

1914.
NEW ZEALAND.

ROTORUA TENURES COMMISSION

(REPORT OF).

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION.

LIVERPOOL, Governor.

To all to whom these presents shall come, and to Frederick James Burgess, Esq., of Thames, Stipendiary Magistrate; and Frederick George Ewington, Esq., of Auckland, Land Agent. Greeting.

WHEREAS it is desirable to inquire into the tenures under which land in the township and suburbs of Rotorua has been leased by the Crown, and into the subdivisions of the said leases, and to ascertain whether the original tenants and their transferees and sublessees should be allowed to acquire the fee-simple of the land held under lease or sublease by them, and, if so, under what conditions :

Now know ye that, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and all other powers and authorities enabling me in this behalf, I, Arthur William de Brito Savile, Earl of Liverpool, Governor of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council thereof, do hereby appoint you, the said

FREDERICK JAMES BURGESS and
FREDERICK GEORGE EWINGTON,

to be a Commission for the purpose of inquiring by all lawful means into the above matters, and for that purpose to inspect such of the said lands as you may deem desirable, and to report—

1. As to what leases have been issued by the Crown over land belonging to the Crown in the town and suburbs of Rotorua under the authority of the Thermal Springs Act, 1881, the Land Act, 1892, or any other enactment of the General Assembly or purporting to be issued under any lawful authority.

2. The approximate expenditure of public money between the 1st April, 1890, and the 30th March, 1914, on permanent works within the town and suburbs of Rotorua, and what proportion of the increase in the unimproved value of the land held as aforesaid is due to such expenditure.

3. Whether it is desirable in the interests of the State that any of the holders of the aforesaid lands should be allowed to acquire the fee-simple thereof, or whether the Crown should itself retain the freehold and only allow the land to be held on leasehold tenure.

If it is desirable to allow the fee-simple of any of the aforesaid lands to be acquired—

4. Whether it should be granted only to the person holding a title direct from the Crown, or where the land has been transferred or sublet to the person holding a subsequent or inferior title.

5. What proportion of the present-day capital value of the said land, after deducting therefrom the value of improvements thereon, should be paid by the purchaser when acquiring the fee-simple, taking into consideration on the one hand the value of the unexpired term of the lease or other title under which he holds the said land and the validity thereof, and on the other hand the increase in value of the said land occasioned by the expenditure of public moneys by the Crown in the town and suburbs of Rotorua and its reversionary right to the said land.

6. Whether in cases where a lessee has subdivided his holding and dedicated portion thereof as roads or streets he should be required to pay the unimproved value of the land so dedicated when acquiring the freehold of any other portion of his holding.

And with the like advice and consent I do hereby appoint you, the said

FREDERICK JAMES BURGESS,

to be Chairman of the said Commission.

And for the purpose of your inquiry you are hereby authorized and empowered to have before you and to examine all books, papers, documents, and writings you deem necessary, and also to have before you and to examine on oath or otherwise as allowed by law all witnesses or other persons whom you think capable of affording you any information on the subject-matter of the inspection and inquiry hereby directed to be made.

And, using all diligence, you are required to report to me under your hands the result of your inspection and inquiry, with any recommendations you think fit to make in the premises, on or before Wednesday, the thirtieth day of September, one thousand nine hundred and fourteen.

Given under the hand of His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this seventh day of September, in the year of our Lord one thousand nine hundred and fourteen.

W. F. MASSEY,

Minister of Lands.

Approved in Executive Council,

J. F. ANDREWS,

Clerk of the Executive Council.

EXTENDING TIME OF ROTORUA TENURES COMMISSION.

LIVERPOOL, Governor.

To all to whom these presents shall come, and to Frederick James Burgess, Esq., of Thames, Stipendiary Magistrate; and Frederick George Ewington, Esq., of Auckland, Land Agent. Greeting.

