

and a corresponding proportion of the town's maintenance will be thrown on the inhabitants. The rental payable to the Crown for the leased sections, particularly for suburban land, is very low in proportion to the present value of the land, and the transaction is not a profitable one from the Crown's point of view. The value of these lands as a permanent State endowment is very uncertain. Not only the prosperity but the practical existence of the Town of Rotorua depends on its popularity as a tourist and health resort. It is impossible to say what its position in that respect may be eighty or ninety years hence.

The preponderance of the evidence tendered at the inquiry was distinctly in favour of the acquisition of the freehold by the present Crown tenants, but in a number of cases its acceptance was qualified by conditions which were suggested by an uncertainty as to the consequences which would follow from the change. These qualifications referred principally to the liability of the property-holders to make good the loss to the town of the Crown rents, and to the additional liability which might devolve upon them by a change in the system of town management and control. The chief objection from those not disposed to ask for the freehold was that they were satisfied with present conditions and opposed to any compulsory change.

In addition to other reasons already assigned for granting the freehold to lessees, we are of opinion that the accumulation of the cash value of the State's present interests during the ensuing eighty years (the unexpired term of the leases) will exceed the probable increase in the value of the land at Rotorua during that period. (See Appendix C.)

4. While we sympathize with the sublessees in their desire to acquire the fee-simple of their sections, we have come to the conclusion, after careful consideration of the facts and arguments placed before us, that the Crown should not grant the freehold direct to the person holding the subsequent or inferior title except in cases of transfer. We are of opinion that in the case of sublessees the grant of the freehold title should be made only to the person holding a title direct from the Crown; but where the Crown lessee's interest in the lease has, with the consent of the Commissioner of Crown Lands, been absolutely transferred to another, the fee-simple should be granted direct from the Crown to such transferee.

There are, in our opinion, three different methods by which arrangements could be made for granting the freehold tenure, provided the State be willing to grant it—

- (1.) The Crown lessee could buy the freehold and let his sublessee acquire from him the freehold of such area as he (the lessee) rents, the Crown lessee retaining the freehold of the area he has not sublet.
- (2.) The sublessee might deal direct with the State (*a*) with the consent of the Crown lessee, or (*b*) without such consent. In these cases the State would, on receiving the purchase-money, deduct all that is due to itself and pay the balance to the Crown lessee. The procedure under (*a*) might prove a convenience to the Crown lessee who has not got the money to buy the freehold himself, but is perfectly willing that his sublessee should acquire it. We cannot recommend the procedure under (*b*).

The majority of the witnesses (there being only two or three exceptions), expressed their willingness to assist their sublessees to acquire the freehold. The Maoris also expressed their intention to let their sublessees get the freehold of their holdings.

- (3.) There is a third possible way, but it is one we cannot support—viz., the State could compulsorily resume possession, pay the Crown lessee what is due to him, and then sell the freehold to the sublessee. We mention these methods because several sublessees and members of the Chamber of Commerce were very emphatic in their desire for such procedure.