I estimate the improvements at £3,700 and the unimproved value is £6 per acre. If £1 10s. per acre was spent upon the property, I believe it would carry 2½ ewes to the acre." In a report dated 16th December, 1933, the present Farm Supervisor states: "The place is undoubtedly going back. fern and gorse are getting away, due to the methods of stocking." The Commission inspected this property, and is of the opinion that to prevent rapid deterioration steps should be taken at once to clear out the gorse and other noxious growth, to provide adequate subdivisional fences, systematically top-dress, and place a resident working-manager in charge.
Bulk purchases account for Waikato-Maniapoto District (to be later allocated to various schemes)				..	..	..	..	1,139	..	..	646	..	493	..	146	392	..	..	280	
				25,389	6,996	370	18,023	96,061	7,2[illegible]	1,516	13,439	3,226	79,396	1,321	492	3,499	32	146	3,739	

WAIARIKI DISTRICT.

				Acres.	Acres.	Acres.	Acres.	£	£	£	£	£	£							
Horohoro (Ngatituara)	12/12/29.. ..	Jan., 1930 ..	Near Rotorua ..	2,000	1,300	..	700	24,365	2,139	..	2,388	779	21,198	441	..	..	4	..	900	*Horohoro Schemes.*—We have decided to report on the various Horohoro schemes under one heading, as they all embrace the breaking-in from the virgin state of pumice lands. Horohoro was the first scheme gazetted under the 1929 legislation, and in G.-10, 1932, the Native Minister states, "I have always been an earnest advocate of the development of lands in the pumice belt. Observation over a number of years in the neighbourhood of Rotorua has convinced me that, with proper cultivation and manuring, the lands there are capable of growing the best pastures and crops." So far as improvements are concerned. the most advanced section on the Horohoro area is the Rongomaipapa Block, which comprises 938 acres of developed land on which twelve units are in occupation. As a result of our inspection, we found that the pastures were not yet in first-class order, due to inadequate [illegible]ssing, and further expenditure will have to be m[illegible] provide a sufficient water-supply, and the are[illegible] requires subdivisional fencing. Omitting this further expenditure, the position as disclosed by the accounts of the Head Office is that the total gross expenditure on Rongomaipapa at 31st March, 1934, is £25,514, and from this should be deducted the value of the dairy cattle on hand, estimated at £5 a head, together with the value of the plant, equipment, &c., on hand, giving a net cost of, say, £21,319 for developing to its present stage an area of 938 acres. The cost, therefore, is in excess of £23 per acre.
Horohoro (Rongomaipapa)	12/12/29.. ..	Jan., 1930 ..	Near Rotorua ..	1,208	938	26	244	25,514	2,374	..	2,489	667	22,358	465	..	..	6	..	1,370	
Horohoro (Waikaukau)	12/12/29.. ..	July, 1932 ..	Near Rotorua ..	1,193	480	..	713	7,541	6[illegible]	2,477	..	907	6,634	..	..	..	..	..	..	
Horohoro (Tuhourangi)	7/1/31	Jan., 1931 ..	Near Rotorua ..	994	625	369	..	9,181	76[illegible]	..	81	1,060	8,040	..	..	..	3	..	513	
Horohoro (Turanganui)	11/6/31	June, 1933 ..	Near Rotorua ..	640	..	100	540	1,581	[illegible]	..	2	418	1,161	..	..	..	6	..	66	
Horohoro (Haparangi Plantation)	11/6/31	Aug., 1933 ..	Near Rotorua ..	833 planted	533	300	..	2,048	[illegible]	..	13	324	1,711	..	..	..	..	..	..	
Horohoro (Kapenga No. 1)	11/6/31	Nov., 1933 ..	Near Rotorua ..	1,265	..	..	1,265	123	..	..	2	110	11	..	..	..	..	..	..	
Horohoro (Kapenga No. 2)	11/6/31	June, 1933 ..	Near Rotorua ..	400	..	400	..	1,414	[illegible]	..	44	739	631	..	..	..	..	..	..	
Horohoro (general) (expenditure not yet allocated to the various subdivisions of the Horohoro Scheme)				..	..	..	..	4,209	71[illegible]	..	8	..	4,201	..	..	..	..	..	..	Farm Supervisor Scott, giving evidence at Rotorua, said: "The expenditure on Rongomaipapa is about £20,000, without including any cost for the land, which would be worth from 5s. to 10s. per acre." In answer to a question as to whether an occupier of one of the sections could make a success of farming this land at cost price, he replied: "I would not like to farm it at £10 an acre myself." Further questioning brought out from him the fact that the pasture required reconditioning, as it had been starved for manure, and that this would entail an expenditure of about £3 per acre to put the land in good order. He also stated that the present carrying-capacity was about one cow to 3 acres. Rongomaipapa is typical of the best land on Horohoro, therefore the costs as given above can be applied to the other areas in this scheme. *Haparangi Plantation.*—This work was carried out mainly as an unemployment relief scheme.
Carried forward				8,533	3,876	1,195	3,462	75,976	5,570	2,477	5,027	5,004	65,945	906	..	..	19	..	2,849	

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5% per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34, Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
WAIARIKI DISTRICT—*continued.*																				
		Brought forward		Acres. 8,533	Acres. 3,876	Acres. 1,195	Acres. 3,462	£ 75,976	£ 6,570	£ 2,477	£ 5,027	£ 5,004	£ 65,945	906	..	..	19	..	£ 2,849	
Brent's Farm ..	23/12/30.. ..	Aug., 1931 ..	On Whakatane Road, one mile and a half from Rotorua	335	335	..	..	4,169	408	2,984	2	34	4,133	5	..	..	1	..	70	Native leasehold purchased for a "change" area in view of the possibility of stock troubles arising on Horohoro and adjoining schemes.
Maketu Farm ..	23/12/30.. ..	Dec., 1930 ..	On Bay of Plenty ..	768	512	256	..	17,474	1,307	400	5,694	631	11,149	448	..	..	7	..	854	This property was purchased by the Arawa Trust Board, but the Board was unable to continue owing to financial difficulties, and the property was brought under the development scheme free of liability for capital expenditure up to the time of transfer. The expenditure shown herein is in addition to the purchase-price paid from Arawa Trust Board funds.
Maketu (Motiti Island)	12/1/31	March, 1932	Motiti Island ..	852	852	..	..	1,181	92	..	187	..	994	..	..	..	..	..	..	This expenditure covers fencing materials, fertilizers, &c., only, the land having been cultivated for many years past.
Maketu (Pukaingatarū)	4/6/31	March, 1932	On Bay of Plenty ..	211	201	..	10	1,671	119	1,270	488	..	1,183	..	..	..	..	..	..	This area was purchased to winter weaner heifers for later distribution to schemes.
Maketu (Te Puke)	28/7/31	Aug., 1931 ..	Near Te Puke ..	422	130	292	..	3,491	269	..	21	605	2,865	2	..	..	4	..	66	Expenditure has covered clearing, draining, stumping, and fencing.
Mourea (Tikitere)	16/7/31 ..	April, 1931	Near Rotorua ..	1,960	700	260	1,000	32,446	2,364	7,761	1,249	3,150	28,047	248	..	..	11	..	1,505	The accounts do not show the correct expenditure on the three separate schemes, as the main account (Tikitere) contains charges which should be allocated to the other schemes, and the transfer has not yet been undertaken by the office. No reason for the delay in properly setting out the position has been given to us. Portion of the area is occupied by a group of Waikato Natives (under Te Puea) and another portion by Natives from the East Coast. The area contains land purchased from Messrs. Vaughan, McDowell, and Pethybridge. Although the land is not yet fully developed, a net expenditure of £30,000 has already been incurred, and at the present time the property is carrying only 253 head of dairy cattle, and there are seven units established on separate areas.
Mourea (Okere) ..	16/7/31	April, 1932	Near Rotorua ..	6,054	1,300	..	4,754	2,208	90	422	25	709	1,474	..	..	..	..	..	..	
Mourea (Waikato Party) (purchase of land)	..	Dec., 1932 ..	Near Rotorua ..	560	489	71	..	3,532	67	30	..	1,142	2,390	5	..	..	..	..	145	
Mourea (Ruamata)	—/4/32	March, 1932	Near Rotorua ..	(No work undertaken)				53	1	..	1	36	16	..	..	..	..	..	..	Work on this area has been stopped after a small expenditure for scrub-cutting and clearing owing to dissatisfaction amongst the Native occupiers.
Parekarangi ..	11/6/31	June, 1931 ..	Near Rotorua ..	2,867	1,052	185	1,630	15,983	1,011	..	463	2,537	12,983	35	..	..	..	..	223	These schemes are practically an extension of the Horohoro scheme and have not yet reached the state of being fully developed. The figures given show a cost of over £15 an acre to 31st March, 1934. The Rotorua Farm Supervisor stated that he had "never liked any of that country for dairy-farms" and would not have recommended the area for dairying.
Parekarangi 2 (Extension)	7/1/31	June, 1933 ..	Near Rotorua ..	700	..	500	200	945	5	..	7	620	318	..	..	..	..	..	..	
Peka	11/6/31	July, 1932 ..	Near Rotorua ..	1,364	420	..	944	6,702	418	678	33	805	5,864	..	..	..	2	..	261	Development is not yet complete, and the Rotorua Farm Supervisor estimates that it will finally cost £15 an acre. He personally would not entertain the farming of the property at this cost.
Rotoiti	2/6/33 and 6/6/33	June, 1932 ..	On Te Puke Road	4,939	1,100	..	3,839	4,847	208	225	1	1,043	3,803	..	..	..	..	..	..	1,000 acres were purchased from McDougall for £225. Area covered with bush and second growth. This scheme was commenced to absorb unemployed Natives. It can only be used for sheep and cattle grazing.
Ruatahuna ..	2/4/31	April, 1931	Near Te Whaiti ..	12,181	2,500	..	9,681	3,200	384	..	1,458	..	1,742	..	..	1,984	..	..	..	Specially reported in paragraph 174 of this Report.
Tauranga ..	10/12/31.. ..	Dec., 1931 ..	Near Tauranga ..	958	791	167	..	8,664	556	..	1,191	909	6,564	..	..	..	6	..	297	Expenditure covers gorse-grubbing, ploughing, fencing, and cultivation. The original reports show an estimated cost of this work at £5 10s. per acre, but the actual expenditure is much in excess of this figure.
Tokaanu ..	11/12/30.. ..	April, 1932	At Tokaanu ..	3,325	600	..	2,725	18,185	1,[illegible]	..	2,425	1,397	14,363	..	78	775	1	..	613	This scheme was taken over by the Native Trustee who expended £9,160, and the area was then taken back by the Native Department. Can only be used for sheep and cattle, as there is at present no dairy factory in the district. As a sheep-run the cost of development is much in excess of its present value.
		Carried forward		46,029	14,858	2,926	28,245	200,727	15,534	16,247	18,272	18,622	163,833	1,649	78	2,759	51	..	6,883	

