

similarly to be acquired. Pouawa was to bear £12,000, Kaiti £13,000. Seven thousand acres of Pouawa were to be sold at £1 5s. per acre to the Belfast immigrants. They were also to be offered 5,000 acres upon lease at easy terms. The balance of the block, situated on the coast, well grassed, not the least valuable portion, but by far the most valuable in extent, about 6,000 acres (5,986), was to be reserved in the meantime for further Native reservations and future leases.

The dilatoriness of the Land Court effectually prevented the sale to the Belfast settlers. When they landed at Gisborne Mr. Heale was still talking of subdivision, and stating cases to the Supreme Court; his mind, as it would now appear, clogged with suspicious and erroneous impressions. The settlers would not give their money for land to which the Natives could give no title, and one by one they scattered, to settle, if possible, in other districts not blighted by an inoperative Native Land Court.

The position of the Natives upon the exodus of the Belfast settlers was most embarrassing. They had made a contract with Mr. Doull to purchase his interests; they had taken possession of the properties, which were carried on at their cost and for their benefit. Mr. Doull was unpaid; he in turn could not pay his mortgagees. The freehold of 12,000 acres in Pouawa had at last been given by Mr. Heale, and was available at least for attachment if Mr. Doull had been pressed for his default and had suffered through breach of contract.

At this stage, about the end of 1881, the New Zealand Native Land Settlement Company, with a southern proprietary, was registered, and began to acquire lands at Poverty Bay on terms of agency. The Natives requested the company to take over the Pouawa and Kaiti properties, and to carry out for them the engagements which they were wholly unable to meet, and which placed their properties in danger. At this time the leases of Pouawa and Kaiti were unsurrendered by the mortgagees. The company agreed to intervene on the condition that all parties would abide strictly by the agreement between themselves, which agreement had been made prior to the company's intervention. Ultimately, after endless difficulties, this was completed, and the company took the place of the Natives and faced the complications created by the Native land laws, by the Land Court, and by the parties. The company took over everything—the freehold of 12,000 acres, the freehold of the coast block (5,986 acres), the leasehold of Kaiti, the freehold of Papawhariki, the stock and homestead. The mortgagees surrendered the lease of Pouawa, which merged into the freehold. The leases of Kaiti will similarly merge upon subdivision, except as against all those not represented by the land company. The whole property then belongs to the Natives. It is managed by the land company. The company has the legal estate, but contracts to account for all expenditure and for all realizations.

It may be interesting to note the results. The land company has sold, in areas of from 160 to 800 acres, about 5,000 acres of Pouawa, at £2 and £2 5s. per acre. It has in hand 7,000 acres, worth £2 per acre, this being the unsold balance of the 12,000 acres referred to by Mr. Heale as sold for £1 per acre. It has also the coast block, 5,986 acres, worth at the least £2 10s. per acre, which it is not proposed to recommend the Natives to deal with at present. The station-sheep, worth £5,000, graze over this block and Kaiti. The Kaiti leases, with thirteen years yet to run, are worth £5,000; while the freehold of Kaiti, say, 4,000 acres, allowing for reserves, will be worth £40,000 immediately the title is registerable.

The practicable realization within five years' time will be—in Pouawa, at least £24,000, leaving 6,000 acres available for perpetual leasing; in Kaiti, £20,000, leaving 2,000 acres available for similar leasing. Of these sums, fully £12,000 will be available for investment on mortgages in Government stock or the company's debentures, as the Natives, through their committees and directors, may see fit to direct, bringing in nearly £1,000 a year for their maintenance. In addition, they will receive two-thirds of all rentals derived from the lands leased.

Mr. Heale's errors are palpable. He has confused the Kaiti leases with the Pouawa leases as to their respective durations. He has then forgotten all about the Kaiti and its value. He has similarly ignored the value or even the existence of the stock and improvements.

I do not say that the Natives did not give too much for Mr. Doull's interests in the leaseholds. On the contrary, I think that they did. Yet it has to be remembered that Native leases invariably fetch more than they are worth if valued simply for what can be obtained in each year in wool and meat. A strong tenant coming in would never have sold, even at the price accepted by Mr. Doull, knowing that with thirteen years' use of Kaiti he could outlive nearly all the Native owners of influence, and probably in the end would be able to secure the freehold at a price as truly nominal in relation to the true value of the freehold as Mr. Reid's £100 per year was relatively to the true value of the leasehold. Native leases are regarded, not so much as value for grazing, but as potent weapons by use of which the speculator sees his way to wrest the freehold before twenty-one years expire from the Native landlords. Such leases are but rarely legal, and I take this opportunity of stating my conviction that it would not be inequitable for the Legislature to declare by statute that, legal or illegal, they shall have no further force or effect than tenancies from year to year.

I venture to ask that a copy of this letter may be presented to His Excellency, and submitted at the earliest opportunity to the two branches of the Legislature. All which I very respectfully submit for your consideration.

The Hon. the Native Minister.

I have, &c.,

C. A. DE LAUTOUE.