WHEREAS by a Warrant dated the seventh day of September, one thousand nine hundred and fourteen, and issued under my hand and the Public Seal of the Dominion, you were appointed a Commission to inquire into and report to me on or before the thirtieth day of September, one thousand nine hundred and fourteen, upon certain matters relating to lands in the town and suburbs of Rotorua: And whereas it is expedient that the said period should be extended as hereinafter provided:

Now, therefore, I, Arthur William de Brito Savile, Earl of Liverpool, the Governor of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in that behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby declare and appoint that the time at or before which you shall present to me your report aforesaid is hereby extended to Saturday, the third day of October, one thousand nine hundred and fourteen:

And with the like advice and consent and in further pursuance of the said power and authority, I do hereby confirm the said Commission, except as altered by these presents.

Given under the hand of His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this twenty-eighth day of September, in the year of our Lord one thousand nine hundred and fourteen.

W. F. MASSEY,
Minister of Lands.

Approved in Executive Council,
J. F. ANDREWS,
Clerk of the Executive Council.

FURTHER EXTENDING TIME OF ROTORUA TENURES COMMISSION.

LIVERPOOL, Governor.

To all to whom these presents shall come, and to Frederick James Burgess, Esq., of Thames, Stipendiary Magistrate; and Frederick George Ewington, Esq., of Auckland, Land Agent. Greeting.

WHEREAS by a Warrant dated the seventh day of September, one thousand nine hundred and fourteen, and issued under my hand and the Public Seal of the Dominion, you were appointed a Commission to inquire into and report to me on or before the thirtieth day of September, one thousand nine hundred and fourteen, upon certain matters relating to lands in the town and suburbs of Rotorua: And whereas by a Warrant dated the twenty-eighth day of September, one thousand nine hundred and fourteen, the period within which you are required to report was extended to the third day of October, one thousand nine hundred and fourteen: And whereas it is expedient that the said period should be further extended as hereinafter provided:

Now, therefore, I, Arthur William de Brito Savile, Earl of Liverpool, the Governor of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in that behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby declare and appoint that the time at or before which you shall present to me your report aforesaid is hereby extended to Thursday, the fifteenth day of October, one thousand nine hundred and fourteen:

And with the like advice and consent and in further pursuance of the said power and authority, I do hereby revive and confirm the said Commission for the purposes set forth in the Warrant dated the seventh day of September, one thousand nine hundred and fourteen, which Warrant, except as altered by these presents, shall be deemed to be incorporated herein.

Given under the hand of His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, at the Government House, at Wellington, this fifth day of October, in the year of our Lord one thousand nine hundred and fourteen.

W. F. MASSEY,
Minister of Lands.

Approved in Executive Council,
J. F. ANDREWS,
Clerk of the Executive Council.

REPORT.

To His Excellency the Right Honourable Arthur William de Brito Savile,
Knight Grand Cross of the Most Distinguished Order of Saint
Michael and Saint George, Member of the Royal Victorian Order,
Governor and Commander-in-Chief in and over His Majesty's
Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

We, the Commissioners appointed under Your Excellency's Commission dated the 7th day of September, 1914, to inquire into the tenures under which land in the township and suburbs of Rotorua has been leased by the Crown and into the subdivisions of the said leases, and to ascertain whether the original tenants and their transferees and sublessees should be allowed to acquire the fee-simple of the land held under lease or sublease by them, and, if so, under what conditions, the period for the return of which said Commission was the 30th day of September, 1914, and which was extended by enlargements dated the 28th day of September and the 5th day of October, 1914, have the honour to inform Your Excellency that we have visited Rotorua and inspected the town and suburbs. Having carefully considered the evidence brought before us, we beg respectfully to report on the matters submitted to us as follows:—

1. On inquiring into the first clause of the deed of submission respecting leases issued in the town and suburbs of Rotorua, we found that leases have been issued as follows: Under the Thermal Springs District Act, 1881, 386 leases; under the Land Act, 1892, 1 lease; under the Public Bodies and Domains Act, 1908, 22 leases; under the Public Reserves and Domains Act, 1908, 20 leases: total, 429 leases. In addition to the above there are, we are told by the Crown Lands Department, hundreds of subleases, but in the time allowed we could not obtain the details.