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34. Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
WAIARIKI DISTRICT—*continued.*																				
			Brought forward	Acres. 46,029	Acres. 14,858	Acres. 2,926	Acres. 28,245	£ 200,727	£ 15,68[illegible]	£ 16,247	£ 18,272	£ 18,622	£ 163,833	1,649	78	2,759	51	..	£ 6,883	
Waipapa Bush ..	15/1/31 ..	..	March, 1931	On Atiamuri–Taupo Road	90	(Used for supplying posts.)		90	3,141	[illegible]	2,506	725	827	1,589	..	..	..	2	..	..	This area was purchased for the supply of fencing-posts to schemes in the Rotorua area.
Okataina ..	18/5/33 ..	..	May, 1933 ..	Near Okataina Lake	13,847	(Used for supplying posts.)		13,847	1,360		..	42	1,178	140	..	..	..	..	..	..	This area was gazetted for the supply of fencing-posts to schemes in the Rotorua and adjoining areas.
Taheke	23/1/31 ..	..	April, 1933 ..	Near Lake Rotoiti	9,081	1,190	..	7,891	2,740	[illegible]	..	30	668	2,042	..	..	..	..	..	..	This area was previously farmed by Natives who were lent moneys by the Arawa Trust Board and the Waiariki District Maori Land Board. The total advances of the Maori Land Board were £13,069. On Okere and Taheke an area of 1,400 acres was in grass when the land was gazetted. Part only is suitable for dairying, and at present the whole area is being used as a sheep-station carrying four thousand sheep. To bring the dairying land in will cost up to £15 per acre.
Wharenui Nursery, purchase of land	..		July, 1933 ..	Near Rotorua ..	10	(Used as nursery for shelter-trees)		10	1,663		..	..	205	1,458	..	..	..	..	..	55	This area was purchased and cultivated to supply trees for shelter-belts on various scheme properties.
Te Kaha ..	21/1/32 ..	..	Feb., 1932 ..	On Bay of Plenty	1,389	1,151	..	238	5,278	[illegible]	..	366	406	4,506	101	..	..	..	..	..	These are included in a "blanket" scheme designed to authorize payment from the Native Land Development Account on any of the lands included in the *Gazette* notices. The area extends from Maraenui to the Whangaparaoa River, and large blocks were under cultivation prior to gazetting; in fact, a dairy factory, financed by the Native Trustee, had been established at Te Kaha. Expenditure has been chiefly in respect of purchases of seed, manures, and fencing-material, together with payments for clearing and ploughing. Dairy cattle, station cattle, and sheep have also been purchased.
Te Kaha (Maraenui)	11/1/32 ..	..	Dec., 1932 ..	Mouth of Motu River	1,600	60	..	1,540	1,669	[illegible]	..	62	530	1,077	..	..	..	..	..	..	
Te Kaha (Omaio)	17/12/31..	..	Dec., 1931 ..	On Bay of Plenty	1,139	1,002	..	137	6,748	[illegible]	..	219	880	5,649	240	8	..	..	..	..	
Te Kaha (Orete No. 1)	21/1/32 ..	..	April, 1932	Near Cape Runaway	1,308	1,185	..	123	6,130	[illegible]	..	569	481	5,080	136	..	..	..	..	..	
Te Kaha (Orete No. 2)	15/12/32..	..	Jan., 1933 ..	Near Cape Runaway	5,000	(Scheme not being proceeded with)		5,000	2,674	[illegible]	..	963	67	1,644	..	659	2,083	..	..	..	
Te Kaha (Te Piki)	18/5/33 ..	..	Jan., 1933 ..	Near Cape Runaway	4,245	..	400	3,845	4,196	[illegible]	1,000	11	1,118	3,067	..	..	..	10	..	..	
Te Kaha (Te Waiti)	21/1/32 ..	..	Feb., 1932 ..	Near Cape Runaway	769	428	..	341	959	[illegible]	..	125	32	802	73	..	..	..	..	..	
Te Kaha (Whangaparaoa)	21/1/32 ..	..	Jan., 1932 ..	Mouth of Whangaparaoa River	3,748	1,678	..	2,070	9,665	[illegible]	..	540	1,303	7,822	168	..	300	..	..	..	
Ruatoki ..	17/4/30 ..	..	Nov., 1930 ..	Both sides Whakatane River	30,363	5,524	..	24,839	38,428	3,[illegible]	2,943	6,752	2,457	29,219	1,085	..	..	..	..		Ruatoki is subdivided into Sections A, B, and C; 1,200 acres of Section A were in fair pasture before gazetting, and the Natives had been dairying for the past twenty-five years. Expenditure from development funds covered cultivation, fertilizers, shelter-belts, fencing, and stock, and, in the opinion of the Farm Supervisor, this section will show better results than any other development area under the Native Department. Section B comprises fern and bush clad hills, and is being broken in as a "run off" for dry stock. Section C is mainly on the west side of the Whakatane River, and will provide an outlet for the surplus population of Ruatoki, and also scope for the relief of unemployment. The Farm Supervisor expressed the view that expenditure should not have been undertaken on Section C until Section A was fully developed.
Ruatoki (Waiohau)	18/5/33 ..	..	May, 1933 ..	Near Whakatane ..	945	..	945	..	631	[illegible]	..	10	476	145	..	..	..	..	..		
Torere	23/4/31 ..	..	Jan., 1932 ..	East of Opotiki ..	3,445	1,753	..	1,692	8,716	[illegible]	50	2,219	489	6,008	143	..	..	..	..	..	Dairy-farming was well established on this area before it was brought under the development scheme, and it was estimated that approximately 1,000 acres were in pasture. The land is of fair to good quality, and expenditure has been towards improving the pasture and the stock. It is estimated that eventually 3,000 acres will be available for dairy farming.
Whakatohea (Opape)	23/12/30..	..	Aug., 1931 ..	East of Opotiki ..	2,036	1,087	..	949	5,199	[illegible]	..	1,413	..	3,786	122	..	..	..	..	..	The Whakatohea areas were farmed before the lands came under the development scheme, but as in most other cases there is no record of the cultivated areas. Expenditure has covered scrub-cutting, ploughing, sowing and manuring, fencing, top-dressing, and buildings. The position is complicated in so far as the Wainui area is concerned, as this block was originally vested in trustees for the Ringatu Church. Existing liabilities of settlers were discharged, the Department making a payment of £1,559. The Base Farm was purchased with the intention of breeding and supplying stock to units, but such an arrangement has not yet been put into operation. Owing to shortage of stock, the area developed on Hinahinanui is reverting to fern.
Whakatohea (Opape Base Farm)	23/12/30..	..	Aug., 1931 ..	East of Opotiki ..	1,070	194	..	876 Base farm	6,873	[illegible]	2,000	2,312	106	4,455	170	..	..	3	..	..	
Whakatohea (Hinahinanui)	23/12/31..	..	Jan., 1932 ..	East of Opotiki ..	410	370	..	40	2,596	[illegible]	..	19	568	2,009	7	..	..	..	..	..	
Whakatohea (Wainui)	23/1/31 ..	..	March, 1931	South-west of Opotiki	607	107	..	500	1,086	[illegible]1	..	36	46	1,004	..	..	..	..	..	..	
			Carried forward	127,131	30,587	4,271	92,273	310,479	24,[illegible]	4,746	34,685	30,459	245,335	3,894	745	5,142	66	..	6,938	

APPENDIX I.—SUMMARY OF NATIVE LAND-DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per Cent. included in Total Gross Expenditure.	Cost of Land Purchases included in Total Gross Expenditure.	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34, Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
WAIARIKI DISTRICT—*continued.*																				
Brought forward				Acres. 127,131	Acres. 30,587	Acres. 4,271	Acres. 92,273	£ 310,479	[illegible]	£ 24,746	£ 34,685	£ 30,459	£ 245,335	3,894	745	5,142	66	..	£ 6,938	
Ngatiawa ..	11/6/31	April, 1931 ..	Near Whakatane ..	5,359	2,346	..	3,013 Sheep	29,335 -station	[illegible]	9,320	43	2,282	27,010	..	538	..	..	..	..	The net total cost of land purchases and development costs over this are approximately £25,000. The Farm Supervisor at Rotorua estimated that the block contained 230 acres of good pasture, 880 acres of fair pasture, 1,260 acres which had been cleared and sown and reverted to fern; the balance was unimproved land not worth developing. The same Supervisor stated that if units, without capital, were established on the block it would be impossible for them to carry on, and practically the whole of the present expenditure would have to be written off. It was in regard to this property that the Native Minister issued instructions to burn against the advice of his Farm Supervisor. The instructions were carried out, and the subsequent sowing was a complete failure and the land had to be resown.
Bulk Purchases Account for the Waiariki District (to be later allocated to various schemes)				..	..	..	..	39,685		..	28,173	..	11,512	455	831	16906	..	..	4,197	
				132,490	32,933	4,271	95,286	379,499	[illegible]	34,066	62,901	32,741	283,857	4,349	2,114	22048	66	..	11,135	
TAIRAWHITI DISTRICT.																				
Kahungunu ..	28/9/33	Jan., 1933 ..	Near Mohaka ..	Acres. 8,230	Acres. 1,280	Acres. ..	Acres. 6,950	£ 9,771	[illegible]	£ ..	£ 226	£ 3,279	£ 6,266	..	..	210	2	..	£ 1,620	This area was Crown land, and has not yet reached the productive stage.
Waihua ..	28/9/33	Jan., 1933 ..	Near Wairoa, H.B.	4,300	4,300	..	..	14,280	[illegible]	..	4,081	1,862	8,337	..	307	5,037	..	..	147	This area was Crown land, and the Lands Department had expended £9,000 on development and then decided to proceed no further. Block very short of water. Reports on file state total cost of development will be approximately £13,000, which is in addition to the £9,000 expended by the Lands Department.
Mohaka ..	23/1/30	Jan., 1930 ..	Near Mohaka ..	13,762	6,913	..	6,849	32,753	[illegible]	..	3,490	2,189	27,074	741	125	1,194	8	..	783	Part of this area was used by Native owners for dairying prior to gazetting under development scheme legislation. Assistance first given to recondition pastures and fences and for the purchase of stock. No evidence available as to the area under cultivation before Government moneys were expended; therefore it is impossible to estimate the value and cost of the work undertaken by the Native Department.
Poroporo ..	15/1/30	June, 1930 ..	Eight miles from Port Awanui	2,517	2,172	..	345	18,271	[illegible]	..	6,765	472	11,034	2	475	4,308	2	..	223	400 acres were old pasture when gazetted. It was stated this area was suitable for dairying; 1,772 acres have been felled and grassed under the development scheme.
Putorino Nursery	From Forestry Department	June, 1930 ..	Near Waikare ..	26	26	..	..	2,696	[illegible]	1,000	208	..	2,488	..	..	..	..	..	110	Taken over from the Forestry Department on payment of £[illegible]. Lease expires September, 1935. The costs [illegible] will be much in excess of the purchase price [illegible] outside sources.
Takatahu ..	15/5/30	May, 1930 ..	Te Araroa ..	418	407	..	11	4,948	[illegible]	..	253	425	4,270	177	15	..	..	..	230	Original estimate gave cost of £5 per acre for felling, grassing, and ring-fencing; the actual cost is nearer £10 per acre.
Tuparoa ..	26/3/31	April, 1931 ..	Vicinity Tuparoa Village	8,777	8,049	..	728	24,955	[illegible]	..	6,084	1,770	17,101	91	1,263	6,647	4	..	821	A "blanket" scheme covering twenty-eight separate blocks. The area was previously worked as a sheep-station by Mr. T. S. Williams. Development expenditure covered scrub-cutting and fencing as the lands when taken over carried fair sheep-pasture.
Waiapu-Matakaoa	16/6/31	April, 1931 ..	East Coast, north of Gisborne	7,045	4,082	..	2,963	25,[illegible]	[illegible]	..	7,252	2,720	15,366	..	556	7,381	22	..	1,036	A "blanket" scheme embracing eleven blocks; 1,526 acres were in pasture when scheme gazetted. Under development scheme expenditure 2,042 acres have been felled and grassed and 95 acres ploughed and grassed: 1,790 chains of new fencing and 598 chains of repair work have been undertaken. Four cottages were built and 127 chains of roading undertaken.
Bulk Purchases Account for Tairawhiti District (to be later allocated to various schemes)				..	..	..	..	8,005	[illegible]	..	2,619	..	5,386	..	340	..	..	..	2,925	
				45,075	27,229	..	17,846	141,017	[illegible]	1,000	30,978	12,717	97,322	1,011	3,081	24777	38	..	7,895	

