

IRISH LAND PURCHASE FINANCE.

REPORT

OF THE

DEPARTMENTAL COMMITTEE

APPOINTED TO ENQUIRE INTO

IRISH LAND PURCHASE FINANCE

IN CONNECTION WITH THE

PROVISION OF FUNDS REQUIRED FOR THE PURPOSES
OF THE IRISH LAND ACT, 1903.

Presented to both Houses of Parliament by Command of His Majesty.



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COMMITTEE ON IRISH LAND PURCHASE FINANCE.

TREASURY MINUTE,

Dated 20th November, 1907.

The Chancellor of the Exchequer recommends to the Board the appointment of a Committee to enquire into the difficulties which have arisen in connection with the provision of the funds required for the purposes of the Irish Land Act, 1903; and to report how far these difficulties can be diminished or removed without imposing any additional charge on the Exchequer: the Committee to be constituted as follows:—

WALTER RUNCIMAN, Esq., M.P., *Chairman.*

Sir FELIX SCHUSTER, Bart.

T. L. HEATH, Esq., C.B.

W. BLAIN, Esq., C.B.

PATRICK DUNCAN, Esq., C.M.G.

W. R. DAVIES, Esq.

MY LORDS concur.

Let the necessary directions be given accordingly.

TO THE LORDS COMMISSIONERS OF HIS MAJESTY'S TREASURY.

MAY IT PLEASE YOUR LORDSHIPS,

1. In accordance with the terms of your Minute of the 20th November, 1907, we have inquired into the difficulties which have arisen in connection with the provision of the funds required for the purposes of the Irish Land Act, 1903, and we beg to submit our Report thereupon.

2. We have held 13 meetings, and taken the evidence of representatives of the Landlords and of the County Councils, and considered proposals put forward by them which we shall discuss later in our Report.

3. We also wished to hear the views of the tenant purchasers, but we found considerable difficulty in obtaining the evidence of anyone who could be regarded as representative of their interests. We were fortunate, however, in securing the attendance of a member of a leading firm of Belfast solicitors, who has had large experience in negotiating sales on behalf of the tenants.

4. We have also taken the evidence of Mr. H. A. Daniell, of Messrs. Mullens, Marshall and Co., who act as Government Brokers, and of Mr. W. G. Turpin, of the National Debt Office, to whom we wish to express our thanks for the great assistance he has rendered us throughout our enquiry, and we have received an exhaustive memorandum by Sir John Franks, the Secretary of the Land Commission.

5. We have not considered it necessary to take further evidence than this, partly because we have understood it to be essential that we should reach a decision within as short a time as possible, and the difficulty we have experienced in obtaining the evidence of such witnesses as we have heard has already considerably delayed our proceedings, and partly because outside the various bodies we have enumerated we did not consider that there were other parties sufficiently interested in Land Purchase to entitle them to a hearing.

6. Indeed, the problem which we have been asked to solve is mainly financial in character, and the subjects to which we have especially addressed ourselves have been questions of ways and means, on which the views of only a very limited class could have been of value.

THE IRISH LAND ACT, 1903.

GENERAL FEATURES.

7. The Irish Land Act, 1903, is the last of a series of measures dealing with the question of Land Purchase.

8. The previous Acts, in so far as they have proved unsuccessful, had failed of their purpose owing to the difficulty of devising a scheme for voluntary land purchase, which should provide for the landlord obtaining a price for his land at which he would be ready to sell, while allowing the tenant a sufficient reduction in his rent, in the shape of an annuity, to induce him to buy.

9. The Act of 1903 attempted to meet this difficulty partly by contributing out of money provided by Parliament and borne on the vote for the Land Commission a bonus to the landlord over and above the purchase money to be paid by the tenant, and partly by reducing the annuity which the tenant purchaser paid for his advance below the level of previous enactments. The money was advanced to him at a low rate of interest, $2\frac{3}{4}$ per cent., and the period of repayment was considerably lengthened, so as to provide for a small (10s. per cent.) annual redemption payment.

10. The extent of this reduction in the annuity will be best appreciated by a comparison with the annual payments provided under previous enactments.

11. Thus, under the Land Law (Ireland) Act, 1881, 44 and 45 Vict., c. 49, the tenants annuity was £5 per cent., of which $3\frac{1}{2}$ per cent. was interest charge, and $1\frac{1}{2}$ per cent. sinking fund.

*Annuities
under
previous
Acts.*

12. By the Purchase of Land (Ireland) Act, 1885, 48 and 49 Vict., c. 73, and the amending Acts of 1887-1889, known as the Ashbourne Acts, this annuity was re-

duced to 4 per cent., of which $3\frac{1}{8}$ per cent. was interest, and $\frac{7}{8}$ per cent. sinking fund, and advances at this rate were made under this Act.

13. Under the Purchase of Land (Ireland) Act, 1891, 54 and 55 Vict., c. 48, the annuity was, in the large majority of cases, 4 per cent., the interest charge being $2\frac{3}{4}$ per cent., and the sinking fund charge $1\frac{1}{4}$ per cent.*

14. One other important feature in the Act of 1903 deserves to be mentioned. Under the Act of 1891 payment to the landlord was made in $2\frac{3}{4}$ per cent. Guaranteed Land Stock at its face value instead of cash. This scheme worked so long as the Stock was at a premium, but when it fell below par the landlords refused to accept payment in the depreciated security, and land purchase did not make progress. The Act of 1903 accordingly reverted to the earlier system of providing for cash payments to the landlord.

FINANCIAL PROVISIONS.

The main financial provisions of the Act of 1903 are as follows:—

15. Under the First Section it is enacted that the Land Commission shall sanction an advance of the whole purchase money to an occupying tenant, provided that the purchase money is based upon a judicial rent, and the purchase annuity payable in respect of the advance shows a reduction of from 10 per cent. to 30 per cent. in the case of rents fixed after 14th August, 1896 (second-term rents), and from 20 per cent. to 40 per cent. in the case of rents fixed before that date (first-term rents).

Zone system

16. This is known as the zone system, and advances within these limits are known as advances within the zones, and in these cases, as has been shown, the Land Commission have no discretion, but are obliged to make the advance without valuation of the land or inspection as to its security for the advance.

17. The advances, as we have already stated, are made in cash, and on the purchase money received by the landlord the Act, Sections 47 and 48, provides (in the case of all agreements lodged previously to 1st November, 1908), that a cash bonus shall be paid to him of 12 per cent., within the limit of a total of twelve million pounds. This bonus is raised by means of a fund known as the Land Purchase Aid Fund, and the interest and Sinking Fund of Stock issued for this Fund are borne on the Land Commission Vote.