2. The ascertained approximate expenditure of public money between the 1st April, 1890, and the 31st March, 1914, on permanent works (exclusive of railways) within the town and suburbs of Rotorua was £181,224 3s. 11d. Estimates regarding the proportion of the increase in the unimproved value of the land due to such expenditure ranged from 2½ per cent. to 50 per cent. (that of the Chamber of Commerce being 5 per cent.); but, in our opinion, upon a consideration of the whole of the facts placed before us, we consider a fair assessment of such proportion would be 22½ per cent. in the town and 15 per cent. in the suburbs. This sum should be added to the value of the property, otherwise arrived at, if the freehold is disposed of.

3. We are of opinion that it would be in the interests of the State that any holder of leasehold Crown lands other than occupiers of the Education Reserve desiring to possess the freehold of his land should be afforded the opportunity to do so. From the evidence submitted to us we consider the town would progress to a greater extent if the occupiers of the land possessed it in fee-simple. Instances were related to us of persons desirous of acquiring property in the town who have declined to take an interest in a leasehold and have invested their money elsewhere.

Freehold titles have been acquired for lands bounding the town. Portions of these lands will no doubt be subdivided and sold, and occupied by persons who would otherwise have been town residents. Much of the leased land in the suburbs of Rotorua is at present unused and waste. There is reason to believe that a large part of this would be occupied if a freehold title could be obtained. At the present time the land is of small value to the Crown, because the rents derived therefrom are not retained by the State, but are paid, under the Rotorua Town Act, to the Town Corporation for expenditure on the roads and streets and other requirements of the town. If the land is sold these rents will be capitalized and the sum realized paid to and retained by the Crown.

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.

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

must in time be considered, and the roads formed and put in order. The purchase of the Crown's interest in these suburban blocks which have been subdivided by the Crown tenants will enable a proper dedication to be made, and the town will be benefited by the improvement of these roads and streets, which will then fall under the control of the local authority.

Under the Rotorua Town Act now in operation no provision is made for imposing a rate upon the property-holders. We consider that the present Act is unsatisfactory in its operation as regards the maintenance of works in the town. Holding the view that the inhabitants should contribute to its maintenance, we also consider that they should have a voice in the spending of the money so raised. We do not favour the creation of a municipality at the present time, on account of the large contributions made by the State to town funds. We consider that the Crown should share in the management of the affairs of the town. This we think could be secured by repealing the present Act under which Rotorua is managed, and re-enacting the provisions of the Rotorua Town Council Act, 1900, with the alterations and amendments hereunder stated. We suggest an alteration in the constitution of the Council provided for in the Act of 1900 by giving the public four members and the Crown three, in consideration of the amount which will have in the future to be found by the property-holders. Considering the large interest held by the State at Rotorua and the benefit to the State of the money which will be spent in the maintenance and improvement of the town by the inhabitants, part of the sum required should still be supplied by the Crown in the shape of half the bath fees as at present, and so long as the present rents are being paid those rents should, as formerly, be paid to the town fund.

The following are the alterations and amendments we suggest should be made in the provisions of the repealed Rotorua Town Council Act, 1900, if it is re-enacted so as to meet the present day conditions, viz. :—

Preamble : Alter to suit present circumstances.

Title : Alter year; otherwise as at present.

Clause 2 : Necessary alterations with regard to the body (*i.e.*, substitution of the name of the present Board for the old one).

Clause 4 : Council to consist of seven members, of whom the Resident Officer shall be *ex officio* a member and Chairman; two members to be nominated by the Crown, and four members to be elected by the ratepayers.

Clause 5 : (i) and (ii)—Alter "Clerk of the Town Board" to "Resident Officer." (iii)—Remain as it is.