APPENDIX I.—SUMMARY OF NATIVE [illegible] DEVELOPMENT SCHEMES—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement.	Location.	Total Area.	Area Developed.	Area under Development.	Area not Developed.	Total Gross Expenditure to 31/3/34.	Interest at 5½ per cent. included in Total Gross Expenditure	Cost of Land Purchased included in Total Gross Expenditure	Credits from Sales of Produce and Live-stock and Assignments of Cream Cheques.	Credits received from Unemployment Subsidies.	Net Expenditure at 31/3/34.	Numbers of Live-stock on Hand at 31/3/34. Cost of same being included in Amount under Heading of "Net Expenditure at 31/3/34."					Value of Plant, Equipment, Stores, &c., on Hand at 31/3/34, Cost of same being included in Amount under Heading "Net Expenditure to 31/3/34."	Remarks.
														Dairy Cattle.	Station Cattle.	Sheep.	Horses.	Other Stock.		
NEAR [illegible] DISTRICT				Acres.	Acres.	Acres.	Acres.	£	£	£	£	£	£						£	
Heretaunga ..	11/8/31	Aug., 1931 ..	Near Hastings ..	2,027	1,065	..	962	[illegible]	[illegible]	[illegible]	[illegible]28	..	1,886	171	..	687	7	..	65	Previously established area. Assistance given after the February, 1932, earthquake took the form of material for cow-sheds, farm equipment, fencing, fertilizers, and seed, and sheep, and dairy heifers.
Manawatu ..	6/8/31	Aug., 1931 ..	Near Foxton ..	759	130	..	[illegible]	[illegible]	[illegible]	[illegible]	612	242	2,161	33	..	..	8	..	..	Previously established area. Bulk of expenditure covered draining, grass-seed, fencing-material, and purchase of stock.
Bulk Purchases Account for Ikaroa District (to be later allocated to above schemes).				..	..	..	..	161	..	..	..	..	161	86	..	..	..	..	..	
				2,786	1,195	..	1,591	7,190	4[illegible]	[illegible]	2,740	242	4,208	290	..	687	15	..	65	
AUCKLAND-TEA DISTRICT																				
Ranana ..	17/4/30	May, 1930 ..	Upper Wanganui River	4,516	1,813	2,703	..	[illegible],459	2,0[illegible]	[illegible]	3,991	487	12,981	307	..	9	8	..	378	Portion of this land was clear[illegible]ssed, and used for dairy-farming purposes [illegible]evelopment expenditure. Since development [illegible]f expenditure has been for fencing, build[illegible]harge of units' liabilities, live-stock, milking-plan[illegible] wages.
(No bulk purchases have been made for this District.)																				
SOUTH ISLAND DISTRICT																				
Oraka .. Kawhakaputaputa	24/7/30	Sept., 1930	Vicinity Colac Bay	2,501	1,543	..	958	11,780	1,3[illegible]	[illegible]	872	587	10,321	230	..	190	15	..	425	Prior to development, 640 acres was in fair to poor pastures. 1,336 acres of bush has been felled and grassed. The cost is high for the work undertaken.
Wairau	9/4/31	June, 1931 ..	Near Spring Creek, Marlborough	839	..	..	839	1,202	[illegible]	[illegible]	..	483	719	..	..	..	..	..	..	Expenditure covered banking and ditching as protection work with the object of restor[illegible]ng the scheme land to productivity.
(No bulk purchases have been made for this District.)																				
				3,340	1,543	..	1,797	12,982	1,3[illegible]	[illegible]	872	1,070	11,040	230	..	190	15	..	425	
HEAD OFFICE																				
Interest charges on bulk purchases to be debited to various Districts				..	..	..	..	2,151	2,[illegible]	[illegible]	..	..	2,151	..	..	..	..	..	..	
Purchases not yet allocated to Districts				..	..	..	..	276	..	[illegible]	..	..	276	..	..	..	..	..	..	
Purchases made for Tokerau and Waikato-Maniapoto Districts not yet allocated..				..	..	..	..	6,842	..	[illegible]	424	..	6,418	..	..	..	..	..	8,340	
				..	..	..	..	9,269	2,[illegible]	[illegible]	424	..	8,845	..	..	..	..	..	8,340	

APPENDIX II.—SUMMARY FOR STATE AND MAORI LAND BOARD DEVELOPMENT SCHEMES.

(Para. 241)

Name of Scheme.	Date of First Gazetting.	Date of Commencement—*i.e.*, Date when Money First expended.	Units receiving Assistance, Advances to their Account.	Compact Development Schemes being developed on Government Account.		Number of Natives benefiting.	
				Number of Subdivisions occupied by Prospective Units.	Number of Subdivisions unoccupied.	Adults.	Minors.
TOKERAU DISTRICT.							
Hokianga	26/6/30	Aug., 1930	587	..	..	580	798
Kaipara	19/6/30	Aug., 1930				146	200
Bay of Islands	26/6/30	Aug., 1930				530	750
Mangonui	26/6/30	Aug., 1930				509	698
Waima Bush	26/6/30	April, 1931	..	..	Not subdivided: 100 acres unimproved; 240 acres developed; 1,074 acres being developed		
Tautoro Bush	Crown land	Feb., 1932	..	..	Not subdivided: 900 acres developed; 677 acres being developed; 30 acres unimproved		
Panguru Base Farm	Leasehold and freehold purchased	April, 1933	..	..	Base farm	The figures shown above include these schemes.	
Waiomio	26/6/30	July, 1933	..	..	Not subdivided: 1,436 acres being developed; 564 acres unimproved		
Motatau Base Farm	Leasehold purchased	Jan., 1931	..	..	Not subdivided: 130 acres developed; 50 acres being developed; 590 acres unimproved		
Total	..	..	587	..	..	1,765	2,446
WAIKATO-MANIAPOTO DISTRICT.							
Kaihau	27/4/33	March, 1930	..	5	..	20	12
Waahi	20/2/30	March, 1930	4	..	..	20	10
Waimiha	13/3/30	May, 1930	..	25	..	37	42
Mahoenui	17/4/30	Sept., 1930	2	..	Balance not subdivided	24	28
Te Kuiti Base Farm	16/6/32	Feb., 1931	..	..	Not subdivided; base farm	2	3
Onewhero	2/10/31	Feb., 1931	41	..	..	88	97
Waipipi	16/6/32	March, 1931	..	5	..	16	11
Kawhia	19/3/31	June, 1931	11	..	..	33	45
Oparure	12/5/31	June, 1931	5	..	..	12	12
Waikato	30/6/32	April, 1931	5	..	..	17	12
Total	..	..	68	35	..	269	272

APPENDIX II—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement—*i.e.*, Date when Money First expended.	Units receiving Assistance, Advances to their Account.	Compact Development Schemes being developed on Government Account.		Number of Natives benefiting.	
				Number of Subdivisions occupied by Prospective Units.	Number of Subdivisions unoccupied.	Adults.	Minors.
WAIARIKI DISTRICT.							
Horohoro N'Tuara	12/12/29	Jan., 1930	..	17	2	40	45
Horohoro Rongomaipapa	12/12/29	Jan., 1930	..	12	..	23	24
Ruatoki	17/4/30	Nov., 1930	127	..	..	281	424
Maketu (Farm)	23/12/30	Dec., 1930	..	5	..	12	15
Horohoro (Tuhourangi)	7/1/31	Jan., 1931	..	2	759 acres unoccupied	15	20
Waipapa Bush	15/1/31	March, 1931	..	..	Not subdivided; area used for supplying posts	..	..
Wainui	23/1/31	March, 1931	..	3	..	6	11
Ruatahuna	2/4/31	April, 1931	..	..	Area used as sheep-station	4	9
Mourea Tikitere	16/7/31	April, 1931	..	7	5	19	24
Ngatiawa	11/6/31	April, 1931	..	..	Not subdivided; area used as sheep-station	3	3
Parekarangi	11/6/31	June, 1931	..	5	4	12	6
Peka	11/6/31	July, 1931	..	2	1	4	1
Maketu (Te Puke)	28/7/31	Aug., 1931	..	..	Not subdivided; being developed	7	11
Whakatohea (Opape)	23/12/30	Aug., 1931	24	..	..	70	80
Opape Base Farm	23/12/30	Aug., 1931	..	..	Not subdivided; base farm	3	3
Tauranga	10/12/31	Dec., 1931	2	..	Balance not subdivided; occupied by five families living in community style	14	27
Omaio	17/12/31	Dec., 1931	14	..	..	42	59
Torere	23/4/31	Jan., 1932	32	..	..	99	105
Hinahinanui	23/12/31	Jan., 1932	..	..	Not subdivided; dairying	..	..
Whangaparaoa	21/1/32	Jan., 1932	12	..	1	28	56
Te Kaha (proper)	21/1/32	Feb., 1932	24	..	..	44	59
Te Waiti	21/1/32	Feb., 1932	3	..	..	8	10
Brent's Farm	Purchase	March, 1932	..	..	Not subdivided; base farm	5	11
Maketu (Motiti Island)	12/1/31	March, 1932	20	..	..	60	40
Maketu (Pukaingataru)	4/6/31	March, 1932	3	..	..	4	6
Mourea (Ruamata)	April, 1932	March, 1932	..	..	Not subdivided; not touched	5	15
Okere	16/7/31	April, 1932	..	..	Not subdivided	15	17
Tokaanu	11/12/30	April, 1932	..	10	1,208 acres grazing	17	32
Orete No. 1	21/1/32	April, 1932	19	..	..	34	56

Rotoiti	2/6/32	June, 1932 ..	..	..		Not subdivided ; grazing land	4	6
Regazetted	8/6/33							
Horohoro (Waikaukau)	12/12/29	July, 1932 ..	..	2		998 acres unoccupied	14	5
Tikitere (Waikato)	Purchase ..	Dec , 1932 ..	..	..	6	.. ..	14	1
Maraenui	11/1/32	Dec., 1932 ..	..	..		Not subdivided	5	6
Te Piki	18/5/33	Jan., 1933 ..	..	..		Not subdivided ; sheep and cattle station ..	28	56
Orete No. 2	15/12/32	Jan., 1933 ..	..	..		Not subdivided ; not being continued ..	..	..
Taheke	23/1/31	April, 1933 ..	..	..		Not subdivided	6	4
Okataina	18/5/33	May, 1933 ..	..	..		Not subdivided ; post-splitting area	14	10
Waiohau	18/5/33	May, 1933 ..	..	..		Not subdivided	23	13
Horohoro (Kapenga 2)	11/6/31	June, 1933 ..	..	..		Not subdivided	9	10
Horohoro (Turanganui)	11/6/31	June, 1933 ..	..	..	9	.. ..	17	21
Parekarangi Extension	7/1/31	June, 1933 ..	..	..		Not subdivided ; 500 acres being developed ..	..	..
Wharenui Nursery	..	July, 1933 ..	..	..		Not subdivided ; nursery	7	12
Haparangi Plantation	11/6/31	Aug., 1933 ..	..	..		Not subdivided ; 533 acres planted in trees ..	..	..
Horohoro (Kapenga 1)	11/6/31	Nov., 1933 ..	..	..		Not subdivided	..	..
Total	..	..	280	65	28		1,015	1,313

TAIRAWHITI DISTRICT.

