

CHAPTER III

PROFITABILITY OF SUBDIVISION

Two types of subdivision can occur, (a) by a "middleman" who buys up estates for the purpose of subdivision; (b) by the owner of an estate, who applies for subdivision to the Land Office which issues new titles in place of the original. These titles may be held in the names of his family or relatives. Technically each becomes a separate holding.

Generally the "middleman" is either Indian¹ or Chinese, being merchant, landowner, or money-lender.

After buying an estate, he gets a private surveyor to demarcate or subdivide the land. He then sells the land piecemeal to smallholders. In many cases the latter have purchased land before the necessary subdivisional proceedings have taken place, and have therefore paid for and occupied land without holding a legal title to it. Before any kind of money is paid over, some kind of paper agreement is signed by the parties concerned.² In the meantime, the "middleman" applies to the Land Office for subdivision; this may take anything from 1 to 5 years depending on the condition and size of the estate, the State in which this is occurring and on the

1. The man regarded as the pioneer "fragmenter" is a Mr. Arumugam Pillay of Bukit Mertajam, and who fits all the three categories mentioned.

2. The Assistant District Officer, Bukit Mertajam.

amount of work the survey office has.¹

Subdivision is profitable because of large differences between buying price of an estate and its subsequent selling prices. This is the reverse of bulk sale and therefore higher prices are obtained. This follows from the fact that there are fewer people willing and able to purchase a large holding.

Before we decide whether subdivision is profitable, we shall have to look at the costs side of the picture. These will comprise the prices paid for estates or for parts of estates, the actual costs of subdivision, brokerage charges and areas surrendered as reserves.

Table 15 shows the prices per acre of pieces sold.² Prices will depend on the age of the rubber, the rubber nearing its economic age will fetch a lower price than mature rubber. From the Table it can be seen that the prices paid for old rubber range from \$169.7 per acre to \$460.8 per acre, thus giving an average of about \$315 per acre. There is ^a fairly large range of prices for such rubber and this is probably due to differences in the age of the trees; \$169.7 was presumably paid for rubber land which was ready for burning.

The prices obtained for immature rubber are \$943.7 and \$1,074.7 per acre. Such high prices are paid probably because of the prospects of larger returns when these trees reach maturity.

1. An average subdivision takes 6 months to complete if given priority, otherwise, 3 years. The period to complete subdivision means date of receipt of the Requisition for Survey and the date of forwarding the settlement tracing to the Land Office. - The Chief Surveyor, Perak.

2. This table is derived from Table VI in Chapter II.

PRICES PER ACRE OF PIECES SOLD, 1956-58.

Planting Company	1956		1957		1958	
	Acreage sold	Price per acre \$	Acreage sold	Price per acre \$	Acreage sold	Price per acre
1. Aberfeyle Plantations Ltd.	2680(0)	341.9			143	2832.2
2. Allagar R. Plantations Ltd.			429(0)	375.8		
			824(T)	1207.2		
3. Aler Pengur Anal. Estates Ltd.	544(0)	257.3	7362	612.9		
			752	486.3		
4. Amherst Estates (Sel.) R. Co. Ltd.			479	4474 →		
5. Anglo Asian R. Plantation				716	3438(0)	169.7
6. Bagan Serai R. Estates Ltd.					2031	324.5
7. Banting (Sel.) R. Estates Ltd.			estate sold	765.00		
8. Batu Tiga (Sel.) R. Co. Ltd.					1443	1021.7
9. Bernam (Perak) R. Plantation			218	125.2		
10. Bekoh Consolidated R. Co. Ltd.			311	330.7		
11. Bukit Tupah			1512	529.0	remain- ing estate sold	378.9
12. Eow Seng R. Co. Ltd.			840	416.3		
13. Escote R. Co. Ltd.			7552	639.0		
			1277	352.5		
			54(T)	1312.5		
14. Gordon (Mal.) R. Estates Ltd.			1037	332.7		
15. Hevea (Johore) R. Estate			1038	249.5		
16. Hoscote R. Co. Ltd.			889	466.8		
17. Layang R. Co. Ltd.			275(0)	233.4		
18. Kuala Muda R. Estates Ltd.					2040(0)	419.7
19. Ledang Bharu R. Co. Ltd.			916	531.5		
20. Lendu R. Co. Ltd.			671(0)	383.2		
21. Malay R. Planters Ltd.			1850	701.8		
			137(T)	1782.1		
			457.0	459.5		
22. Harboureugh R. Estate Ltd.	176(0)	1996.8				
23. Pilmeor R. Estate Ltd.	651(0)	460.8				
24. Sembilan R. Estates Ltd.	33(T)	1145.3				
25. Sengat R. Co. Ltd.	50					
26. Singapore Para R. Co. Ltd.			1365	345.7		
27. Sg. Bharu R. Estates Ltd.	494(0)	311.1	932	395.4		
28. Sg. Chinoi Rubber Co. Ltd.			988	459.8		
29. Sg. Matang Rubber Estate Ltd.			398	636.6		
30. Tall Ayer Rubber Estates Ltd.			1046	7648 → P.M.		
31. Third Mile Rubber Co. Ltd.			66	561.0		
32. Jong Lander Rubber Co. Ltd.	366(0)	456.7				
33. Loxer Perak Rubber Estates Ltd.	51(Res)	289.9	1752	148.1	590	238.0
34. Waterfall (Sel.) Rubber Co. Ltd.	1071(0)	240.55				
	1340					
35. Central Perak Rubber Co. Ltd.	1219	615.3	771	547.1		
36. Bertram Consolidated R. Co. Ltd.	2729	219.9				

