

have fixed an extreme rental, we may add that at a rent of £800 and the annual value of the £10,000 for twenty-one years at £6 per cent. (£850), and the forgiveness of debts due by several of the Native owners amounting to over £5,000, the actual cost to Messrs. Meinertzhagen and Moore of the leasehold of over 18,000 acres was about £2,200 per year. The unchallenged accounts show that during the last thirteen years the lessees made a profit only in the last three years. During the whole twenty-one years of the lease there were eleven years in which the estate was worked at a loss, and it was the profits in 1904, 1905, and 1906 that enabled the losses made to be recouped and a profit returned. The net profit, without including any charge for risk or personal supervision or management, was, if spread over the twenty-one years, at the rate of £2,092 per annum. We are not aware whether such a profit is considered extravagant for the risk of an investment of from £15,000 to £31,000 of capital, and for personal supervision. We have not had before us the returns of sheep-farming in the colony.

We may, however, point out that if the rent had been at the rate we recommend it would have been at about 4s. 6d. more per acre than was paid, and allowed for the payment of the £10,000, and the forgiveness of debts of over £5,000. Or, to put it another way, the total profits for twenty-one years means 2s. 3d. per acre per annum on 18,487 acres. If the rent, &c., had been at our rate, instead of a profit there would have been a loss of about £40,000.

Counsel for Mrs. Donnelly and party have said that a fortune has been made by the lessees out of their lease. It is not necessary for us to point out that were such the case that would not influence us in coming to a conclusion as to what should be the proper terms and conditions of a lease now of the Waimarama Estate or any part of it. We cannot believe that counsel made the statement with any such object. If such considerations were to influence us, the counsel on the other side might with much force have pointed out that Mrs. Donnelly and Mr. Donnelly must have made a vast fortune out of the part subleased to them for the rental of £1,000, after deducting the annual value of £10,000 for twenty-one years at 6 per cent. (£880), leaving a rental of only £150, or about 2½d. per acre for land that it is said carried two sheep to the acre.

We must assume that the statement was made to draw our attention to the fact that large profits were made by lessees of Native lands under the system that existed in the past of leasing Native lands. And the fact that such a statement has been made by counsel for a Native chieftainess no doubt raises the question whether, in order that the mistakes and wrongs, if such existed in the past, may not recur, it is not our duty to inquire and report on the profits made by all holders of Native lands in Hawke's Bay and other districts. We have no doubt that if we consider that we are bound by the terms of our Commission, and if time permits, to make such an inquiry, we will be assisted by those who have held or are holding Native land on leases as we have been by the production of Messrs. Meinertzhagen and Moore's statement of accounts.

The consideration of many questions that this case raises we must defer till we send in our general report.

Re POUKAWA NATIVE RESERVE AND ADJOINING LANDS.

The Poukawa Block originally contained 3,680 acres, belonging to sixty-one owners. It has been subdivided, and the reserve proper now contains about 1,260 acres of swamp land. This reserve includes a portion of the Lake of Poukawa. There is a considerable area round the lake of swamp land covered with raupo. A proposal has been made to drain this swamp, and we forward herewith the report of the engineer, Mr. C. E. Kennedy, on the drainage proposal. It will be seen that the lake consists of 640 acres, and the surrounding raupo land contains an area of 2,417 acres—in all, an area of 3,057 acres. The drainage proposal would limit the area of the lake to 200 acres. Possibly in time of flood the area would be 200 acres more—in all, 400 acres. There seems to be no engineering difficulty in the way of giving effect to the proposal, and this without any injury to any neighbouring property. The gain to the owners of the wet land would be very considerable. The engineer estimates that the increased value of the land would be £28,090, and he estimates the cost at £6,000. The Government have interests in two of the blocks