Poroporo	15/1/30	June, 1930 ..	11	..		..	36	58
Mohaka	23/1/30	Jan., 1930 ..	47	..	1	.. ..	134	183
Takatahu	15/5/30	May, 1930 ..	6	..		..	9	18
Tuparoa	26/3/31	April, 1931 ..	4	..	4	.. ..	12	26
Waiapu-Matakaoa	16/6/31	April, 1931 ..	71	..		..	146	210
Kahungunu	28/9/33	Jan., 1933 ..	3	..		..	(included in Mohaka)	
Waihua								
Putorino Nursery	From Forestry Department	June, 1930 ..	..	..		Not subdivided ; nursery	2	..
Total	..	..	142	..	5		339	495

AOTEA DISTRICT.

Ranana	17/4/30	May, 1930 ..	24	..	1	.. ..	136	131

APPENDIX II—*continued.*

Name of Scheme.	Date of First Gazetting.	Date of Commencement—*i.e.*, Date when Money First expended.	Units receiving Assistance, Advances to their Account.	Compact Development Schemes being developed on Government Account.		Number of Natives benefiting.	
				Number of Subdivisions occupied by Prospective Units.	Number of Subdivisions unoccupied.	Adults.	Minors.
IKAROA DISTRICT.							
Heretaunga	11/8/31	Aug., 1931 ..	23	..	..	30	23
Manawatu	6/8/31	Aug., 1931 ..	5	..	..	13	12
Total	..	..	28	..	..	43	35
SOUTH ISLAND DISTRICT.							
Oraka	24/7/30	Sept., 1930	16	..	..	36	44
Kawhakaputaputa	24/7/30	Sept., 1930					
Wairau	9/4/31	June, 1931 ..	..	..	Not subdivided	6	12
Total	..	..	16	..		42	56
MAORI LAND BOARD FARMS.							
Tokerau District.							
Te Kao Dairy Scheme	..	Aug., 1925 ..	50	..	..	117	217
Waiariki District.							
Tihiotonga Station (includes Puketawhero, Hill's Property and Wharenui)	..	Aug., 1928 ..	..	..	Not subdivided; 2,100 acres grass lands ..	15	19
Tairawhiti District.							
Anaura Station	..	1929.. ..	..	..	Not subdivided; fully developed	3	..
Aotea District.							
Morikau Farm	..	Aug., 1910 ..	..	..	Not subdivided; 6,063 acres developed; 141 acres under development	4	6

Total number of State units	1,145
Total number of Te Kao units (Maori Land Board) ..	50
	1,195
Total number of prospective units on subdivisions of compact State schemes	100
Grand total	1,295

	Adults.	Minors.
Total of persons benefiting by State Development schemes ..	3,609	4,748
Total of persons benefiting by Maori Land Board schemes ..	139	242
Grand total	3,748	4,990

APPENDIX III.—SUMMARY FOR STATE DEVELOPMENT SCHEMES.

(SHOWING EXPENDITURE AND NUMBER OF NATIVES BENEFITING.)

(Para. 241.)

District.	Number of Natives benefiting.		Total Gross Expenditure to 31st March, 1934.	Total Gross Receipts from Scheme Lands to 31st March, 1934.	Unemployment Subsidies granted to 31st March, 1934.	Net Expenditure to 31st March, 1934.
	Adults.	Minors.				
			£	£	£	£
Tokerau	1,765	2,446	159,155	33,106	21,395	104,654
Waikato-Maniapoto ..	269	272	96,061	13,439	3,226	79,396
Waiariki	1,015	1,313	379,499	62,901	32,741	283,857
Tairawhiti	339	495	141,017	30,978	12,717	97,322
Ikaroa	43	35	7,190	2,740	242	4,208
Aotea	136	131	17,459	3,991	487	12,981
South Island	42	56	12,982	872	1,070	11,040
Head Office expenditure ..	..	..	9,269	424	..	8,845
Totals ..	3,609	4,748	822,632	148,451	71,878	602,303

APPENDIX IV.—SUMMARY OF MAORI LAND BOARD DEVELOPMENT SCHEMES

(SHOWING EXPENDITURE AND NUMBER OF NATIVES BENEFITING).

(Para. 241.)

[NOTE.—Bulk purchases are not included in this return.]

Name of Scheme.	Number of Natives benefiting.		Date of Commencement.	Total Gross Expenditure to 31st March, 1934.	General Receipts to 31st March, 1934.	Unemployment Subsidies granted to 31st March, 1934.	Net Expenditure to 31st March, 1934.
	Adults.	Minors.					
				£	£	£	£
TOKERAU DISTRICT: Te Kao Dairy Scheme	117	217	August, 1925	37,705	3,964	222	33,519
WAIARIKI DISTRICT: Tihiotonga Station (includes Puketawhero, Hill's property, and Wharenui)	15	19	August, 1928	63,037	20,900	604	41,533
TAIRAWHITI DISTRICT: Anaura Station	3	..	1929 ..	62,350	22,571	574	39,205
Totals	135	236	..	163,092	47,435	1,400	114,257
AOTEA DISTRICT: Morikau Farm	4	6	August, 1910	As per balance-sheet, 31st March, 1934:—			

Liabilities.	£
Mortgage, Native Trustee	32,000
Overdraft, Maori Land Board	5,096
Sundry creditors ..	1,648
Profit and loss accumulated	13,319
	£52,063

Assets.	£
Land	607
Development	30,968
Buildings	4,497
Live-stock	14,240
Dead stock	534
	£50,846

APPENDIX V.—TENURE OF HOLDINGS UNDER NATIVE LAND DEVELOPMENT SCHEMES.

MEMORANDUM BY SIR APIRANA NGATA.

(Reference : Para. 221 of text.)

IN my statement to the Commission on the 12th April, in compliance with the request of the Commission, I emphasized the essential difference between the position of the Lands Department in approaching the development of Crown lands and that of the Native Minister or of the Native Department in regard to Native-owned lands. This difference is largely due to the character of the titles involved.

The statement may be amplified in view of observations made from time to time by members of the Commission, and of the trend of the examination of witnesses, which appear to indicate concern regarding the ultimate nature of the occupation of lands which are developed under the Native land development schemes or the owners of which are assisted with funds from the Native Land Settlement Account. The matter of tenure is governed by the provisions of the Native Land Act, 1931, and its amendments. Except where land is purchased for Native-land settlement or is handed over by the Lands Department under the appropriate provisions of section 522, 1931, thus being Crown land, the Native Department is in a totally different position in regard to tenure from the Lands Department. If the Maori receiving assistance should by good fortune possess his land as a separate and individual freehold, the question of his tenure is solved while he lives and is actively occupying. He may be placed in that position either by partition of his interest or under a consolidation scheme, and is fortunate in either case if the vesting freehold order provides reasonably good boundaries and a holding of economic size. It must be acknowledged that the ideal of separate and individual holdings of economic size, depending on the quality of the land, the kind of farming suited to it and to the locality, having regard to market conditions, and to the capacity of the individual, is the best, if it can be achieved. The position is briefly as follows :—

(*a*) The East Coast Consolidation Schemes commenced under the Native Land Act, 1909, and covering a large number of blocks in the Matakaoa and Waiapu Counties the number of separate individual holdings resulting did not reach ten out of several hundred consolidation titles issued. Even in cases where the dominant owner in a title had more than sufficient area in his own right, he insisted on grouping one or more members of his family with him in the title. In the majority of cases this was due to prevalent ideas regarding family holding of land, but in many cases it was a necessary alternative to throwing small interests of members of the family or of relatives into residue areas, leasehold blocks, or areas for sale to the Crown.

(*b*) Consolidation schemes, partition, or any other method of individualization of Native land of good quality short of purchasing or taking the same over by some State authority and allocating in the same way as Crown land to selected Maori settlers, will not result in any appreciable number of really individual holdings of economic size for the following reasons :—

(i) Good quality lands are already in close occuaption by Maori communities, and they present to consolidation officers the most difficult problems in the adjustments necessary under consolidation.

(ii) Those interested are governed by sentimental attachment to the family cultivation, burial-places, village, &c.

(iii) This class of land is not readily submitted to any scheme of land-settlement, which may jeopardize the freehold or which may result in a lease, with or without the consent of the beneficial owners.

This is the position of Rotorua lands between Lake Rotorua and the main road from Ngongotaha to Mourea. Two ineffectual attempts to adapt the development scheme complex to this area failed at Ruamata and Te Koutu.

Other instances are in the Whakatane district between the Whakatane River and Te Teko, where the Native communities will not bring their good lands under the scheme.

In the North Auckland District assistance in such cases as Whirinaki, Waiotemarama, parts of Panguru, Motatau, Kaikohe, Peria, and Ahipara is limited to the barest essentials or to unemployment contracts, the owners taking care that their good lands do not run too far into debt and thus incur serious risk.

(iv) It is the exception to find it possible to evolve from titles of lands so closely held a good dairy-farm of reasonable size for one individual owner.

(*c*) Having held on to their good lands for so long literally in spite of the operations of successive Governments and overtures of private purchasers, it should not be expected that Maori communities are now ready to place the responsibility for determining the tenure of any Maori on Native land of good quality in settled districts in the hands of any organization, State or otherwise.

It has been assumed from the legislation and hinted at here and there by witnesses that the Native Minister, now the Native Land Settlement Board, possesses the arbitrary power of determining the mode of occupying lands that are subject to section 522, 1931. The power is in the statute, but its application must be governed by the circumstances of each case.

I crave the patience of the Commission while I deal with this aspect, and give my own views as to the course I would adopt in regard to individual schemes or groups of schemes :—

A. Horohoro Group.

I put into this group schemes undertaken on similar lines to Horohoro, irrespective of location. They are as follow :—

Waipipi (Te Hakona).
Kaihau.
Oparure.
Waimiha (part).
Ranana.
Horohoro—
  Rongomaipapa.
  Waikaukau.
  Turanganui.
  Kapenga.
Parekarangi Extension.
Tikitere.
Okere (Vaughan's part).
Ngatiawa.
Te Kaha—
  Te Piki.
  Whangaparaoa (part).
Takatahu.
Waiapu–Matakaoa : Sheep-farming sections.
Mohaka : Sections on Crown land.
Kahungunu.
Southland schemes.

