

We are opposed to the introduction of any legislation having for its object the compulsory acquisition by a Crown tenant of any land leased by him at Rotorua, or the compulsory disposal by him of the freehold of the respective sections held by his sublessees, as being unsound in principle, and destructive of confidence in a Government contract for lease, and subversive of vested interests generally. It would be impolitic from a State point of view, as the principle might be sought to be applied to any land in the Dominion leased by the Crown. No doubt there are occasions on which it is desirable the Crown should re-enter upon private property, but that is only where it is urgent, such as where the land is required for public works; but there is no such imperative reason with regard to the acquisition of the lands in Rotorua, and therefore no justification for any extraordinary procedure.

5. This is partly dealt with in our answer to question No. 2—the proportions being $22\frac{1}{2}$ per cent. for the town and 15 per cent. for the suburbs.

The total unimproved value of the land at Rotorua is £469,932. The State, having by lease alienated the land for an unexpired term of eighty years, retains the reversionary interest in it and its interest in the ground rental during the continuance of the leases. In our opinion these interests combined are worth £46,677. (See Appendix C.)

In settling with each buyer of the freehold we suggest that a separate valuation of each holding be made at the time of purchasing it. The lessee's interest in the improved rent should be estimated, the State receiving not only the present value of its reversion in the land capitalized at 5 per cent., and the present value of the annual rental for the unexpired term of the lease, but also $22\frac{1}{2}$ per cent. of the estimated unimproved value of the land if in town, or 15 per cent. of such value if in the suburbs of Rotorua.

6. We are of opinion that where a Crown tenant has dedicated land for the purpose of a public road so as to enable him to subdivide his holding into sections and dispose of his interest therein, or to sublet portions of the land, he should not be entitled to any exemption or rebate on account of the land by him set apart for the use of the public as roads, but should be required, upon obtaining a freehold title to his leasehold property, to purchase from the Crown at their unimproved value the lands so dedicated or granted, on the same terms and at the same time as he acquires the rest of the property; for the reasons that—first, his dedication was subject to the Crown's interest in the reversion, and, secondly, the subletting of portions of his land, which consequentially involved the giving of access by defined roads to each subdivision, was done for the advantage of the tenant himself and not in the interest of the State. The enhanced value given to each section was a benefit conferred on the lessee alone. No additional rent or profit accrued to the Crown.

Referring to the last paragraph of Your Excellency's Commission, we beg to submit that the granting of the freehold as recommended by us will necessarily involve an alteration in the management and control of the town. As previously mentioned, the rents from Crown leases within the township provide a large proportion of the means for the maintenance of roads and streets. As the freehold of the lands now leased is gradually acquired the rents will diminish, and in time will be no longer available for providing funds for town requirements. It will become necessary, therefore, to introduce some system of control whereby additional funds may be obtained to replace the money lost by the decrease of rents. In our opinion this extra burden should fall upon the property-holders, who have not hitherto contributed anything to the upkeep and maintenance of their roads and streets.

As already mentioned, the present system of town government cannot much longer continue. The legitimate demands on the revenue are yearly increasing, while the gross Crown rent is a fixed and unalterable sum for the next eighty years. There are many roads in the suburban portion of the town giving access to a number of residences which, not having been legally dedicated to the Crown, are not a present charge on the town revenue. The convenience of the residents