*Guaranteed
2½ per cent.
Stock.*

18. The Act directs that the cash for the advances shall be issued from a fund known as the Irish Land Purchase Fund, and shall be raised by the creation of Guaranteed $2\frac{3}{4}$ per cent. Stock, secured primarily on the Land Purchase Fund, and secondarily on the Guarantee Fund with the security of the Consolidated Fund behind it, but power is given to the Treasury by Sect. 30 to borrow temporarily for the advances from the National Debt Commissioners, the Bank of England, or the Bank of Ireland, repayment being made out of the next issue of Stock, or out of any money standing to the credit of the account of the Land Purchase Fund. In the case of the Land Purchase Aid Fund, this power of temporary borrowing does not exist.

*Sections
28 and 29.*

19. The stock bears interest, as its name implies, at the rate of $2\frac{3}{4}$ per cent., payable half-yearly, and is redeemable at par after thirty years from the commencement of the Act.

20. The advances are to be repaid by the tenant by an annuity of $3\frac{1}{4}$ per cent., of which $2\frac{3}{4}$ per cent. represents interest charge, and $\frac{1}{2}$ per cent. sinking fund. The annuity is payable until the advance is ascertained in manner prescribed by the Treasury to have been repaid.

*Section 29.
Section 29.*

*Guarantee
Fund.*

21. Inasmuch as the annuity payable by the tenant was only sufficient to meet the interest and sinking fund on the Guaranteed Stock, if that Stock was issued at par, and left no margin to provide for: (a) charges incidental to the working of the Land Purchase Fund, and (b) discount on Stock when issued below par, utilisation is made of the Guarantee Fund established under the Land Purchase Act of 1891, the fund being reconstituted to meet the additional requirements.

* By the Act of 1896 the County percentage charge of 5s. per cent. was added to the Sinking Fund charge, but at the same time the Annuities were reduced by the system of decadal revisions, the period of repayment being extended.

22. This fund consists of two parts, known respectively as the cash portion and the contingent portion.

The cash portion is composed of the following items:—

(a) The Ireland Development Grant:—The grant amounts to £185,000 a year, but under the Act it is subject to charges amounting to £25,000 a year, leaving available for the Guarantee Fund	£ 160,000
(b) The Death Duty Grant, under Section 19 of the Finance Act of 1894, about	284,000
(c) The Agricultural Grant, under the Local Government (Ireland) Act, 1898, about	727,000
(d) The Exchequer Contribution paid from the Consolidated Fund to the Local Taxation (Ireland) Account	40,000
Total	1,211,000

23. The contingent portion of the Fund can only be drawn upon after (1) the cash portion has been exhausted, and (2) the Lord Lieutenant has failed to make good by levy on the several counties the amount still required to meet the charges payable out of the Guarantee Fund.

It consists of:—

1. Customs and Excise Duties paid (a) to the Department of Agriculture, (b) for intermediate education.
2. Contribution in lieu of rates on Government property.
3. The Grant for Model and National Schools.
4. The Grant for Industrial Schools.
5. Payments to the Irish Local Taxation Account under the Local Government (Ireland) Act, 1898.
6. The Grant to the Department of Agriculture and Technical Instruction of £70,000 out of the Church Temporalities Fund.

24. Under Section 29 (2) of the Act the Guarantee Fund is liable for any insufficiency in the income of the Land Purchase Fund to meet the dividends on the stock. This liability includes the incidental charges on the Fund, and also any charges in respect of arrears of payment on the part of the tenant purchasers.

25. Under Section 36 (6), the fund is liable for the charges for Excess Stock. These charges form so important a feature in our inquiry that it will be as well to explain them at some length. *Excess Stock.*

26. Under the Act the tenant is only required to pay an annuity sufficient to repay with interest the cash advance actually made to him. Thus, if £100 cash is advanced to him, his annuity is £3 5s. and is only continued until the sinking fund portion of it has accumulated to £100 cash, or to an amount sufficient to pay off £100 stock.

27. If, however, in order to raise the £100 cash it has been necessary to issue, say, £110 Stock, it is obvious that his annuity, comprising, as it does, interest at the rate of $2\frac{3}{4}$ per cent., will not suffice to pay the full amount of interest on £110 Stock, and the same, of course, applies to the sinking fund portion of the annuity. It is this gap which the Guarantee Fund under the Act is required to fill. By Section 36 (6) it is provided that, where by reason of the Stock having been issued at a discount, the Land Purchase Fund is insufficient to pay the dividends and sinking fund on it, the deficiency shall be made good out of the Guarantee Fund. In the case suggested the charge upon the Guarantee Fund would amount to $3\frac{1}{4}$ per cent. per annum on £110 less £100, i.e., upon £10, which represents the Excess Stock.

28. There is this difference, however, between the charges upon the Guarantee Fund in respect of incidental charges and Excess Stock, that whereas in the case of the former the Death Duty Grant and the Agricultural Grant are drawn upon before the Development Grant, in the case of the Excess Stock the first call is made upon the Development Grant.

29. The importance of this distinction will be appreciated when it is recollected that the Death Duty Grant and the Agricultural Grant are grants made from the Exchequer in aid of local taxation, and go therefore to relieve the rates; whereas the Development Grant is a special fund annually voted by Parliament, and applied by the Lord Lieutenant, so far as the prior claims upon it will allow, for the educational and economic benefit of Ireland generally.

*Working
Balance of
Land
Purchase
Fund.*

30. Under Section 38 of the Act it was also provided that for each of the first four years of the Act there should be carried from the Development Grant to the income account of the Land Purchase Fund the sum of £50,000. This sum was, it is believed, intended to be used as a working balance wherewith to meet the incidental charges on the Fund, so far as these were of a temporary character. It was found, however, that the Act was so drafted that there was no power to use the money for this purpose, but that it must be treated in the same way as other income of the Fund, and final payments had to be made from it accordingly, which ought, according to the original intention, to have been charged direct upon the Guarantee Fund. In order to avoid further difficulties of this sort Section 15 of the Labourers' Act, 1906, was passed, which gave power to use so much of these annual payments as had not already been finally expended as a working balance. The payments already made amounted to £102,000, and there was thus left £98,000 as working balance.

31. In the result, for the first two years of the Act the income of the Land Purchase Fund was increased by £50,000 above its normal dimensions, and charges to that extent, which would otherwise have fallen upon the rates, were for the time being averted. After the passing of the Labourers' Act of 1906, however, this annual sum was no longer available, and in consequence a sum largely in excess of the corresponding sums for previous years was thrown upon the rates. We would wish, however, to point out that, had the Section referred to in the Labourers' Act of 1906 not been passed, the burden would inevitably have fallen with equal or greater weight upon the rates for the year 1909 and subsequent years, whereas the Irish Land Purchase Fund would have possessed no working balance from which to meet temporary charges, and these also would thereafter have had to be imposed upon the Irish ratepayers.

*Advances
under the
Labourers'
Act, 1906,
&c.*

32. Before concluding our description of the financial provisions of the Act, we should not omit to mention that by Section 16 of the Labourers' Act, 1906, sums not exceeding £4,250,000 are to be advanced out of the Land Purchase Fund on the same terms as advances under the Land Purchase Acts, for the purpose of providing labourers' cottages and plots under the Act, and that by Section 6 of the Evicted Tenants (Ireland) Act, 1907, a sum not exceeding £100,000 may be paid out of the Land Purchase Aid Fund to meet losses incurred on resales of land by the Estates Commissioners.

