

affected of £2,174. The Ranger fixes the capital value at £1 5s. per acre. The adjacent Crown lands which were opened were offered at a capital value of £1 per acre. The recommendation of the Board, therefore, is that Mr. De Lautour be allowed to surrender his present lease of 1,153 acres, and that the land be reopened under the optional system at a capital value of £1 5s. per acre, loaded with the value of the present improvements—£2,174. The advantage to the Crown under this proposal will be that the Government will be able to insist that the whole of the remaining area shall be improved and the land properly held under the settlement conditions of the Land Act, 1892. Kindly say if you approve of the Land Board's recommendation. I am not aware of any similar case in which the lessee has been allowed to surrender his lease held from the original Native claimants, and then that the land shall be opened under the optional conditions of the Land Act, but there is nothing to prevent its being done in this case if you approve.—WM. C. KENSINGTON, Under-Secretary." That was my memorandum to the Minister. The Minister at that time was the Hon. Mr. Duncan, who sent it to Cabinet, and Cabinet, on the 5th February, 1903, declined the application. There the matter stood, and the Commissioner of Crown Lands, Napier, was informed of it. This was in February, 1903. Then there comes the matter Mr. De Lautour has referred to, which I can only speak of from my personal recollection. There is nothing on the papers. It was my personal recollection which I detailed to the Lands Committee last year. I think it must have been some little time after that, certainly six or seven months after, but it may not have been so long as that, when one of Mr. De Lautour's sons, who was on the land engaged in bushfelling and grassing it, came to Wellington, saw Mr. Duncan, and explained the matter to Mr. Duncan, and, I believe, did not get any satisfaction. I know he went then to Mr. Seddon, and Mr. Seddon sent for me, and said to me—Mr. Duncan was present at the time—that the lessees of a block near the East Coast, Whakaangi, wanted to go on cultivating the land and to be paid the value of their improvements, so that when it was opened under the optional system it could be offered burdened with the value of these improvements, and that the Land Board's proposal had been refused by Cabinet. He asked what did I think of it. I said there was no doubt about it that it would be infinitely better that the land should go on being improved, the bush felled, and the land grassed and brought into cultivation than that for the balance of the lease it should remain in its present unimproved condition. I think he said, "How would you get over it?" and I said that at the end of the term the land could be valued with the actual improvements, the lease offered burdened with the improvements, and the Land Board would then demand that the lessee pay for such improvements in cash when they took up the lease. As Mr. De Lautour pointed out, certain improvements are valued and loaded on the lands, and that amount has to be paid in cash. That is all that passed. Yes, there is one thing more. I then said to Mr Seddon, "Of course, you must be aware that the Land Board would have no power to pay over these improvements to Mr. De Lautour. They will open the land burdened with these improvements, but the repayment to Mr. De Lautour would have to be voted by Parliament: it means it would have to appear in the estimates in the ordinary way, and be appropriated." That is, I think, the evidence given last year. I do not know exactly what Mr. Seddon said to Mr. De Lautour, but the impression left upon my mind is that Mr. Seddon must have told him something of what I said would be a very good course to pursue, because they then appear to have gone on with improvements. As I said last year, I was not present when Mr. Seddon saw Mr. De Lautour the second time. He told him to come back for his answer, but what he then told Mr. De Lautour I cannot say; but I think the fair inference is that he told him something of what I had suggested, because Mr. De Lautour's evidence is that they went on with the improvements. I think that is as far as my evidence went last year.

*Mr. Blair:* May I remind you that last year you said Mr. Seddon remarked, "Then I shall know what to tell them when they come in this afternoon."

*Mr. Kensington:* Yes, I missed that point. Mr. Seddon said the lessee was down to see him, and he said, "I shall know what to reply to him when he comes back this afternoon; he is coming back." But the point I want to emphasize is that I cannot say exactly what passed between them at the interview. I cannot think it would be presumptuous if I say that all through the Lands Act the method in the ordinary course is that a man should be paid for improvements—when a man's lease is surrendered his improvements are valued—and that generally the burden of the actual value of the improvements has to be borne by the incoming tenant. I do not know that I have anything more to say. Perhaps I might add that in this case the usual course has been followed—that the land has been opened for selection at its present capital value: that is, at the value Mr. De Lautour has given to a good deal of it by felling, burning, and grassing the land. Of course, there are two values in all these cases: the actual value, the extent to which the land has been increased in actual value by the improvements made on it by the tenant; then, of course, there is another increase in value—that is, the unimproved extra value that the land reaches in common with the land all round. Owing to farming or dairying, land may go up in value to a very large extent, and people may be willing to pay a much larger price for it than the actual value added to it by the improvements. Of course, that is so with all lands.

*Mr. De Lautour:* We make no claim to the value of improvements to the land through settlement.

1. *Mr. T. W. Rhodes:* Mr. Kensington, when the land was offered by the Crown it was actually loaded with the improvements effected by Mr. De Lautour?—The improvements mentioned here had to be paid for by the incoming tenant, and they were improvements which Mr. De Lautour or his sons had made.]

2. What we want to ascertain is whether the Crown received the benefit of the improvements made by Mr. De Lautour?—Certainly they have, because the land has very largely increased in capital value, and that value was obtained by clearing, felling, and grassing. Those were improvements made by Mr. De Lautour, and are mentioned in the Lands Department poster now before the Committee.

3. Is it usual in loading estates similar to this for the profit, or any portion of it, to be handed to the late tenant?—I do not quite see your point.

4. Is it usual to pay the ex-tenants for the improvements that have been made by them, or for the Crown to take advantage of the position?—You must remember that this was absolutely different