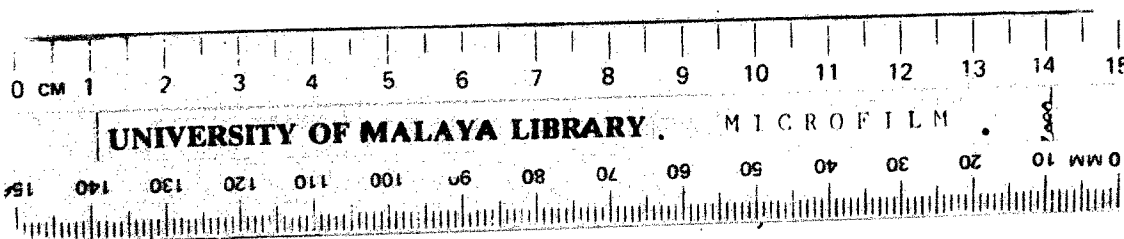
TABLE 15 (CONT'D.)

Planting Company	1956		1957		1958	
	Acreage sold	Price per acre \$	Acreage sold	Price per acre \$	Acreage sold	Price per acre
17. Federated (Sel.) R. Co. Ltd.			727(0)	357.6		
18. Harpenden (Sel.) R. Co. Ltd.					1380	538.1
19. Damansara (Sel.) R. Co. Ltd.			103(0)	433.5		
20. Inche Kenneth Kajang R. Co. Ltd.			795.0	355.5		
1. Berlimau Pegoh R. Co. Ltd.	532	432.3				
	970	327.0				
2. Bukit Lintang Rubber Co. Ltd.	402	516				
3. Kepong (Malay) Rubber Estates Ltd.	1024	439.5				
4. Sedenak Rubber Estate Ltd.	1221	398.2				
5. Bengkibol (C.J.) R. Co. Ltd.			2200	459.5		
6. F.B.S. Rubber Planters Ltd.	3325	332.4				
7. Scottish Malayan R. Estates Ltd.	561(I)	943.7				
	1326(I)	1074.7				

Key:

- O - Old rubber
- T - Tin bearing land
- Res - Reserve land
- I - Immature Rubber.

Source: Zorn and Leigh-Brynt: Manual of Planting Companies 1957-1959.



Also, the prices paid for tin-bearing land are far higher than that for rubber land and range from \$1,145.3 per acre to ~~\$1,996.8~~ per acre. This is only natural since this type of land has a dual use.

Price of land would also depend on the type of title under which the land is held. For example, if there are two plots of land and one is held on a 99 year lease while the other on a grant in perpetuity, the latter would fetch a higher price; the price paid for the former would depend on how much longer the lease had to run.