STATEMENT OF THE PROBLEM.

*Incidental
charges.*

33. Hitherto no charges have fallen upon local funds in respect of the Excess Stock because the Ireland Development Grant has sufficed to meet such charges as have arisen. The sudden addition to the rates to which we have referred arose solely from the incidental charges under Section 29 (2) of the Act.

These charges are of five kinds:—

- (a) Unearned or bonus dividend.
- (b) Advance dividend.
- (c) Unproductive balances.
- (d) Interest accrued but not received.
- (e) Arrears of annuities.

34. The nature and cause of these charges have been fully explained in the House of Commons, and are, we believe, generally well understood. The annual amount which they involve is, comparatively speaking, trifling, and we propose means later in our report for removing many of them. We do not, therefore, consider that they need be dealt with further in this portion of our report.

*House
vol. 4
p. 145*

35. The main difficulty which has confronted us is that of dealing with the charges for Excess Stock. The following table shows the issues that have been made of Guaranteed $2\frac{3}{4}$ per cent. Stock since the commencement of the Act, together with dates of the issues and the average price realised. It should be observed that the last public issue was that of June, 1906, and that the succeeding issues were made privately to the National Debt Commissioners at the certified price of the day:—

ISSUES OF GUARANTEED $2\frac{3}{4}$ PER CENT. STOCK UNDER IRISH LAND ACT, 1903.

Date of Issue.	Average Realised Price of Issue.	Amount of Stock Issued.	Net Amount Raised.	Amount of Stock allotted to the Land Purchase Aid Fund.
		£ s. d.	£ s. d.	£ s. d.
1904 March - -	87	5,000,000 0 0	4,337,121 6 8	400,000 0 0
1905 January - -	89: 8: 8	6,000,000 0 0	5,354,332 15 0	600,000 0 0
1906 January 2nd - -	90 $\frac{1}{2}$	1,103,448 5 7	1,000,000 0 0	103,448 5 7
February 26th - -	91: 1: 6 x.d.	1,097,996 3 2	1,000,000 0 0	97,996 3 2
April 6th - -	92: 0: 7 x.d.	1,000,000 0 0	920,291 13 4	—
June - -	89	7,000,000 0 0	6,212,093 5 7	700,000 0 0
1907 July 2nd - -	84 $\frac{3}{4}$	2,000,000 0 0	1,695,000 0 0	300,000 0 0
October 7th - -	84: 17: 11 x.d.	3,000,000 0 0	2,546,875 0 0	250,000 0 0
		26,201,444 8 9	23,065,714 0 7	2,451,444 8 9

36. Thus, the total amount of Guaranteed $2\frac{3}{4}$ per cent. Stock issued to date has been £ 26,201,444
Of which there was assigned to the Land Purchase Aid Fund 2,451,444

Making the amount issued to provide advances for Irish Land Purchase 23,750,000
The amount of Cash obtained for the £23,750,000 Stock was... 20,912,612
And the difference between these amounts represents the "Excess Stock" 2,837,388

The £2,837,388 Guaranteed $2\frac{3}{4}$ per cent Stock is the capital amount of the charge on the Ireland Development Grant in respect of all issues up to date, and the annual sum payable is an annuity of $3\frac{1}{4}$ per cent on this sum, or ... 92,215
which becomes payable in full in the year 1908-9.

37. In the previous years of the Act the actual payments for Excess Stock have been:—

1st November, 1903, to 31st March, 1905	19,818
Year ending 31st March, 1906	38,699
" " " 1907	57,791
" " " 1908	78,132

38. It will be seen, therefore, that the raising of some twenty-one millions of cash for the purpose of advances has resulted in the imposition of an annual charge for about 68 $\frac{1}{2}$ years (the period required by a sinking fund of 10s. per cent. to amortize £100 Stock at $2\frac{3}{4}$ per cent.) of £92,200. *Estimate of total charge for Excess Stock.*

39. From such information as we have been able to obtain, it appears probable that the amount of cash (exclusive of bonus) required to carry land purchase in Ireland through to completion on the present terms will be £160,000,000. If, therefore, the balance of the cash required, viz., £139,000,000, were to be raised on precisely the same terms as the existing £20,912,612, the charge on the Guarantee Fund in respect of excess stock would ultimately amount to about £705,000 a year, and this annual sum, less £160,000 from the Development Grant, would fall upon the Irish rates.

40. Although we share the general hope that the depression in all classes of securities is of a temporary character, and that in the near future so substantial an improvement will take place that the issue of the $2\frac{3}{4}$ per cent. Stock could be made upon more profitable terms than hitherto, we have not, in framing our estimate of the future charges upon the Guarantee Fund, felt justified in relying upon such an anticipation.

41. Hitherto, the issues in the open market have amounted to no more than £19,000,000 cash. The issue of an additional £140,000,000, even spread over a period of years, cannot but have a depressing effect upon the price, which will tend either to neutralise the benefit to be derived from a general improvement in securities or to exaggerate a decline. On the other hand the sinking fund attached to the stock is so small that its operation will hardly be felt until the issues are nearing completion.

*Effect of
depreciation
of Stock on
Land
Purchase
Aid Fund.*

42. It must not be forgotten that a similar charge will arise on the raising of cash for the Land Purchase Aid Fund. In this case it is true the total charge, whatever it may be, for dividends and sinking fund on the stock is borne on the Land Commission Vote, and no distinction of excess stock is therefore required; but none the less any decline in the price of the stock will throw an additional annual burden upon the taxpayers of the United Kingdom, proportionate to the increase in the burden thrown upon the local finances of Ireland by the charge for excess stock.

*Incidental
Charges.*

43. Finally, an indefinite sum, amounting to, say, twenty to forty thousand pounds for every five million of stock issued, would, under existing conditions, fall upon the Guarantee Fund under Section 29 (2) of the Act.

44. In considering what remedy can be devised to meet the situation we have been confronted by the following difficulties:—

*Difficulties to
be met.*

45. In the first place our terms of reference do not permit the suggestion that the charge for excess stock like that for the bonus should be thrown upon the Exchequer. Even were this not the case we could not recommend such a course. In our opinion the contribution made by the taxpayer to land purchase is fully sufficient and could not equitably be increased for the purpose of relieving the Irish ratepayers of a charge imposed upon them by the Act.

It amounts to:—

- (1) The provision of £12,000,000 for bonus.
- (2) The cost of administration as represented by the Land Commission Vote.

*Contribution
made from
Votes to
Land Pur-
chase.*

	£
The net total of the estimate for the year 1907-8 was	239,050
And provision was made in other votes in connection with the service of, approximately	33,400
From this total of	272,450
Must be deducted first the charge for bonus, to which we have already referred, of	£85,000
And also the estimated amount of extra receipts	12,000
Amounting together to	97,000
And the remainder	175,450

may be taken as the estimated cost of the Land Commission, mainly for the administration of the Act.