Clause 6 : Substitute "four members" for "three members."

Clause 7 : Leave date open—"On such date as shall be fixed by the Governor."

Clause 8 : Substitute "Regulations" for "Local Elections Act."

Clause 9 : (i)—Remain as it is. (ii)—Vacancy caused through resignation, &c., of an elected member to be filled by election by ratepayers instead of by appointment by Governor.

Clause 10 : Follow Rotorua Town Act, 1907, as regards this clause, except that power to borrow money by way of special loan shall be limited as to security to special rates payable by the ratepayers.

Clause 11 : Remain as it is.

Clause 12 : (i)—Delete. (ii)—Alter : "Until the waterworks are vested in some local authority the Crown shall have," &c.

Clause 13 : (i) and (iii)—Remain as they are. (ii)—"So long as Crown leases exist in the district."

Clause 14 : Revise dates of the various Acts quoted.

Clause 15 : Remain as it is.

Clause 16 : Remain as it is.

Clause 17 : Delete.

Add section 5 of Rotorua Town Act, 1907, but substituting "Council" where necessary.

We make no recommendation as to the advisableness or otherwise of transferring to the local authority the interest of the Crown in the electric works, the water-supply, and the drainage scheme, but suggest, in the event of the Government deciding to do so, that a valuation be made at the time they are taken over and payment of the cost be spread over a term of years.

We have the honour to forward herewith to Your Excellency—

- (1.) The Commission with which you honoured us.
- (2.) Appendices supplementary to and explanatory of the matters referred to in our report.
- (3.) The notes of the evidence taken during the inquiry.
- (4.) The plans, documents, letters, &c., put in evidence during the inquiry, and a schedule thereof.

In witness whereof we have hereunto set our hands, this twelfth day of October, one thousand nine hundred and fourteen.

FRED. J. BURGESS, S.M.	} Commissioners.
(Chairman),	
F. G. EWINGTON,	

APPENDICES.

APPENDIX A.—GENERAL REMARKS *RE* ROTORUA TOWNSHIP.

As supplementing the specific matter submitted to us for our report, we think it desirable to add by way of an appendix some general observations regarding certain features peculiar to the Town of Rotorua, both as to its origin and maintenance, which distinguish it from any other town in the Dominion. In the first place, it is not a community which has been called into existence by the settlement and cultivation of adjoining lands or by the establishment of any particular industry in or near to it. It has grown up in an otherwise sparsely populated district not to supply a want created by the development of the country, but because it is situated in a locality possessing thermal springs, geysers, and other unusual phenomena which attract sightseers not only from all parts of this Dominion but from overseas.

Induced by the necessity of providing accommodation for visitors, and looking to the profit likely to arise from this form of industry, private enterprise has erected large hotels and numerous and well-appointed boardinghouses. Places of business for supplying the wants of the townspeople and visitors to the district have necessarily followed.

The thermal springs and most of the land containing natural features of great interest which invite the inspection of visitors belong to the Crown. Large sums of public money have been expended from time to time by the State in the erection of baths and other means for utilizing the valuable curative natural springs of the district, in the creation and maintenance of public gardens and recreation-grounds, and generally in rendering more available and enjoyable the numerous objects and places of interest in the district. To provide for the needs of visitors, Rotorua has gradually grown to its present importance. It may be said, therefore, to depend largely for its existence on tourists and other visitors to the thermal district, but it necessarily affords a material and indispensable assistance to the State in carrying out its scheme for attracting visitors to the Dominion and to this district in particular.

From the first the State has recognized the peculiar circumstances of the town, the exceptional conditions in which its inhabitants are placed, and the assistance received by it from private enterprise, and has supplied the means for making and maintaining roads and streets and other urban necessities from the public funds. It has in addition supplied the town with a system of drainage, provided a water-supply, and erected works for supplying the inhabitants with electric lighting.