To these a leasehold system should apply. In every case the development men expect such a tenure. In the case of Crown lands the Native Land Settlement Board will have to determine the matter in consulation with the Lands Department. In the case of Native lands, if the rights of the owners cannot be extinguished by the Crown purchasing, the tenants will have to be satisfied with a Native leasehold which will be fair to the owners. The Native Land Court is the proper tribunal to investigate and advise the Native Land Settlement Board. A uniform kind of lease is desirable, but, as the conditions vary in different districts, it may not be possible to enforce uniformity.

Portions of Waimiha are in the same position as the Ngati-Tuara and Tuhourangi sections of the Horohoro scheme, in that consolidation, which must be applied, may result in (*a*) individual farms; (*b*) areas which the owners are willing to lease; and (*c*) family farms.

B. Ruatoki Group.

Many schemes present the characteristics of Ruatoki (both A and C Sections) where the consolidation scheme already completed shows (*a*) a certain amount of individualization; (*b*) the impracticability of further subdivision of some sections in order to evolve individual Native freeholds; (*c*) family holdings of small size; and (*d*) family holdings which the owners will not tolerate giving up to any individual occupier. To this group the following schemes may be assigned :—

Ruatoki (A and C).
Waiohau.
Whakatohea.
Torere.
Te Kaha—
  Maraenui.
  Omaio.
  Te Kaha.
  Orete.
Horohoro—
  Ngati-Tuara.
  Tuhourangi.
Tokaanu.
Parekarangi.
Peka.
Okere.
Taheke.
Maketu—
  Te Puke Section.
  Motiti Island.
Tauranga : Kaitimako.
Onewhero : All sections.
Waikato.
Kawhia.
Mahoenui.
All North Auckland schemes.
Mohaka.
Tuparoa.
Dairy portion of Waiapu–Matakaoa.
Whenuakura portion of Poroporo.
Heretaunga.
Manawatu.

It is in regard to lands within this group that the Commission is confronted with the question of family holdings. The last solution desirable is to impose a leasing system on the Maori people without first consulting with them on the matter. These lands were placed under the Native Land Development Scheme as the only channel of financial assistance in a period of difficulty. They were made aware of the fact that expenditure would be secured by a charge having the same force as a mortgage, which if not repaid would involve the loss of the land. The matter of tenure has not been discussed with them, although where consolidation schemes have been applied they expect such adjustments in title and boundaries as will improve their position. Within a family, however, the question of the relative position of the working occupier member and the rest has not been raised as a definite issue.

I anticipate that the future will develop in the following way : The pressure to regularize tenure by lease or in any other way will drive reluctant families out of the scheme, if they can make arrangements to pay off advances. A proportion of these that will be compelled to remain within the scheme will use their influence with the other members of their families to conform to such conditions as may be imposed, on the principle that beggars cannot be choosers. Consolidation will undoubtedly be influenced in the direction of giving as many as possible individual freeholds. Many families will be found who will consider as reasonable, proposals for recognizing the reward due to the working-member of the family by giving him a proper tenure. The Native Land Settlement Board may find it advisable to solve individual cases by purchasing the freehold from the other owners on their behalf.

On the whole, while general authority may be given in a statute the circumstances vary so much that the detailed solutions must be left to the Native Land Court and Native Land Settlement Board.

C. Miscellaneous.

In this group I place the following:—

- Motatau Base Farm.
- Panguru Base Farm (Hokianga).
- Te Kuiti Base Farm.
- Brent's Farm.
- Maketu Farm.
- Wainui Section of the Whakatohea Scheme.
- Opape Base Farm.
- Uruahi Station: Portion of the Poroporo Scheme.
- Waihua.
- Wairau.

Special circumstances required that the Te Kuiti Base Farm should eventually be resumed by the Waikato-Maniapoto Board which has £8,000 invested in it not bearing interest. The debt cannot be taken over by the Department, and the Board may desire to realize its asset. The stabilization of farming on other schemes in the district will warrant dispensing with it as a base farm, and the Native Land Settlement Board will not be justified in dealing with the land for Maori occupation without reference to the Maori Land Board's asset.

The Motatau Base Farm is in the same position, except that the asset is at the disposal of the Department, when its use as a base farm is no longer required.

The Panguru Base Farm will be required as a base farm for handling cull and young stock for the North Hokianga area for many years to come, after which it should be made available to owners.

Brent's Farm will, with the stabilization of the surrounding schemes, cease to fulfil its present function, and should then be cut up into small farms. The Crown's title is leasehold only, and steps will have to be taken sooner or later either to secure the liability directly on to the Native freehold instead of the leasehold, or to acquire the freehold. The demand for building-sites near Rotorua is an eventuality to be borne in mind.

Maketu Farm is the property of the Arawa Trust Board, and the occupiers of individual sections thereon should not be given any other status than that of sharemilkers. As soon as the finances of the Trust Board permit, the development account should be put on a reduction basis, secured by bonds, to recoup to the Department the capital expenditure. This will, of course, depend on the Trading Account being worked without loss, unless it can be arranged that in addition to reducing the Capital Account by a fixed sum a year the Trust Board should have the benefit of profits in the Trading Account and stand the losses also.

The Wainui Block is a reserve for the Ringatu Church. If prosperity should return, the adherents of that Church should be asked to repay the debt to the Native Land Settlement Account on the instalment system.

The Opape Base Farm is on a leasehold tenure and should be held by the Department and made to perform more adequately the purpose of breeding and supplying the best dairy stock to the Maori farmers on the schemes in the neighbourhood.

The Uruahi Station portion of the Poroporo Blocks must be worked as a station until the debt to the Crown is fully met. Thereafter the position should be referred back to the owners and the Court to deal with.

Waihua is Crown land and as Ngamahanga was abandoned by the Crown Lands Development Board, which had expended £9,000 on bushfelling and scrub-cutting and left this unburnt. The purchase of the land now comprised as the result of consolidation in the scheme was paid for out of the Native Land Settlement Account before the adjustments in that account following on the amendment of the Native Land Act in 1932.

If the Native Department should succeed in its development and management of the land and so make it an asset, able to pay maintenance charges and showing a profit, many preliminary questions are bound to arise before that of its permanent disposition is reached.

Wairau, near Blenheim, is a scheme, where the Department, after completing the embankment and drainage and recouping itself or making suitable arrangements to recoup capital expenditure, should hand back to the owners or lessees.

APPENDIX VI.—SUGGESTIONS MADE BY MR. L. W. NELSON WITH REGARD TO THE REORGANIZATION OF THE NATIVE LAND DEVELOPMENT SCHEMES IN THE NORTH AUCKLAND AREA.

(Reference: Para. 228 (iv) (*c*).)

The present paid field staff comprises three Supervisors, three foremen, and one stockman. Their salaries are costing the State approximately £1,780, while motor-car expenses and travelling-allowances cannot be less than £1,550, making a total for field services of £3,330.

As has been submitted to us, this does not give sufficient suitable supervision. I have verbally indicated that I am satisfied that better contact could be made with the Native units if motor-cars, other than that of the Farm Director, were dispensed with, and horses were used as a means of transport. I need not further stress this point.

I recommend, therefore, that the North Auckland or Tokerau District be split up into districts as follows, with salaries and travelling-allowances or expenses as shown :—

Headquarters.	Designation.	District.	Units.	Salary.	Expenses.
				£	£
Whangarei ..	Farm Director, Supervisor over all officers	..	..	500	375
Te Kao ..	Supervisor ..	Te Kao	39	50	..
Kaitaia ..	Supervisor ..	Whatuwhiwhi, Parapara, Oturu, Awanui, Paparore, Pukepoto, Ahipara, Pamapuria, Peria	122	265	..
Broadwood ..	Supervisor ..	Whangape, Aputarewa, Otangaroa, Kaeo, Pupuke, Matangirau, Motukaraka, Panguru, Rangi Point, Pawarenga, Mitimiti, Mangamuka, Panguru Base Farm	152	265	..
Rawene ..	Supervisor ..	Whirinaki, Pakanae, Waiotemarama, Waima, Taheke, Omanaia, Otaua, Rangiahua, Horeke, Ngawha, Kaikohe, Mataraua, Tautoro, Tautoro Bush and Waima Bush Blocks	156	265	..
Motatau Base Farm	Supervisor ..	Motatau, Otiria, Waiomio, Pipiwai, Waikare, Whangaruru, Pakaraka, Waimate North, Ohaeawai, Motatau Base Farm	118	265	..
Dargaville ..	Supervisor ..	Glenbervie, Whananaki, Whakapara, Waihaua, Batley, Araparera, Pakiri, Ruawai, Kaihu Maropiu, and Tangiteroria, Pouto Scheme	81	265	..
Waima Bush	Stockman ..	..	..	104	..
Tautoro Bush	Stockman ..	..	..	104	..
Manukau Block	Stockman ..	..	..	104	..
Pouto ..	Foreman ..		..	104	..
				2,291	375
Total				.. £2,666	

It will be noted that no travelling-expenses are shown against the supervisors. I am suggesting that the salary of £265 per annum cover the cost of keeping a horse and any cost of lodgings while away from their headquarters.

It will be seen that, whereas at present inadequate supervision exists, an efficient organization can be established with closer supervision at a saving of approximately £670.

Office Reorganization.

The present system of headquarters in Wellington dealing through two outside offices appears to me to be quite unnecessary, and must contribute to unwarranted delay in dealing with correspondence and generally hamper the efficient working of an organization dealing in farming operations where the supply of materials required in the process of land-development must be provided promptly as seasonal occupations demand.

I see no reason why the land-development in North Auckland should not be controlled solely from Whangarei, and the officer in charge there be made responsible direct to the Under-Secretary in Wellington.

In an organization which is now in a sense a trading Department with regular debits and credits being made against unit accounts, it seems to me necessary that these unit accounts should be kept in Whangarei, so that field officers can be kept in closer touch with the financial position of each unit.

No field officer can be expected to provide or estimate for expenditure on each farm a year ahead, as he is expected to do at present, unless he has at immediate call the financial standing of each unit concerned. This should be particularly necessary as to repayments by way of cream cheques which are being made. At present, estimates for expenditure twelve months ahead are based on the financial position of accounts twelve months behind.

There would be no necessity for an increase in staff if the officers at present detailed to the North Auckland work could be transferred to Whangarei. The accounts section would find its burden lightened through closer contact with the field staff, and the correspondence section would have less work to handle, as it would be dealing with work directly to Wellington, and cutting out the present duplication of work.

The greater part of the travelling-expenses of officers on the Auckland staff who find it necessary to travel to Whangarei office and districts should be saved, as would the expenses of Whangarei staff on matters in connection with the duplication of work which at present exists between the Whangarei Branch and the Auckland Office. I feel confident that £150 per annum could be saved under this heading.

In Whangarei the Stores Control Board, Valuation Department, Public Trust, Public Works, Labour, and Health Departments are all housed in the same building as the Native Department, and consequently dealings between Departments are easy. In Auckland this is not the case.

The Public Works Department, Public Trust Office, Health Department, and Valuation Department all find it necessary that district control should be made from Whangarei.

Clerical staff engaged in Whangarei Office comprise one clerk and one shorthand typist.

The Auckland staff on North Auckland Development comprise four clerks and two typists, the latter doing work for consolidation and Board typists. For the purpose of the report the typing work can be confined to one typist.