46. It is probable that this annual expenditure will increase rather than diminish as land purchase proceeds.

47. To meet this expenditure there has been no reduction in the cost of other branches of administration in Ireland, such as was hoped for from the operation of the Act.

48. On the other hand, from the evidence we have taken, it appears that all classes in Ireland, including the ratepayers, on whom the financial burden principally falls, appear to be agreed that it is essential to the interests of that country that land purchase should continue. We have felt it impossible to overlook the importance of this testimony.

*Land
Purchase
to continue.*

49. All our evidence tends to show that what the tenant looks to in making his bargain is not so much the price at which he agrees with the landlord to purchase, as the reduction he will procure in his annual payments. So long as the annuity where-with he repays his advance is considerably below—generally about 20 to 25 per cent., we understand, in the case of second term rents—the rent he is paying, he will be inclined to buy; but if he cannot obtain a reduction of approximately that amount he prefers to continue his tenancy in the hope of a further reduction of rent at the next judicial revision. If the rate of his annuity is increased he will obtain a smaller reduction in his annual payment, unless the landlord will consent to take a smaller price.

*Tenant's
attitude.*

50. As regards the landlord, we were assured with almost equal unanimity that he would not be prepared to sell at lower terms than he is now receiving. The reason for the cessation of transactions under earlier Acts was the unwillingness of the landlord class to sell at such prices as were obtainable under those Acts—the great increase in land purchase which has taken place under the Act of 1903 goes to confirm this statement.

*Landlord's
attitude.*

51. At the same time, we are not convinced that the landlords as a whole would refuse to sell at prices lower than those now obtaining. The Irish Landowners' Convention accepted the Act of 1903 at a time when the prices of all first-class securities ruled considerably higher than in the years that immediately followed, while at the time of the passing of the Act it was confidently hoped that any change in those prices would be for the better. The subsequent fall in the price of securities, however, operated greatly to the benefit of the landlord, affording opportunities for investing his purchase-money to so much greater advantage.

52. Furthermore, the Irish Land Conference of 3rd January, 1903 (House of Commons Paper No. 89 of 1903), on which the landlords and the tenants of Ireland were alike represented, adopted as a basis of land purchase (para. v.):—

“That the purchase price should be based upon income as indicated above [vide para. iv.: ‘Income, as it appears to us is second-term rents, including all rents fixed subsequent to the passing of the Act of 1896, or their fair equivalent’], and should be either the assurance by the State of such income or the payment of a capital sum producing such income at 3 per cent., or at $3\frac{1}{4}$ per cent. if guaranteed by the State, or if the existing powers of trustees be sufficiently enlarged. Costs of collection, where such exist, not exceeding 10 per cent., are not included for the purpose of these paragraphs in the word ‘income.’”

53. It is important, in considering the equity of this proposal, to remember that the vendor should generally be able to secure a prudent investment of his purchase-money to yield somewhat more than $3\frac{1}{4}$ per cent., and that, if he consents to receive an amount of purchase-money which yields less than his former net income, if invested at 3 or $3\frac{1}{4}$ per cent., he has even then substantial compensations in the better security of his new income, and in possessing a capital which is readily negotiable.

54. If it were possible to modify the terms of the Act forthwith so as to meet the case of all future advances by the Land Commission, the difficulty of our subject would be considerably diminished. This, however, is not the case. Agreements have been arrived at between landlords and tenants on which advances have not yet been made, involving, we are informed, at the present moment some £38,000,000 (exclusive of bonus), and it is probable that before any legislative action can be taken the amount involved in these pending agreements will reach £40,000,000.

*Pending
Agreements.*

55. These agreements have been lodged with the Land Commission and await examination of title, etc., by the Commissioners, but under Section 35 of the Act of 1896, as applied by Section 57 of the Act of 1903, interest is payable by the tenant

on the purchase-money from the date of the agreement (no interest, however, is paid on the bonus). The rate of this interest payment, which is collected and paid to the landlord by the Land Commission, is fixed by agreement between the landlord and the tenant, and is usually $3\frac{1}{2}$ per cent.

56. These agreements have been entered into by the parties to them while the Act was in undisturbed operation, and we consider that there is foundation for the view which has been put before us that to modify the law in regard to them would amount to a breach of public faith. Accordingly we do not propose that any legislation we suggest should disturb the terms upon which these bargains have been made.

*Insufficiency
of Bonus.*

57. In this connection, however, it may be fitting to allude to a further difficulty which we have had to encounter. Under the terms of the Act the total of the bonus is limited to £12,000,000. When the Act was passed it was estimated, as may be gathered from public utterances at the time, as well as from the internal evidence of the Act itself, that not more than £100,000,000 would be required to finance it. This estimate, as we have stated, now appears to have been fallacious, and from the information put before us it appears that the amount may reach £160,000,000 or more.

58. Under Section 48 of the Act the bonus is fixed, in the case of agreements entered into during the first five years of the Act (*i.e.*, until 1st November, 1908), at 12 per cent. In the case of agreements entered into after that date it may be revised by the Treasury. The position is, therefore, as follows:—

	£
The amount of cash available under the Act is	12,000,000
Of this amount there has already been allotted to the Land Purchase Aid Fund	£2,153,102
On pending agreements there will have to be allotted 12 per cent. on £40,000,000, viz.	4,800,000
And there may be required for the pur- poses of the Evicted Tenants' (Ireland) Act, 1907	100,000
	<hr/>
There must then be deducted from the total provided by the Act	7,053,102
	<hr/>
Leaving	4,946,898

as the amount available for the purposes of future agreements.

59. The balance of purchase-money to be advanced on these future agreements being little short of £100,000,000, it may be taken that the bonus on these agreements, if spread equally over them all, will hardly reach 5 per cent.

60. Unless, therefore, the limit of the bonus is to be extended, the administration of the Act will be further hampered in the future by a reduction in the inducement to sell paid to the landlord by the State. It has added considerably to our difficulty in attempting to arrive at a satisfactory settlement of the question that the price the landlord will receive will be automatically diminished in respect of the bonus, apart from any modifications in the terms which might tend to reduce the charges for excess stock.

VARIOUS REMEDIES PROPOSED.

61. Almost all the suggestions which have been put before us by our various witnesses have, in one form or another, contained the view that the requisite cash should be raised by the issue of Consols rather than of Guaranteed $2\frac{3}{4}$ per cent. Stock. Several reasons have been advanced for this suggestion, and in view of the unanimity with which they have been put forward, we thought it incumbent upon us to examine them with considerable care.

62. It is contended that Consols command a relatively higher price than any other security, and comparison is made between them and Guaranteed $2\frac{3}{4}$ per cent. Stock showing that, notwithstanding the greater interest paid by the latter stock, its price has recently been within a point of that of Consols, whereas the true difference between them, if the yield is to be the same, is over eight points, with Consols at 85.