Generally vacant land has been sold from \$50 to \$200 per acre; old rubber land, \$200-\$400 per acre; and mature budgrafted rubber has fetched from \$1,400 to \$2,000 per acre.¹

Other factors which would affect the price of rubber land are accessibility, locality, the condition of the estate, the yields obtainable, the price of rubber and the type of management.²

Table XVI shows the prices per acre of estates sold in some estates.

1. The Straits Times, 23/1/58.

2. See F. C. Peck, The Valuation of Rubber Estates, (London: Effingham Wilson, 1914) and The Straits Times, 27/7/57.

TABLE XVI
PRICES PER ACRE OF SOME ESTATES SOLD

State	Name of Estate	Acreage sold	Sold for \$	Price per acre (\$)
Penang (a)	(1) Penang Rubber Estate Group	12,420	4,500,000	362.3
	(2) Val D'or Rubber Estate	2,482	1,491,981	601.1
	(3) Choong Lye Hock Est.	236	46,500	154.7
	(4) Gold Grove Estate	2,136	560,000	262.2
	(5) Central Perak Rub.Co.	1,236	461,000	372.2
	(6) Sempah Rubber	1,687	1,329,690	788.2
	(7) Heintze Estate	790	2,050,000	2,582.3
	(8) Lunas Rubber Estate	476	336,800	707.6
	(9) Prye Rubber Syndicate	290	14,000	48.3
Perak (b)	(1) Raefirth Estate	556	347,580	625.2
	(2) Seleno Estate	403	262,275	650.8
	(3) United Winifred	213	202,468.75	950.6
Malacca (c)	(1) Merlimau Pegoh	440	146,400	332.7
	(2) Bukit Lintang	1,098	517,500	471.3
Johore (d)	(1) Bukit Kejang	2,031	73,505.30	36.2
	(2) Mengkibol Estate	248	86,800	350.0
Pahang (e) (Bentong)	(1) Overseas Kwangsi Industry	114	30,000	263.2
	(2) Amalgamated Rubber Estate	301	180,079	598.2

SOURCES: (a) Registry of Deeds, Penang.
 (b) Answers sent by Commissioner of Lands and Mines.
 (c) Registry of Deeds, Malacca.
 (d) Registry of Titles, Johore Bahru.
 (e) Answers sent by Commissioner of Lands and Mines.

Land values are higher in Penang and Perak when compared with Johore and Pahang. This is related to the amount of state land available for alienation, on the degree of population pressure and the relative development of the particular State.¹

1. See Chapter IV.

The second item constituting cost is the expense involved in the form of survey fees, boundary marks, and registration of new titles. Survey fees are calculated according to scheduled rates and vary between different States. Table XVII shows the costs of subdivision incurred by some estates which have been subdivided.

TABLE XVII
COSTS OF SUBDIVISION ON SOME ESTATES

State	Name of Estate	Acreage	Costs of Subdivision
Penang	Penang Rubber Estates Group	12,420. 0. 00	\$68,222.95
Perak	Racfirth Estate	556. 0. 23	7,519.50
	United Winifred Estate	213. 0. 20	2,819.00
Pahang	Overseas Kwangsi Industrial Corp.	113. 2. 20	765.00
	Amalgamated Rubber Estate	300. 3. 39	7,005.00

SOURCE: (a) Penang - The D.O. Nibong Tebal
(b) Perak & Pahang - Answers sent by respective Commissioners of Lands & Mines.

On subdivision a certain amount of land has to be surrendered to the government for access reserves.¹ For example, in the Penang Rubber Estates Group, 770 acres were involved and included 30 miles of bunds, 82 miles of drains and a fresh water canal.² The amount involved is often a source of dispute between the owner and the local

1. See Instructions to Land Officers, Johore, 1936. (Singapore: G. H. Kiat & Co., Ltd., 1936), part 9, section 3, also section 246, F.M.S. Land Code (1930), paragraphs 32-36.

2. Report of a Conference to discuss the sale and subdivision of Penang Rubber Estates, held at District Office, Nibong Tebal, on 30/5/56.

authorities, e.g., in the case of Val D'or Estate, the owners were only willing to surrender 216.4 acres, while the authorities wanted 438 acres.¹ The terrain of the land and the existing access facilities generally determine the acreages involved.

If an estate is sold direct to a buyer no brokerage would be involved, otherwise the rate payable is 2%.² This is paid either to a broker, lawyer, or agency house, whoever is the middleman. In the settlements where deeds are registered, all land transactions have to go through a lawyer.