The salaries paid to these officers total £1,045 9s. The total payment of office salaries in both offices amounted to approximately £1,370 9s.

I am confident that with concentration of staff in Whangarei the office could be run by four clerks and two shorthand typists. This should effect a saving of £250 per annum.

The office at Whangarei should be able to house the additional development staff.

APPENDIX VII.—MAORI PURPOSES FUND: CONTINUATION SCHOLARSHIPS.

(Para. 630.)

Date of Resolution.	Name of School.	Name of Student.	Amount of Grant.	Date when paid.
1925.				
Sept. 30 ..	Resolution reads, "That not exceeding twenty-five Continuation Scholarships of £40 be granted, &c.," £10 to student and £30 to institution.			
	The following grants were made in pursuance of the above:—			
	Hukarere Girls' School, Napier (4)	Maggie Morete, Iritana Ahuriri, Hana Smith, Connie Hovell	£40 each	Half paid, June, 1928; balance, December, 1928.
	Te Aute College (5)	Abraham Waaka, Tukino Aupouri, Joe Smith, Alfred Peakman, Ra Paenga	£40 each	Half paid, June, 1928; balance, December, 1928.
	Turakina Maori Girls' School (3) ..	Paeroa Potatau, Puti te Kawa, Miriam Winiata	£40 each	Half paid, June, 1928; balance, December, 1928.
	St. Joseph's Girls' School, Napier (3)	Mihi Wiki, Koata Kohuru, Rangi Wright	£40 each	Half paid, June, 1928; balance, December, 1928.
	St. Stephen's Boys' School, Auckland (5)	Peri Wharepapa, Wiremu Mauriohooho, Tutangi Hikoi, Charles Pile, Matangi Whiti	£40 each	Half paid, June, 1928; balance, December, 1928.
1928.				
April 19 ..	Resolution reads, "That the twenty-five Continuation Scholarship holders recommended by the Education Department for 1928 be paid the sum of £40: £10 to student and £30 to institution."			
	The following grants were made in pursuance of the above:—			
	Queen Victoria School for Maori Girls, Auckland (4)	Sarah Hemi, Eva Ripia, Wikitoria Hemi, Miria te Ao	£40 each	Half paid, June, 1928; balance, December, 1928.
	Te Aute College (1)	Nopera te Kawa	£40 ..	Paid, December, 1928.
1929.				
June 12 ..	Resolution reads, "That the Board's twenty-five Continuation Scholarship holders recommended by the Education Department for 1929 be paid £40 each: £10 to student and £30 to institution."			
	The following grants were made in pursuance of the above:—			
	Queen Victoria School for Maori Girls, Auckland (4)	Polly Clay, Rangi Kukume, Marjorie Yates, Rachel Dobbs	£40 each	Paid, August, 1929.
	Turakina Maori Girls' School (1) ..	W. Waitohe	£40 ..	Paid, August, 1929.
	St. Stephen's Maori Boys' School, Auckland (5)	Manga Cameron, Andrew Rollo, Thompson Waipouri, Panapa Kukume, Sonny Rewi	£40 each	Paid, August, 1929.
	St. Joseph's Maori Girls' School, Napier (4)	Annie Huhu, Agnes Haimona, Ida Nuku, Rangi Green	£40 each	Paid September, 1929.
	Hukarere Girls' School, Napier (3)	Merry te Kauru, Flora Mahuika, Jane Babbington	£40 each	Paid, September, 1929.
	Te Aute College (4)	Wiremu Hanita, Stephen Ngata, Mokena Kohere, Paul Gemmel	£40 each	Paid, September, 1929.
	Wesley College, Paerata (2) ..	Huitara Hemi, Ihaka te Rawhiti ..	£40 each	Paid, September, 1929.
1930.				
March 24 ..	Resolution reads, "That the twenty-five Continuation Scholarship holders recommended each year by the Education Department be paid £40: £10 to student and £30 to institution."			
	The following grants were made in pursuance of the above:—			
	St. Joseph's Maori Girls' School, Napier (4)	Kohe Rewe, Mate Toia, Matiora Tawera, Kathleen Goldsmith	£40 each	Paid, November, 1930.
	Hukarere Maori Girls' School, Napier (4)	Catherine Christy, Mary Curtis, Manutuke Mataira, Mary MacKay	£40 each	Paid, November, 1930.
	Te Aute College (4)	Friday Whaanga, Kawana Mihaki, Maori Babbington, Hati Brown	£40 each	Paid, November, 1930.
	Turakina Maori Girls' College (2) ..	Nellie Ruru, Puti te Atarau ..	£40 each	Paid, November, 1930.
	Wesley College (2)	Huitara Hemi, Jack Rogers ..	£40 each	Paid, November, 1930.
	St. Stephen's Boys' School, Auckland (5)	Stanley Newton, H. Rangiihi, H. Tamatahi, K. Kahotea, K. Kingi	£40 each	Paid, November, 1930.
	Queen Victoria Maori Girls' School, Auckland (4)	M. Shepherd, W. Greeves, M. Baker, R. Taniora	£40 each	Paid, November, 1930.
1931.				
March 28 ..	Resolution reads, "That the twenty Continuation Scholarship holders recommended by the Education Department be paid £40: £10 to student and £30 to school."			
	The following grants were made in pursuance of the above:—			
	Turakina Maori Girls' College (2) ..	R. te Whare, L. W. McCauley ..	£40 each	Half paid, May, 1931; balance, October, 1931.
	St. Stephen's Boys' School (4) ..	J. Graham, H. Mau, Tu te Uaua, H. Awhi	£40 each	Half paid, May, 1931; balance, October, 1931.
	St. Joseph's Maori Girls' School, Napier (2)	M. Hotere, V. Williams	£40 each	Second half paid, October, 1931; no record when first half paid.
	Queen Victoria School for Maori Girls (2)	M. Ihaka, H. Eruera	£40 each	Paid October, 1931.
	Hukarere Girls' School, Napier (3)	A. Clarke, M. Baker, V. Baker ..	£40 each	Paid, October, 1931.
	Te Aute College (3)	W. Tibble, O. Goldsmith, H. Nepe ..	£40 each	Paid, October, 1931.

APPENDIX VIII.—MAORI PURPOSES FUND: SPECIAL EDUCATIONAL GRANTS.

(Para. 633.)

(*i.e.*, Grants excluding Continuation Scholarships and Grants to Junior-free-place holders.)

Date of Resolution.	Name of Student.	Amount.	Secondary School or University College.
1928.		£ s. d.	
April 19 ..	Miss Miriama Heketa ..	20 0 0	Wellington Girls' College.
,, 19 ..	John Chadwick ..	40 0 0	Otago University.
,, 19 ..	F. T. Bennett ..	40 0 0	Otago University.
,, 19 ..	Riti Potaka	40 0 0	Otago University.
,, 19 ..	S. A. Bennett.. ..	20 0 0	Course in Engineering.
,, 19 ..	G. H. Maaka ..	40 0 0	Otago University.
,, 19 ..	W. Haig	40 0 0	Canterbury University.
,, 19 ..	Joe T. Karauria ..	40 0 0	Canterbury University.
,, 19 ..	C. Chesley	40 0 0	Canterbury University.
,, 19 ..	K. T. G. Tahiwi ..	40 0 0	Victoria College.
,, 19 ..	L. H. Tawhiri ..	25 0 0	Gisborne High School.
,, 19 ..	K. Puohotaua ..	40 0 0	St. Patrick's College.
,, 19 ..	W. M. Awarau ..	20 0 0	To assist education—paid to father.
,, 19 ..	G. M. Ormsby ..	40 0 0	Brain's Commercial College, Auckland.
,, 19 ..	W. M. Te Awarau ..	50 0 0	Victoria College.
,, 19 ..	Hemi Potatau ..	40 0 0	Otago University.
,, 19 ..	Waaka T. Morete ..	25 0 0	Selwyn College, Dunedin.
,, 19 ..	Walter Riuwhiu ..	40 0 0	Victoria College.
,, 19 ..	Jack Karaitiana ..	40 0 0	Victoria College.
,, 19 ..	Miss B. E. Hathaway ..	40 0 0	Queen Victoria School for Maori Girls.
,, 19 ..	Miss S. Watson ..	40 0 0	Queen Victoria School for Maori Girls.
,, 19 ..	P. Newton	25 0 0	Auckland Grammar School.
,, 19 ..	Miss Mary N. Poihipi ..	10 0 0	Queen Victoria School for Maori Girls.
,, 19 ..	Luke Rangi	25 0 0	Selwyn College, Dunedin.
August 14 ..	D. Wateford	10 0 0	St. Stephen's School, Auckland.
,, 14 ..	Barney Wi Hongi ..	30 0 0	Whangarei High School.
April 19 ..	Miss Rau N. Tewhiti ..	40 0 0	New Plymouth High School.
September 20	Jack Karaitiana ..	15 0 0	Victoria College.
,, 20	Keti Amuketi ..	15 0 0	Wesley College, Paerata.
,, 20	Ralph Love	20 0 0	Course in accountancy.
October 10 ..	W. H. Chesley ..	53 11 0	Canterbury College (includes arrears).
(All above paid during year 1928–29.)			
1929.			
March 18 ..	Miriama Heketa ..	10 0 0	Wellington Girls' College.
,, 18 ..	H. E. Wallace ..	40 0 0	Canterbury University.
June 12 ..	L. H. Tawhiri ..	40 0 0	Auckland University.
,, 12 ..	G. H. Maaka	40 0 0	Otago University.
,, 12 ..	R. W. Pomare ..	40 0 0	Wanganui College.
,, 12 ..	Jack Karaitiana ..	40 0 0	Victoria University.
,, 12 ..	Barney Wi Hongi ..	10 0 0	Whangarei District High School.
March 18 ..	H. M. Wikiriwhi ..	40 0 0	Canterbury University.
,, 18 ..	Queenie Henry ..	40 0 0	Whangarei Girls' High School.
June 12 ..	K. T. G. Tahiwi ..	40 0 0	Victoria University.
,, 12 ..	Luke Rangi	25 0 0	Selwyn College, Dunedin.
March 18 ..	K. Puohotaua ..	40 0 0	St. Patrick's College, Wellington.
,, 18 ..	R. K. Tukere ..	37 10 0	Te Aute College.
July 26 ..	J. Karena	7 10 0	Te Aute College.
1928.			
October 2 ..	Nireaha Paewai ..	105 0 0	Education at Utah Agricultural College, Utah, United States of America.
1929.			
August 14 ..	Rangi Waikare ..	50 0 0	Auckland University .
,, 14 ..	F. T. Bennett ..	40 0 0	Otago University.
,, 14 ..	John Chadwick ..	40 0 0	Otago University.
,, 14 ..	Miss T. H. Potaka ..	30 0 0	Paid to her guardian for cost of education.
(All paid during year 1929–30.)			