63. It is argued that there is a sentimental preference for Consols which has always given them a leading position among other securities and enabled them to command so comparatively high a price, and that the amount of Consols is so large and the market in them so open that fresh issues of the stock could be made without materially affecting the price.

64. While we admit that investors have a preference for a stock directly secured on the Consolidated Fund over one that has merely the guarantee of that Fund, we have not felt ourselves justified in recommending the adoption of the course proposed.

65. In the first place it must be remembered that Consols are the debt of the British Exchequer, whereas the Guaranteed Stock is primarily secured upon the Irish Land Purchase Fund, and through that Fund and its Guarantee Fund upon the rates of Ireland. It ranks with all the other loans guaranteed by the British Government, and is classed among the contingent liabilities of the State, but is not shown in its debt. We consider that if for the future Land Purchase Finance were to be made a direct obligation of the Exchequer, the borrowing power of the State and the price of securities generally would be materially affected.

66. It might, indeed, be held to be worth while to incur this risk if any commensurate reduction in the charges for land purchase were thereby assured. We are not, however, convinced that this would be the case.

67. The comparison between the price of Consols and Guaranteed $2\frac{3}{4}$ per cent. Stock is vitiated in our opinion by the dissimilarity of the conditions affecting these two securities. In the case of Consols no issues have been made since 1902, and no issues are expected, whereas a large Sinking Fund is annually provided and applied in redemption of the National Debt, including Consols.

68. In the case of Guaranteed $2\frac{3}{4}$ per cent. Stock, on the other hand, issues have been made since the commencement of the Act (the last public issue was in June, 1906), and it is of course well known in the market that further issues must periodically be made; whereas the sinking fund provided by the tenants' annuities is so small that its operation would not be felt at present, even if it were applied in the purchase of the stock in the open market.*

69. These facts, in our opinion, are quite sufficient to account for a large proportion of the difference in relative price between the two stocks, and we are inclined to attribute little or none of this difference to sentimental reasons. It is no doubt difficult to estimate the depressing influence exercised upon a stock by the fear of impending issues, but we find support for our opinion in the increased popularity of Local Loans Stock (which bears in many respects a marked resemblance to Guaranteed $2\frac{3}{4}$ per cent. Stock) in the last few years during which no issues of this stock have been made. If we are right in our opinion, then any announcement that land purchase was to be financed by Consols would produce a decline in the price, and would, therefore, neutralise to a large extent the attempted relief of the Guarantee Fund.

70. The consequences of a fall in price would be more far-reaching in the case of Consols than in the case of Guaranteed $2\frac{3}{4}$ per cent. Stock. Consols are the leading security in the market and set the tone for other stocks, or, as Mr. Daniell said, Consols are the barometer of the market. A fall, then, in the price of Consols is wont to produce a general decline in the price of securities, which would not be caused to anything like the same extent in the case of a security such as the Guaranteed $2\frac{3}{4}$ per cent. Stock, and affects not only the Government's powers of borrowing for the future, but the general commerce and prosperity of the whole community.

71. It has usually been considered that the issue of Consols should be reserved for a national emergency, and we are not prepared to recommend any arrangement that would involve successive issues of Consols.

72. Similar reasons have led us to reject any proposal to utilise the Sinking Fund moneys of the State for the purpose of financing land purchase. These funds operate directly upon the debt, funded or unfunded, of the nation, and thereby have an

*Utilisation
of Sinking
Fund.*

* We understand, as a matter of fact, that the Sinking Fund is employed, and rightly employed, under Section 36 (2) of the Act, by the National Debt Commissioners for the purpose of advances, thus reducing the amount of the issues of fresh stock required.

important bearing upon its credit. We do not consider that there would be in the present case any resulting benefit sufficient to justify a diversion of this money from its proper purpose.

Extension of redemption period.

73. Other proposals which we have considered have been based upon an extension of the period during which the tenant purchaser has to repay his loan. As we have stated, no definite period of repayment is fixed by the Act, but it is determined by the length of time which a sinking fund of 10s. takes to accumulate to £100 stock or cash. If the rate of accumulation is $2\frac{3}{4}$ per cent. the period is $68\frac{1}{2}$ years, but, of course, so far as Sinking Fund investments can be made to yield a higher rate than this the period will be correspondingly reduced.

74. Two proposals have been considered by us:—

- a. That the period of repayment should be fixed at $68\frac{1}{2}$ years, and that the increased rate of accumulation should accrue to the benefit of the Land Purchase Fund so as to relieve the charge for excess stock.
- b. That the period of the annuity should be extended so as to reduce the sinking fund portion of the annuity to 5s. per cent., and increase the interest portion to a corresponding extent.

75. The first proposal means that the term of the annuity would be longer than the actual rate of accumulation would probably require, and therefore that the tenant would have to pay more on the whole than the Act now requires him to pay.

76. As regards the second proposal, it has been represented to us with great force that already the period of repayment is too long, and that danger to the Guarantee Fund is incurred by so protracted a term.

77. The punctuality hitherto displayed by the tenants in the payment of their annuities prevents us from attaching overmuch importance to the fear of any widespread repudiation of their obligations. At the same time we feel bound to admit that any danger now existing might be enhanced by any extension of the redemption period, and would be proportionately reduced if the period is shortened.

78. But apart from reasons of this nature we consider that the number of years required by the existing sinking fund portion of the annuity to amortize the advance must, in any circumstances, be so great as to make any extension undesirable on grounds of general prudence. It is impossible to forecast the condition of Ireland or the exigencies of finance so many years ahead, and we hold strongly to the view that, alike in the interests of the tenant purchasers, the ratepayers of Ireland, and the taxpayers of this country, it is of great importance to bring the operations of the Act to as speedy a conclusion as possible.

79. We find support for our view in the evidence tendered both by the representative of the County Councils of Ireland and by the gentleman whom we heard on behalf of the tenants, and we have no hesitation in rejecting any proposal which would lead to a prolongation of the purchase annuities.

Purchase of "reversion" of Development Grant.

80. Another suggestion that has been put forward concerns the Ireland Development Grant. As the advances are redeemed it will necessarily result that this grant will gradually be released until ultimately the whole of it will again become available for the purposes of general administration in Ireland. It has been proposed to us to "redeem the reversion" of this grant. In other words, the proposal is that until the period of redemption is drawing to a close, an annuity equivalent in value to the reversion of the Development Grant after, say, $68\frac{1}{2}$ years, should be provided on the Land Commission Vote in order to relieve the Guarantee Fund on the understanding that at the expiry of the period the Development Grant should cease to be payable from the Exchequer.

81. We have not treated this proposal as one requiring serious consideration. In our opinion it would meet with approval neither in Ireland nor in this country, and we cannot regard the purpose for which the grant was originally introduced, nor the nature of the grant itself, as justifying its utilisation in this manner.

RECOMMENDATIONS.

Restriction of the operations of the Act.