The costs outlined can now be balanced against prices obtainable for subdivided pieces. In the State of Penang, this information is available only when subdivision is completed and new titles are issued. Even then the sums registered are generally undervalued, in order to evade income tax.³ In the states, exact prices cannot be given as they are officially transferred without recording the considerations.⁴ However, prices paid will depend on the age of the rubber, the condition of the estate, accessibility and proximity to a town or village. Prices are reported to be about \$2,000 per acre in Province Wellesley and on Val D'or Estate, some of the plots were

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1. The D.O., Nibong Tebal.
 2. Legal charges in respect of sales are laid down in the Advocates and Solicitors Ordinance, No.4 of 1947. Scales are, however, not adhered to strictly because of competition for the business (Mr. Koh Guan-lock, a Malacca, lawyer).
 3. The Chief Clerk, The Registrar of Deeds, Penang.
 4. The District Officer, Seremban.

resold at \$2,500 per acre for young budded rubber.¹ In Perak a record price of \$2,400 was paid for one acre. From the interview answers obtained in various parts of the country, the average price for subdivided pieces would be \$1,000 per acre. Of course a road side lot would fetch a considerably higher price and even on a particular estate, different lots would be sold at different prices.

If the prices for subdivided lots are balanced against the prices in Table XV, one can say that in Penang the rate of profit is more than 50%, while that in Perak is about 30%. Within this there are some who made more than a 100% as in the case of Val D'or and the Penang Rubber Estates Group. In spite of the expenses involved in subdivision, it is a profitable business.

Where estates have been subdivided for building purposes, e.g. Heintze Estate, Penang, the prices obtained are more than four to five times the prices paid. Also in Ipoh, a former old rubber estate with vacant land was subdivided, and similar high prices were obtained because of population pressure.² Similarly a former large European rubber estate in the Seremban District and facing the main road, was sold as housing lots. Thus land in or near the environs of towns is being subdivided for building lots.

1. The Straits Times, 3/1/58, 10/4/58.

2. The Straits Times, 20/3/56.

Table XVIII shows the extent of subdivision which has occurred after the sale of estates or of portions of an estate. The largest area involved is in Penang, whereas the larger number of estates or pieces involved is in Malacca. This shows that the areas are much larger in Penang than in the latter. The same can be said of the sizes of the pieces in Johore.

TABLE XVIII
EXTENT OF SUBDIVISION AFTER SALE OF
WHOLE OR PORTION OF ESTATE

State	Acreage Subdivided			No. of Estates or pieces	No. of Subdivisions
	A.	R.	P.		
Penang	16,794	1	05	7	966
Perak	1,368	1	13	4	253
Malacca	1,335	0	32	8	190
Johore	4,582	2	35	5	368
Pahang	414	2	13	2	52
Total	24,495	0	18	26	1,829

- SOURCE:** (a) Penang - District Offices & Registry of Deeds, Penang.
 (b) Perak - Answers received from Commissioner of Lands and Mines.
 (c) Malacca- Registry of Deeds, Malacca.
 (d) Johore - District Offices & Registry of Titles, Johore Bahru.
 (e) Pahang - Answers received from Pahang.

NOTE: The figures for Perak and Pahang are only for 2 districts and 1 district respectively.

The explanation therefore, for the sales of estates and of portions of an estate lies in part, in the opportunities available for subdividing the land.

Whereas the above type of subdivision can be called speculative, the second type occurs so that owners can qualify for replanting grants.

It is advantageous for owners of estates to subdivide their properties for then they can obtain larger replanting grants. Here a significant factor is that most of these areas are under very old rubber. An estate is eligible for a grant of \$400 per acre over a seven year period for 21% of the total acreage. However, the assistance for smallholdings¹ is at the rate of \$600 per acre for 33% of the total acreage. Not only are the grants larger, but the acreage potential is increased.

The profitability of such subdivision can be illustrated by a numerical example. A man owns 1,000 acres; he is then eligible for a replanting grant of \$400 per acre up to 21%. This amounts to $210 \times 400 = \$84,000$. If he subdivides his land into 10 lots of 80 acres each and 4 lots of 50 acres each, he will be eligible for

$$\begin{array}{rcl} \frac{1}{3} \times 800 \times 600 & = & 160,000 \\ & + & \\ \frac{1}{3} \times 200 \times 600 & = & \underline{40,000} \\ & & \$200,000 \end{array}$$

thus the assistance he can receive is increased by \$116,000. This does act as an incentive.