APPENDIX VIII—*continued.*

Date of Resolution.	Name of Student.	Amount.	Secondary School or University College.
		£ s. d.	
1929.			
August 14 ..	L. Kohere	17 10 0	First-term fees, Canterbury Agricultural College.
,, 14 ..	L. Kohere	19 8 9	Second-term fees, Canterbury Agricultural College.
,, 14 ..	L. Kohere	17 7 4	Third-term fees, Canterbury Agricultural College.
, 14 ..	Tipene Ngata ..	17 10 0	First-term fees, Canterbury Agricultural College.
,, 14 ..	Tipene Ngata ..	20 7 0	Second-term fees, Canterbury Agricultural College.
,, 14 ..	Tipene Ngata.. ..	18 12 1	Third-term fees, Canterbury Agricultural College.
March 18 ..	Ihaia Trainor ..	37 10 0	Te Aute College.
,, 24 ..	G. H. Maaka	40 0 0	Otago University.
,, 24 ..	M. O'Connor	40 0 0	St. Bede's College, Christchurch.
,, 24 ..	K. Puohotaua ..	40 0 0	St. Patrick's College, Wellington.
,, 24 ..	H. E. Wallace ..	40 0 0	Canterbury University.
,, 24 ..	L. H. Tawhiri ..	40 0 0	Auckland University.
,, 24 ..	Ihaia Trainor ..	37 10 0	Te Aute College.
,, 24 ..	K. Kohere	15 0 0	Te Aute College.
,, 24 ..	R. K. Tukere ..	37 10 0	Te Aute College.
,, 24 ..	T. Wi Repa	30 0 0	Gisborne District High School.
,, 24 ..	H. M. Wikiriwhi ..	40 0 0	Canterbury University.
,, 25 ..	James Henare ..	30 0 0	Massey Agricultural College.
,, 25 ..	S. Te Paa	45 0 0	Auckland University.
,, 25 ..	Pine Taiapa	40 0 0	Maori Arts carving student—paid through Mr. Hamilton, Director, at Rotorua.
,, 25 ..	Miss W. Fox	37 10 0	Hukarere Girls' School, Napier.
1930.			
November 19	Miss Q. Henry ..	40 0 0	Whangarei Girls' District High School.
,, 19	W. Herewini	40 0 0	Te Aute College.
,, 19	J. Henare	10 0 0	Massey Agricultural College.
,, 19	Mokena Kohere ..	17 11 0	First-term fees, Canterbury Agricultural College.
,, 19	Mokena Kohere ..	18 13 7	Second-term fees, Canterbury Agricultural College.
,, 19	Mokena Kohere ..	18 13 5	Third-term fees, Canterbury Agricultural College.
,, 19	Tipene Ngata ..	17 19 9	First-term fees, Canterbury Agricultural College.
,, 19	Tipene Ngata ..	19 17 6	Second-term fees, Canterbury Agricultural College.
,, 19	Tipene Ngata ..	18 10 1	Third-term fees, Canterbury Agricultural College.
November 19	Tene Anaru	17 10 0	First-term fees, Canterbury Agricultural College.
,, 19	Tene Anaru	19 12 7	Second-term fees, Canterbury Agricultural College.
,, 19	Tene Anaru	20 5 4	Third-term fees, Canterbury Agricultural College.
,, 19	McKenzie P. Mitchell ..	17 10 0	First-term fees, Canterbury Agricultural College.
,, 19	McKenzie P. Mitchell ..	19 8 10	Second-term fees, Canterbury Agricultural College.
,, 19	McKenzie P. Mitchell ..	17 17 1	Third-term fees, Canterbury Agricultural College.
,, 19	Ihaia Trainor ..	17 10 0	First-term fees, Canterbury Agricultural College.
,, 19	Ihaia Trainor ..	19 2 7	Second-term fees, Canterbury Agricultural College.
,, 19	Ihaia Trainor ..	19 4 7	Third-term fees, Canterbury Agricultural College.
,, 19	Horace Whaanga ..	17 10 0	First-term fees, Canterbury Agricultural College.
,, 19	Horace Whaanga ..	19 9 9	Second-term fees, Canterbury Agricultural College.
,, 19	Horace Whaanga ..	17 17 0	Third-term fees, Canterbury Agricultural College.

APPENDIX VIII—*continued.*

Date of Resolution.	Name of Student.	Amount.	Secondary School or University College.
		£ s. d.	
1930.			
November 19	S. W. Park	10 0 0	Wellington Technical College.
,, 19	W. A. O. Park ..	10 0 0	Wellington Girls' College.
,, 19	Te Wi Repa	30 0 0	Gisborne District High School.
,, 19	Pine Taiapa	40 0 0	Maori Arts carving student—paid through Director.
	(All paid during year 1930–31, except term fees.)		
1930.			
November 19	J. H. Ruru	40 0 0	Victoria University.
1931.			
March 28 ..	T. H. Potaka ..	35 0 0	Turakina Maori Girls' College.
,, 28 ..	S. Haig	35 0 0	Te Aute College.
,, 28 ..	W. Herewini	40 0 0	Te Aute College.
1930.			
November 19	H. M. Wikiriwhi ..	40 0 0	Canterbury College.
1931.			
March 28 ..	Miss R. T. Fox ..	41 0 0	Hukarere Girls' College, Napier.
,, 28 ..	G. H. Maaka	40 0 0	Otago University.
1930.			
November 19	H. W. Fox	41 0 0	Hukarere Girls' College, Napier.
,, 19	R. Reedy	41 0 0	Hukarere Girls' College, Napier.
,, 19	W. Fox	41 0 0	Hukarere Girls' College, Napier.
,, 19	A. Reedy	41 0 0	Hukarere Girls' College, Napier.
1931.			
March 28 ..	K. Puohotaua ..	40 0 0	St. Patrick's College, Wellington.
,, 28 ..	K. Wirihana	20 0 0	St. Patrick's College, Wellington.
,, 28 ..	D. Kawau	20 0 0	St. Patrick's College, Wellington.
,, 28 ..	M. O'Connor	40 0 0	St. Bede's College, Christchurch.
,, 28 ..	M. Waititi	35 0 0	Te Aute College.
,, 28 ..	W. Emery	41 0 0	Te Aute College.
,, 28 ..	J. Henare	30 0 0	Massey Agricultural College.
1930.			
November 19	J. H. Ruru	40 0 0	Victoria University.
1931.			
December 9..	S. R. Park	10 0 0	Wellington Technical College.
,, 9..	W. A. O. Park ..	10 0 0	Wellington Girls' College.
,, 9..	P. Taiapa	25 0 0	Maori Arts carving student—paid direct.
1930.			
November 19	T. Anaru	17 13 9	First-term fees, Canterbury Agricultural College.
,, 19	T. Anaru	37 15 0	Second and third term fees, Canterbury Agricultural College.
,, 19	I. Trainor	18 2 6	First-term fees, Canterbury Agricultural College.
,, 19	I. Trainor	37 14 4	Second and third term fees, Canterbury Agricultural College.
,, 19	J. Mitchell	17 16 0	First-term fees, Canterbury Agricultural College.
,, 19	J. Mitchell	37 12 4	Second and third term fees, Canterbury Agricultural College.
1931.			
December 9..	T. Ngata	29 1 0	First-term fees, Massey Agricultural College.
,, 9..	T. Ngata	15 0 0	Second-term fees, Massey Agricultural College.
,, 9..	T. Ngata	11 0 0	Third-term fees, Massey Agricultural College.
1932.			
May 7 ..	S. H. Maaka	13 6 8	Otago University.

APPENDIX VIII—*continued.*

Date of Resolution.	Name of Student.	Amount.	Secondary School or University College.
		£ s. d.	
1931.			
December 9..	J. Henare	17 13 0	Massey Agricultural College.
,, 9..	W. Fox	35 0 0	Hukarere Maori Girls' College.
,, 9..	M. Baker	35 0 0	Hukarere Maori Girls' College.
,, 9..	V. Baker	35 0 0	Hukarere Maori Girls' College.
,, 9..	I. Matehe	35 0 0	Hukarere Maori Girls' College.
,, 9..	M. Waititi	35 0 0	Te Aute College.
,, 9..	W. Herewini	35 0 0	Te Aute College.
1932.			
May 7 ..	A. Macalister	10 0 0	Flock House.
,, 7 ..	K. Puohotaua ..	40 0 0	St. Patrick's College, Wellington.
,, 7 ..	K. Wirihana	20 0 0	St. Patrick's College, Wellington.
,, 7 ..	T. Maher	40 0 0	St. Patrick's College, Wellington.
,, 7 ..	H. Paipa	20 0 0	St. Patrick's College, Wellington.
1931.			
March 28 ..	W. Emery	41 0 0	Te Aute College.
1933.			
March 8 ..	T. Park	10 0 0	Wellington Technical College.
,, 8 ..	J. H. Ruru	40 0 0	Victoria University.
,, 8 ..	K. Mariu	30 0 0	St. Patrick's College, Wellington.
1931.			
December 9..	Wi Reynolds	9 2 6	First-term fees, Massey Agricultural College.
,, 9..	T. Ngata	8 2 6	First-term fees, Massey Agricultural College.
,, 9..	W. Fox	16 1 11	First half-year fees, Hukarere Girls' College.
,, 9..	W. Fox	15 0 0	Second half-year fees, Hukarere Girls' College.
,, 9..	N. Tuhou	15 6 0	First half-year fees, Hukarere Girls' College.
,, 9..	N. Tuhou	15 0 0	Second half-year fees, Hukarere Girls' College.
,, 9..	W. Herewini	22 5 1	First-term fees, Te Aute College.
,, 9..	W. Herewini	17 14 11	Balance of fees, Te Aute College.
,, 9..	Miss M. Ngata ..	14 15 9	First half-year fees, Hukarere Girls' College.
,, 9..	Miss M. Ngata ..	15 0 0	Second half-year fees, Hukarere Girls' College.
,, 9..	W. Emery	40 0 0	Te Aute College.
1933.			
March 8 ..	H. Maki	35 0 0	Queen Victoria School for Maori Girls.
,, 8 ..	H. W. Tuiri	15 0 0	Massey Agricultural College.
November 29	Henare Uru, John Uru, Kata Uru	60 0 0	Grant to children's mother to assist education.
March 8 ..	J. H. Ruru	40 0 0	Victoria University.

APPENDIX IX.—NORTH ISLAND "TENTHS" BENEFIT ACCOUNT.

(Para. 895.)

RECEIPTS AND PAYMENTS 1ST APRIL, 1921, TO 31ST MARCH, 1931.