82. We consider that the finance of land purchase should be put on a workable basis as soon as possible, and that it is essential to restrict the operations of the law as it

stands at present at the earliest possible moment. This object could best be attained by the announcement that after the briefest possible interval all fresh agreements shall be subject to arrangements hereafter to be determined by Parliament. If this course is not taken, it appears to us highly probable that the announcement of more stringent provisions will produce a large influx of agreements entered into with the view of obtaining the existing advantages, and in this way fresh legislation will be deprived of much of its beneficial effect.

PENDING AGREEMENTS.

83. The most pressing question is that of the pending agreements. As we have stated, we do not consider that any alteration should be made in the terms upon which these bargains were concluded. It remains, therefore, only to consider the most economical way of financing them.

84. We consider the financial provisions of the Act to be radically unsound, but their defects have been greatly accentuated by the subsequent depreciation of all securities, and of Guaranteed $2\frac{3}{4}$ per cent. Stock in particular. Our first object has been, therefore, to devise a means of reducing the loss caused by the depreciation of the Guaranteed Stock so far as it can be done by legislative or administrative action. The only way to avoid the speedy exhaustion of the Development Grant and consequent encroachment on Irish local taxation moneys is to abstain from public issues of the stock while the conditions are unfavourable, and to restrict the cash advances and bonus to the amount of cash that the National Debt Commissioners may be in a position to supply for this purpose. The Act provides that advances shall be made in the case of agreements complying with its terms, but it does not specify the time within which the advances shall be made nor the amount of stock to be issued in any particular year, these matters being left to the discretion of the Treasury. Moreover, at the time when the Act was passed, it was contemplated that it might not be possible to provide cash in excess of £5,000,000 a year, and Mr. Wyndham, in introducing the Bill, clearly stated that it would be "neither financially prudent, nor administratively possible to expand these operations at a pace so high as to make us come to the City for more than £5,000,000 in any of the first three years after the passing of this Bill." It was thus recognised that due regard must be paid to the financial circumstances of the time and the limits which they impose upon the borrowing power of the State upon whose credit Land Purchase depends for its success. We have already shown that the method of financing the Act which we here recommend has been adopted during the past year, and we consider that it is the only means, to which no grave objection attaches, of avoiding the danger attending upon annual public issues of stock and the consequent depreciation of prices.

*Limit of
Public
Issues.*

85. It is not possible to forecast what amount of cash the National Debt Commissioners would be able to provide in a year, but it seems reasonable to suppose that they might be in a position to lend £4,000,000 for advances and £1,000,000 for bonus.

86. We take first the case of advances. If the financial conditions should improve so far as to make it possible to make a public issue of stock at a price satisfactory in the opinion of the Treasury, public issues might be resumed.

Advances.

87. In the meantime, if, in exchange for cash, stock were to continue to be issued to the National Debt Commissioners at the certified price of the day, it is not probable that the excess stock created in each year in order to raise £4,000,000 cash would amount to more than £700,000, that amount being based upon an average price as low as 85, and the annuity at $3\frac{1}{4}$ per cent. required to pay off this charge would amount to £22,750.

88. As we have already shown, the balance of the Development Grant available to meet such a charge is at present £68,000, and consequently, if our recommendations are adopted, it is probable that this sum will suffice for at least the next three years to finance land purchase without any burden in respect of excess stock falling upon the Irish ratepayer. We do not think it incumbent upon us to suggest the manner

*Effect on
Development
Grant.*

in which the excess charge should be met after this interval, partly because we trust that the cessation of public issues for so long a period will produce a recovery in the price and a consequent deferment of the necessity, and partly because we make later a recommendation which will tend, we anticipate, to reduce still further the claims upon the Guarantee Fund.

89. Our suggestion for restricting the issues in this way has not been made without reluctance in view of the evidence which we have received in favour of expediting land purchase, but we consider the delay which is involved in the suggestion as the least evil of any that we have had to face, and as inevitable in the circumstances.

*Position of
Tenant
Purchaser.*

90. Although the tenant purchaser does not at once get the full benefit which he will ultimately obtain when the advance is made, it was not to be expected, in view of the large number of applications, that money would be available immediately the agreements were concluded. As a matter of fact, however, he still obtains during the interval a considerable reduction in his annual payments. If, for the sake of illustration, the amount of reduction in his rent for which he has bargained is 20 per cent., and he pays interest on his purchase-money at the rate of $3\frac{1}{2}$ per cent., his position will be as follows:—

91. Assume his rent to have been £100 per annum, the purchase price to which he will have agreed will be such a sum as at $3\frac{1}{2}$ per cent. (the amount of his purchase annuity) will produce £80, viz., £2,461 10s. Interest at $3\frac{1}{2}$ per cent. on this amount represents approximately £86. In the case in question, therefore, the tenant purchaser has been temporarily benefited to the extent of £14 per cent. by his agreement to purchase; while he can still look forward to an ultimate reduction in his annual payments of £20 per cent.

It must not, moreover, be forgotten that he is also a ratepayer, and that our proposal to reduce the charge for excess stock will benefit him in that capacity.

*Position of
Landlord.*

92. In the instance assumed the landlord will receive during the same interval £86 per annum net, instead of £100 gross rental. According, therefore, as his rent collection expenses amount to more or less than 14 per cent. of his gross rental he is an actual gainer or loser by the transaction. But he receives no bonus nor interest on the bonus until the vesting order is made.

93. His position is aggravated if, as we understand is frequently the case, his estate is encumbered and the interest rate paid upon the encumbrance during the period between the filing of the agreement and the receipt of the purchase-money greatly exceeds the rate which he is receiving from the tenant. On the other hand his rental was less secure than the interest on his purchase-money which is collected for him by the Land Commission.

*Prices under
Earlier Acts.*

94. But the argument which has weighed most with us is the ultimate gain which all our evidence tends to show the landlord receives when his purchase is completed. Under the Land Purchase Acts, 1885 to 1896, purchase prices for all categories of rental sold were as follows:—

Year.			Price divided by rent.	
			All Ireland.	By Counties.
1886	-	-	18	23·6 — 13·8
1887	-	-	17·6	20·6 — 11·5
1888	-	-	17·0	19·7 — 12·4
1889	-	-	16·4	19·7 — 13·2
1890	-	-	16·7	19·8 — 13·2
1891	-	-	17·0	19·9 — 13·7
21st August, 1891, to 31st March, 1893			16·8	20·1 — 10·7
Year ended 31st March, 1894			17·1	25·1 — 12·5
"	"	1895	16·9	21·2 — 6·6
"	"	1896	16·7	20·5 — 11·3
"	"	1897	16·5	21·2 — 12·4
"	"	1898	17·5	20·3 — 11·6
"	"	1899	17·7	19·8 — 15·1
"	"	1900	17·9	20·5 — 15·7
"	"	1901	17·8	20·5 — 15·1
"	"	1902	18·0	20·7 — 15·3
Nine months to 31st December, 1902			18·1	22·1 — 16·1

95. From 1894 to 1900 the stock was at a premium; but in 1901 and 1902 the stock was at a discount; so that the cash value of the purchase price ran to rather less than 18 years' purchase in these later years.