1. A smallholding is defined as a holding of less than 100 acres.

Moreover, he is forced to replant with high yielding strains, so that his income will be fourfold in seven years time.

Like the person who buys an estate for subdivision, the owner of an estate will have to incur subdivision costs, surrender reserves, as well as wait for some time before he can obtain new titles. The time aspect is important in two ways: as the owner of 1,000 acres, the Schedule II cess was refunded to him on the basis of replanting¹; when he subdivides his land, he forgoes the cess; on the other hand, he cannot get assistance from the smallholders' fund unless he has titles to the land. As subdivision has a lower priority than development projects, considerable time elapses before titles are issued.

The revision of rent which might occur on subdivision is in a way a cost, for rents may be raised. The conditions attached to the land may be changed in that he may not be allowed to plant tapioca or he may be obliged to devote a certain acreage to foodstuffs.

One other advantage of subdivision is that if a holding falls below 25 acres, the owner is no longer obliged to provide amenities for his workers.² Consequently costs of production are greatly reduced. In Malacca when any holding falls below 100 acres, the owner no longer pays the agricultural, medical cess.³

1. See Chapter I, note 1, p.11.

2. Under the Federation of Malaya Employment Ordinance of 1955, (38 of 1955) any holding of 25 acres and above, must provide housing, education, a creche, (if there are more than 50 female workers with children) and medical attention.

3. The Malacca Agricultural Medical Board levies this cess and uses it to provide medical services for the estate workers.

TABLE XIX
SUBDIVISION WITHOUT SALE IN
JOHORE, MALACCA AND NEGRI SEMBILAN

State	Acreage Subdivided			No. of Estates Subdivided	No. of Subdivisions
	A.	R.	P.		
Johore	9,430	1	25	44	880
Malacca	6,692	1	17	32	713
Negri Sembilan	3,643	1	35.1	16	221
Total	19,716	0	37.1	92	1,814

This type of subdivision has gone ^{on} to a greater extent in Malacca than in the other two, in relation to the sizes of the states. It also suggests that there is a greater demand for re-planting here.

Table XX indicates that in the three states, the majority of the estates subdivided are under 200 acres. These are followed by those under 300 acres. This indicates that the smaller estates are more frequently subdivided than the larger holdings.

TABLE XX
SIZES OF ESTATES SUBDIVIDED

State	A C R E S							Total
	100-199	200-299	300-399	400-499	500-599	600-699	700-799	
Johore	28	11	-	1	2	-	2	44
Malacca	20	4	6	2	-	-	-	32
Negri Sembilan	9	5	-	-	1	1	-	16
Total	57	20	6	3	3	1	2	92

Table XIX shows the extent of such subdivision.

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Total	57	20	6	3	3	1	2	92

Thus comparing the two types of subdivision, we notice that the latter type is absent in Penang, Perak, Pahang,¹ whereas the former type is absent in Negri Sembilan. In both Johore and Malacca, subdivision without sale predominates. Combining Tables XVIII and XIX, we get the total subdivision.

TABLE XXI
TOTAL SUBDIVISION

State	Acreage Subdivided			No. of Estates involved	No. of Subdivisions
	A.	R.	P.		
Penang	16,794	1.	05	7	966
Perak	1,368	1.	13	4	253
Malacca	7,977	2.	09	40	903
Negri Sembilan	3,643	1.	35.1	16	221
Johore	13,485	1.	00	49	1,248
Pahang	414	2.	13	2	52
Total	43,683	1.	35.1	118	3,643

Penang still has the largest acreage involved and the problem is of greater magnitude in relation to the size of the state.

There are no restrictions on the title under which land is held, so that subdivision is permitted in the Land Code and in Malacca one comes across this in the applications for subdivision, viz. "in pursuance of section 11, of the Crown Lands Ordinance".

It is carried on because it gives larger replanting grants and speculative gain.

1. Incidentally, it is noticed from a set of answers received from Bentong, Pahang, that they do not know of any replanting rates.