		Debit.	Credit.
		£ s. d.	£ s. d.
1921.			
April 1 ..	By Credit balance from Public Trust Office ..	..	8,203 19 7
	50 per cent. rents	..	360 1 7
	To Expenditure	128 6 8	..
	Balance	8,435 14 6	..
		8,564 1 2	8,564 1 2
1922.			
April 1 ..	By Balance	..	8,435 14 6
	50 per cent. rents (see next year)	..	..
	Refunds	..	4 3 4
	To Expenditure	186 13 4	..
	Balance	8,253 4 6	..
		8,439 17 10	8,439 17 10
1923.			
April 1 ..	By Balance	..	8,253 4 6
	50 per cent. rents (two years)	..	1,919 4 5
	To Expenditure	189 0 2	..
	Balance	9,983 8 9	..
		10,172 8 11	10,172 8 11
1924.			
April 1 ..	By Balance	..	9,983 8 9
	50 per cent. rents	..	951 4 6
	Interest	..	449 4 8
	To Expenditure	186 0 0	..
	Balance	11,197 17 11	..
		11,383 17 11	11,383 17 11
1925.			
April 1 ..	By Balance	..	11,197 17 11
	25 per cent. rents	..	537 19 0
	Refunds	..	10 0 0
	Interest	..	503 18 3
	To Expenditure	380 11 10	..
	Balance	11,869 3 4	..
		12,249 15 2	12,249 15 2
1926.			
April 1 ..	By Balance	..	11,869 3 4
	25 per cent. rents	..	528 19 5
	Refunds	..	10 0 0
	Interest	..	534 2 1
	To Expenditure	383 18 0	..
	Balance	12,558 6 10	..
		12,942 4 10	12,942 4 10
1927.			
April 1 ..	By Balance	..	12,558 6 10
	25 per cent. rents	..	524 0 1
	Refunds	..	8 0 2
	Interest	..	565 2 2
	To Expenditure	290 5 11	..
	Balance	13,365 3 4	..
		13,655 9 3	13,655 9 3

APPENDIX IX.—NORTH ISLAND "TENTHS" BENEFIT ACCOUNT—*continued.*

RECEIPTS AND PAYMENTS 1ST APRIL, 1921, TO 31ST MARCH, 1931—*continued.*

		Debit.	Credit.
		£ s. d.	£ s. d.
1928.			
April 1 ..	By Balance	..	13,365 3 4
	25 per cent. rents	..	451 10 4
	Refunds	..	26 13 8
	Interest	..	601 8 6
	To Expenditure	379 14 9	..
	Balance	14,065 1 1	..
		14,444 15 10	14,444 15 10
1929.			
April 1 ..	By Balance	..	14,065 1 1
	25 per cent. rents	..	547 19 8
	Interest	..	632 18 6
	To Expenditure	415 13 1	..
	Balance	14,830 6 2	..
		15,245 19 3	15,245 19 3
1930.			
April 1 ..	By Balance	..	14,830 6 2
	25 per cent. rents	..	551 4 10
	Refunds	..	31 3 3
	To Expenditure	471 16 3	..
1931.			
March 31 ..	Balance	14,940 18 0	..
		15,412 14 3	15,412 14 3

(For continuation see Appendix X.)

APPENDIX X.—NORTH ISLAND "TENTHS" BENEFIT ACCOUNT.

(Para. 895).

RECEIPTS AND PAYMENTS.

	"Group" Assistance.						Assistance to Individuals.					Administration, Surveys, Rates, Titles, &c.	Total Debits.	Credits.
	Waikanae.	Hutt Valley.	Taranaki.	Parapa-raumu.	New Plymouth Hostelry.	Medical Subsidies.	Funerals.	Education.	Maintenance, Allowance.	Food, Clothing, and Relief (Miscellaneous).	Medicine, Hospital, and Nursing.			
1931–32.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By Balance, 1st April, 1931	..	..	..	..	..	..	..	..	..	..	..	..	..	14,940 18 0
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	441 19 8
Sundry beneficiaries: Refunds of advances from rents	..	..	..	..	..	..	..	..	..	..	..	..	..	38 15 0
To Expenditure	14 1 8	185 15 1	..	4 12 11	100 0 0	74 2 6	58 0 0	..	..	145 9 8	20 1 8	..	602 3 6	..
Balance, 31st March, 1932	..	..	..	..	..	..	..	..	..	..	..	..	14,819 9 2	..
													15,421 12 8	15,421 12 8
1932–33.														
By Balance, 1st April, 1932	..	..	..	..	..	..	..	..	..	..	..	..	..	14,819 9 2
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	487 13 9
Sundry beneficiaries: Refunds of advances from rents	..	..	..	..	..	..	..	..	..	..	..	..	..	21 10 5
To Expenditure	..	50 2 1	..	..	75 5 5	81 14 0	31 3 3	..	..	27 8 0	1 0 0	37 17 4	304 10 1	..
Balance, 31st March, 1933	..	..	..	..	..	..	..	..	..	..	..	..	15,024 3 3	..
													15,328 13 4	15,328 13 4
1933–34.														
By Balance, 1st April, 1933	..	..	..	..	..	..	..	..	..	..	..	..	..	15,024 3 3
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	411 1 8
Sundry beneficiaries: Refunds of advances from rents	..	..	..	..	..	..	..	..	..	..	..	..	..	34 18 7
To Expenditure	..	48 14 2	100 0 0	..	79 0 2	45 2 6	45 10 0	..	..	38 5 6	..	146 15 7	503 7 11	..
Balance, 31st March, 1934	..	..	..	..	..	..	..	..	..	..	..	..	14,966 15 7	..
													15,470 3 6	15,470 3 6
Gross expenditure	14 1 8	284 11 4	100 0 0	4 12 11	254 5 7	200 19 0	134 13 3	..	..	211 3 2	21 1 8	184 12 11	1,410 1 6	..

(For previous years see Appendix IX.)

APPENDIX XI.—SOUTH ISLAND "TENTHS" BENEFIT ACCOUNT.

(Para. 895.)

RECEIPTS AND PAYMENTS, 1st APRIL, 1921, TO 31st MARCH, 1931.

—	—	Debit.	Credit.
		£ s. d.	£ s. d.
1921.			
April 1 ..	By Credit balance from Public Trust Office ..	..	1,908 11 3
	Rents transferred	..	1,506 9 8
	To Expenditure	236 16 6	..
	Balance	3,178 4 5	..
		3,415 0 11	3,415 0 11
1922.			
April 1 ..	By Balance	..	3,178 4 5
	Rents (see next year).		
	Refunds	..	3 0 9
	To Expenditure	723 2 11	..
	Balance	2,458 2 3	..
		3,181 5 2	3,181 5 2
1923.			
April 1 ..	By Balance	..	2,458 2 3
	50 per cent. rents (two years)	..	1,189 4 0
	50 per cent. rents (one year)	..	1,085 0 0
	Refunds	..	0 1 5
	To Expenditure	1,181 19 10	..
	Balance	3,550 7 10	..
		4,732 7 8	4,732 7 8
1924.			
April 1 ..	By Balance	..	3,550 7 10
	50 per cent. rents	..	1,148 11 5
	Interest	..	159 15 0
	To Expenditure	877 15 2	..
	Balance	3,980 19 1	..
		4,858 14 3	4,858 14 3
1925.			
April 1 ..	By Balance	..	3,980 19 1
	25 per cent. rents	..	555 10 2
	Refunds	..	3 10 0
	Interest	..	179 2 10
	To Expenditure— £ s. d.		
	Relief, &c. .. 1,175 18 0		
	Surveys and titles 1,098 12 11		
		2,274 10 11	..
	Balance	2,444 11 2	..
		4,719 2 1	4,719 2 1
1926.			
April 1 ..	By Balance	..	2,444 11 2
	25 per cent. rents	..	788 5 3
	Refunds	..	86 3 0
	Interest	..	109 19 7
	To Expenditure— £ s. d.		
	Relief, &c. .. 1,225 9 1		
	Surveys and titles 867 14 4		
		2,093 3 5	..
	Balance	1,335 15 7	..
		3,428 19 0	3,428 19 0

APPENDIX XI—*continued.*

—	—	Debit.	Credit.
		£ s. d.	£ s. d.
1927.			
April 1 ..	By Balance	..	1,335 15 7
	25 per cent. rents	..	564 19 10
	Refunds	..	22 9 6
	Interest	..	60 2 5
	To Expenditure— £ s. d.		
	Relief, &c. .. 1,079 1 5		
	Surveys and titles 159 14 0		
		1,238 15 5	
	Balance	744 11 11	
		1,983 7 4	1,983 7 4
1928.			
April 1 ..	By Balance	..	744 11 11
	25 per cent. rents (includes £358 15s., compensation for school-site, Nelson)	..	864 14 2
	Refunds	..	119 12 5
	Interest	..	33 9 7
	To Expenditure	1,036 3 6	..
	Balance	708 4 7	..
		1,744 8 1	1,744 8 1
1929.			
April 1 ..	By Balance	..	708 4 7
	25 per cent. rents	..	483 2 3
	Refunds	..	163 7 10
	Interest	..	31 17 2
	To Expenditure	859 10 5	..
	Balance	527 1 5	..
		1,386 11 10	1,386 11 10
1930.			
April 1 ..	By Balance	..	527 1 5
	25 per cent. rents	..	493 18 3
	Refunds	..	53 7 1
	To Expenditure	1,069 18 8	..
1931.			
March 31 ..	Balance	4 8 1	..
		1,074 6 9	1,074 6 9

NOTE.—In this fund the rent allocation reverted to 50 per cent. from 1st April, 1931.

(For continuation see Appendix XII.)

APPENDIX XII.—SOUTH ISLAND "TENTHS" BENEFIT ACCOUNT.

(Para. 895.)

RECEIPTS AND PAYMENTS.

——	"Group" Assistance.							Assistance to Individuals.				Administration.	Total Debits.	Credits.
	Picton.	Porirua.	Waikanae.	French Pass.	Plimmerton.	Hostelries.	Medical Subsidies.	Funerals.	Maintenance Allowances.	Food, Clothing, and Relief (Miscellaneous).	Medicine, Hospital, and Nursing.			
1931–32.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By Balance, 1st April, 1931	..	..	..	..	..	..	..	..	..	..	..	..	..	4 8 1
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	1,388 6 1
Sundry beneficiaries: Refund of advances from rents, &c.	..	..	..	..	..	..	..	..	..	..	..	..	..	45 18 10
To Expenditure	50 0 0	119 19 10	3 0 0	27 10 6	16 16 4	31 3 6	346 0 0	27 0 0	95 18 4	33 12 3	..	..	751 0 9	..
Balance, 31st March, 1932	..	..	..	..	..	..	..	..	..	..	..	..	687 12 3	..
													1,438 13 0	1,438 13 0
1932–33.														
By Balance, 1st April, 1932	..	..	..	..	..	..	..	..	..	..	..	..	..	687 12 3
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	914 8 2
Sundry beneficiaries: Refund of advances from rents, &c.	..	..	..	..	..	..	..	..	..	..	..	..	..	48 17 9
To Expenditure	..	26 5 5	..	30 11 6	..	47 2 9	302 11 6	14 0 0	51 0 0	30 2 9	..	..	501 13 11	..
Balance, 31st March, 1933	..	..	..	..	..	..	..	..	..	..	..	..	1,149 4 3	..
													1,650 18 2	1,650 18 2
1933–34.														
By Balance, 1st April, 1933	..	..	..	..	..	..	..	..	..	..	..	..	..	1,149 4 3
Apportionment of rent	..	..	..	..	..	..	..	..	..	..	..	..	..	1,044 11 0
Sundry beneficiaries: Refund of advances from rents, &c.	..	..	..	..	..	..	..	..	..	..	..	..	..	37 10 4
To Expenditure	2 0 0	2 5 8	..	22 13 9	..	58 13 11	147 0 3	73 2 6	44 0 0	29 5 0	14 0 0	..	393 1 1	..
Balance, 31st March, 1934	..	..	..	..	..	..	..	..	..	..	..	..	1,838 4 6	..
													2,231 5 7	2,231 5 7
Gross expenditure ..	52 0 0	148 10 11	3 0 0	80 15 9	16 16 4	137 0 2	795 11 9	114 2 6	190 18 4	93 0 0	14 0 0	..	1,645 15 9	..

(For Previous years see Appendix XI.)

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