96. These figures must be understood as applying to a range of tenancies of the most diversified possible kinds, and may be pressed too far in comparing prices before 1903 with prices under the Act of that year.

97. Nevertheless, the figures may be taken as showing that under these Acts Land Purchase proceeded on an average price of less than 18 years' purchase, payable in stock from 1891.

98. It is claimed that insolvent estates only, where vendors were under pressure to sell at any price, were sold under the Ashbourne Acts; and Mr. Wyndham, before 1903, used language of the kind which is quoted in a report of the Landlords' Convention. (House of Commons Paper 89, of 1903). But many valuable properties were sold under these Acts.

99. With these figures should be compared the following statistics taken from the reports of the Estates Commissioners representing the result of land purchase under the Act of 1903:— *Prices under Act of 1903.*

2ND-TERM JUDICIAL RENTS, OR POST 1896 RENTS.

(a) Within the Zone.

	Rent. £	Purchase Money. £	Years' Purchase.	Bonus.
Ulster- - - - -	64,896	1,651,304	25·4	3·0
Leinster - - - - -	70,784	1,729,014	24·4	2·9
Connaught - - - - -	5,565	137,622	24·7	2·9
Munster - - - - -	28,870	685,358	23·7	2·8

(b) Above the Zone.

Ulster- - - - -	91	2,659	29·0	3·5
Leinster - - - - -	218	6,087	27·9	3·3
Connaught - - - - -	11	305	27·7	3·3
Munster - - - - -	—	—	—	—

(c) Below the Zone.

Ulster- - - - -	1,109	22,677	20·4	2·4
Leinster - - - - -	3,623	73,945	20·4	2·4
Connaught - - - - -	418	8,571	20·4	2·4
Munster - - - - -	4,641	94,051	20·2	2·4

1ST-TERM JUDICIAL RENTS.

(a) Within the Zone.

	Rent. £	Purchase Money. £	Years' Purchase.	Bonus.
Ulster- - - - -	24,587	543,494	22·1	2·6
Leinster - - - - -	93,411	2,116,084	22·6	2·7
Connaught - - - - -	14,993	329,795	22·0	2·6
Munster - - - - -	48,596	1,036,343	21·3	2·5

(b) Above the Zone.

Ulster- - - - -	674	17,069	25·3	3·0
Leinster - - - - -	1,415	35,018	24·7	2·9
Connaught - - - - -	448	11,283	25·1	3·0
Munster - - - - -	189	4,755	25·0	3·0

(c) Below the Zone.

Ulster - - - - -	386	6,557	17·0	2·0
Leinster - - - - -	717	12,063	16·8	2·0
Connaught - - - - -	130	2,245	17·1	2·0
Munster - - - - -	2,104	35,316	16·7	2·0

NON-JUDICIAL CASES.

Ulster - - - - -	17,280	399,276	23·1	2·7
Leinster - - - - -	77,397	1,685,045	21·8	2·6
Connaught - - - - -	8,859	197,637	22·3	2·6
Munster - - - - -	45,902	955,471	20·8	2·5

100. Indeed, it would appear from the evidence which we have received that the price obtained by the landlord for his land in many cases exceeds (with bonus) the price paid for the best secured ground rents in Belfast.

101. With such a price in prospect we do not consider that the landlord has reasonable ground for complaint if he has to submit to a certain delay, in order to avert the heavy charge which must otherwise fall on the ratepayers of Ireland.

102. But we share the general desire that land purchase should be carried to completion with as great expedition as may be possible in the interest of the community at large.

Landlords to be given option of taking Stock.

103. We therefore recommend that in cases which have reached the stage for making the advance, but for which cash is not immediately available, the landlords should be given the option of accepting their purchase-money in Guaranteed $2\frac{3}{4}$ per cent. Stock at the market price of the day if below par, subject, however, to a minimum price of £92, the bonus to be payable, as hitherto, in cash.

104. As bearing upon the value of this offer we think stress should be laid on the fact, which is not, we imagine, sufficiently realised, that under the existing terms of the Act (unless the average rate of accumulation falls below $2\frac{3}{4}$ per cent.) the stock will be redeemed by the sinking fund within $68\frac{1}{2}$ years from the date of issue, and it may be confidently assumed that, when issues of the stock have ceased and the sinking fund instalments come to be applied to buying the stock for redemption, the price will tend to rise to par.

105. We are unable to predict how far the landlords are likely to avail themselves of this option, but we think it probable that a considerable number, at any rate, of those whose agreements have only recently been concluded will prefer to avail themselves of the advantages which it offers rather than wait their turn in the issue of cash advances. So far as the option is exercised it would reduce the rate at which the increase of charge for excess stock will in future fall on the Development Grant and so tend to increase the amount of agreements that could be dealt with before the Development Grant is exhausted and recourse is had to the rates.

106. We have suggested a minimum price of 92, because the yield of $2\frac{3}{4}$ per cent. stock at that quotation is approximately 3 per cent., and we consider that if the landlord is assured of a return of that amount on his purchase money (in addition to the receipt of his bonus in cash) he may, in some cases at any rate, be induced to hold his stock as an investment rather than throw it upon the market. We think that if it were announced that public issues would be limited in amount and would not be made at a price lower than 92 or thereabouts the effect should be to bring about an improvement in the price of the stock.

Raising of Cash for Bonus.

107. We propose, however, that the existing obligation to raise money for bonus by the issue of stock should not be maintained. The charges in respect of bonus are borne upon the votes, and we think it desirable that discretion should be given to the Treasury as to the means by which the cash should be raised.

"Bonus Dividend."

108. Our recommendations with regard to the pending agreements have the advantage, that they abolish the necessity for the charge for bonus dividend. In the case of issues of stock to the National Debt Commissioners, the dividend payable upon the stock will be precisely the amount, and no more, that has been earned in the period since its issue. The bonus dividend is a device employed to render the stock more attractive to the public, and with the cessation of public issues the need for the device will also disappear. Should it be decided in the future to have recourse to the public issue of stock, the bonus dividend should be treated, not as a charge upon the Income account of the Land Purchase Fund, but as a capital charge, and should be included in the expenses of issue.

"Advance Dividend."

109. In this connection we consider that the charge for advance dividend is one that should properly not be thrown upon the Guarantee Fund. The charge arises owing to the fact that the gale day on which the purchase annuities are payable is in each case one month earlier than the dividend day. This interval is necessary to enable the annuities to be collected and paid over to the National Debt Commissioners before the dividend day. But the result is that the payment received from a tenant on his first gale day includes interest for one month less than the period in respect of which dividend is payable on the stock.

110. We recommend that power should be taken to require the first payment made by a tenant to include this month's interest. This proposal we make not merely in regard to future agreements, but also in respect of those agreements already concluded.

111. We consider our suggestion to be justified by the following reasons. The additional charge only affects one half-yearly payment by the tenant (namely, the first), and is therefore a small matter as regards each individual, but when the individual amounts are accumulated and thrown together upon the rates their effect is not inconsiderable. Moreover, the charge is incurred entirely in the interest of the tenant purchaser and not in that of the ratepayer, and it seems equitable that it should be borne by the person for whose benefit it has arisen.

112. Lastly, the charge is not a final one, but will be adjusted when the ultimate payment of the annuity comes to be made. This is the case, no doubt, whether the charge is borne by the tenant or the rates, but it is advanced as an additional reason why the tenant should not complain if he is required now to make a payment of which he has hitherto been somewhat inequitably relieved at the expense of the rates.

113. We hope that by these means two of the incidental charges can be disposed of, and a third—that on account of interest accrued but not received—is essentially one which can and should be met from a working balance. The remaining two—unproductive balances and arrears in the annuities—are, in our opinion, proper charges to be borne by the ratepayers of Ireland. Their amount should not, however, be heavy.

Remaining incidental charges.

FUTURE AGREEMENTS.

114. As regards future agreements, we are agreed that no scheme of land purchase would be sound of which the finance is not made self-supporting.

Finance to be self-supporting.

115. In order to secure this it is essential in the first place to increase the annuities payable by the tenants to such an amount as should in ordinary circumstances be sufficient to provide the full amount of interest on the stock issued for advances and at the same time allow a sufficient amount for sinking fund.

116. Within reasonable limits the cost of raising capital is very little affected by the denomination of the stock. But, so far as there is any difference, our evidence shows that a 3 per cent. stock is somewhat more attractive to the investor than a $2\frac{3}{4}$ per cent. stock, and ought to give a shade of advantage in the price.

117. We are therefore in favour of taking power to issue a 3 per cent. Guaranteed Stock redeemable at par after a period of years in place of $2\frac{3}{4}$, although we do not consider that the power to raise money by the issue of Guaranteed $2\frac{3}{4}$ per cent. Stock should be surrendered. For an operation so vast and extending over so long a period it is desirable to have alternative methods of financing. Possibly before land purchase operations are completed, circumstances may have altered so much as to make a $2\frac{3}{4}$ per cent. stock the best form of security.

Power to issue 3 per cent. Stock.

118. If in the meantime it is decided to raise cash by the issue of a 3 per cent. stock we consider that the Guarantee Fund should be safeguarded from any recurrence of a charge for excess stock by the provision that the stock shall not be issued below par. When, in the opinion of the Treasury, the stock could not be issued at a higher price than this, cash issues should cease, but lest land purchase should be arrested altogether we submit that power should be taken to issue stock to the landlord, should he elect to take it, at its face value.

Tenant's Annuity to be $3\frac{3}{8}$ per cent.

119. Whatever method be adopted for raising money for advances, in view of the incidental charges which must be incurred, we do not think that the financial position would be sufficiently safeguarded (unless the conditions of the money market materially improve) if the tenant's annuity were fixed at a lower rate than $3\frac{5}{8}$ per cent. We consider that $\frac{1}{8}$ per cent. should amply cover the incidental charges, so that at least $\frac{1}{2}$ per cent. would be available for sinking fund.

120. Having regard to the importance of reducing the period of the operations of land purchase, to which we have already alluded, we should have preferred to see the rate of annuity fixed at $3\frac{3}{4}$ per cent. We cannot, however, recommend this rate, because such an increase in the sinking fund portion of the annuity would involve a radical change in the scheme of land purchase provided by the Act of 1903, and would introduce material differentiation between the tenant purchasers whose agreements are already concluded and those who would purchase under the new scheme.

*Increase of
Bonus.*

121. Our evidence shows that the changes we recommend, if adopted, would be likely to have a prejudicial effect upon land purchase if, at the same time, the bonus percentage is reduced, as in existing circumstances seems inevitable, to as low a rate as 5 per cent. We have already explained that this reduction in the rate of the bonus is due to the underestimate formed at the time the Act was passed of the extent of its operations, and we think that there would be some justification for raising the bonus above 5 per cent.

LABOURERS' ACT LOANS.

122. If steps are hereafter taken to relieve the Local Taxation Grants of the charge for excess stock incurred in the ordinary transactions of land purchase, there appears to us to be no reason why the Grants should be relieved of this charge on money raised for loans under the Labourers' Act, 1906. The local taxation claim to relief in the case of loans for land purchase is justified on the ground that local authorities have no concern with land purchase. But the provision of labourers' cottages is essentially a matter of local government, and it is appropriate that the charge in that case should fall on local taxation moneys.

SUMMARY OF RECOMMENDATIONS.

1. Notice to be given of a date after which no Agreements can be accepted or entered into under the terms of the Irish Land Act, 1903 (para. 82).

As regards the Pending Agreements.

2. No alteration to be made in the terms of bargains already concluded and lodged, but no Stock to be issued to the public so long as the conditions of the money market are unfavourable, cash advances being in the meantime limited to the amount of cash which the National Debt Commissioners may be able to provide in exchange for Stock (paras. 83-101).
3. In cases which have reached the stage for making the advance, but for which cash is not immediately available, the landlord to be given the option of accepting his purchase money in Guaranteed $2\frac{3}{4}$ per cent. Stock at the market price of the day subject to a minimum price of 92 (paras. 102-106).
4. The bonus in the latter case as well as, of course, in the case of the landlords who receive their purchase money in cash, to be paid as hitherto in cash; but the Treasury to have discretion as to the means by which the cash for bonus should be raised (paras. 103 and 107).

As regards Pending Agreements and Future Agreements alike.

5. The "bonus dividend," when need for it arises, to be treated as one of the expenses of issue (para. 108).
6. The "advance dividend" to be paid by the tenant purchaser on his first gale day (paras. 109-112).

As regards Future Agreements.

7. Power to be taken to issue a 3 per cent. Guaranteed Stock, but the power to raise money by the existing $2\frac{3}{4}$ per cent. Stock to be retained (paras. 116 and 117).
8. No issues of the 3 per cent. Stock to be made below par (para. 118).

9. But when issues cannot be made at par or above, the landlord to be allowed to take his purchase money in 3 per cent. Stock at its face value (para. 118).
10. The tenant's annuity not to be lower than $3\frac{5}{8}$ per cent. and to provide for incidental charges as well as for interest and sinking fund on the stock (paras. 119 and 120).
11. The limit of twelve millions of cash for bonus might be extended if necessary (para. 121).

We are under great obligation to Mr. Behrens for the zeal and ability which he has shown in the discharge of his duties as Secretary to the Committee.

WALTER RUNCIMAN

FELIX SCHUSTER.

T. L. HEATH.

W. BLAIN.

PATRICK DUNCAN.

W. R. DAVIES.

18 February, 1908.

N. E. BEHRENS
(*Secretary*).