The money spent in the formation and upkeep of roads and streets is derived from the following sources: (1) Half the money received as bath fees; (2) all rents received by the Crown from lands leased in the township; (3) fees received for registration and license, as publichouse licenses, licensed vehicles, dog-tax, &c. For last year these sums were respectively £1,313 19s. 1d., £1,811, and £1,091 0s. 10d.

Beyond the fees, &c., paid under class (3) the householders do not contribute anything by way of rates or otherwise to the management of the town.

The town dates from the year 1883. Prior to 1900 it was managed and controlled and the funds administered by a Board elected under the provisions of the Thermal Springs District Act. From 1900 to 1907 the control was intrusted to a Council formed under the Rotorua Town Council Act, 1900, consisting of three members elected by the people and four appointed by the Crown. This Council had power to levy rates, but never did so, preferring to maintain the town out of funds furnished by Government from the bath fees and Crown rents. In 1907 the Rotorua Town Act was passed, repealing the Act of 1900, and the Council ceased to exist. The management of the town was by the Act of 1907 placed in the hands of the Government Tourist Department, which was, for the purpose by a provision of the Act, constituted a corporate body. The expenditure of all moneys on the upkeep of the town was intrusted to the Resident Officer of the Tourist Department. The Act now in force provides for the town maintenance out of Crown rents collected on lands within its boundaries, and all fees and revenue which, were the corporation a municipality, would be paid to the local authority, but makes no provision for rating private property. Beyond the doubtful authority of section 2 of the Rotorua Town Act, 1907, read in conjunction with section 12 of the Rotorua Town Council Act, 1900, there is no statutory provision for the payment of half the bath fees as under the Act of 1900, but a payment of half the receipts for bath fees has nevertheless been paid up to the present time.

All the Crown lands within the town boundaries have been leased by the State for a term of ninety-nine years at a fixed rental for the whole term, so that under present conditions there is no possibility of increasing the revenue from rents during the whole term of the leases.

From the evidence adduced and from our own inspection of the town we are of opinion that the revenue is at present barely sufficient to efficiently maintain the roads and streets now existing. The town is growing and the demands for expenditure increasing, but the revenue is, from its nature, stationary, and in the near future it will become altogether inadequate. The roads are unmetalled and soft. It is essential for the comfort of the inhabitants and visitors that this state of things should be remedied, but it is quite beyond the resources of the corporation, with its present income, to do so. Some change in the administration of the town will in the near future become imperative, and it must be in the direction of taxing the property-holders of the town. Although we think that, on account of the large interests owned by the State in lands and buildings likely to be benefited by the proper maintenance of the town, the Government of the Dominion should contribute a portion of the funds required, we are of opinion that the time has arrived when the people themselves should be called upon to contribute something substantial to supplement the revenue derived from the Crown.

APPENDIX B.—NOTE EXPLANATORY OF SUBDIVISIONS.

WHEN the Town of Rotorua was laid off a certain portion of the land fronting the lake was divided into sections averaging approximately a quarter of an acre. This portion was intended for occupation as the "town." Outside of this area a much larger portion, now known as the suburbs, was surveyed and cut up into sections varying from 10 to 40 acres in extent, with the intent that they should be taken up and used as gardens and small farms. These were all let at the upset price of £10 per section. As the town sections became occupied more room was required for dwellings, and several of the suburban blocks, especially those near the town, were divided by their holders into smaller sections—generally a quarter of an acre in area—and occupied by tenants holding under the Crown lease. These tenants did not acquire a transfer of the lessee's interest in their sections. To avoid the cost of survey necessary to a subdivision they obtained a sublease of a defined portion of the original holding for a period extending over the full term of their lessor's title, less one day. The subletting in each case was consented to by the Commissioner of Crown Lands as agent for the Crown. The tenants who entered into possession as sublessees have built houses and greatly improved the land. In some cases they have sublet their sections: Roads, one chain in width, have been reserved for their use by the lessor out of the land comprised in his original lease, but the dedication not having been accepted by the Crown, no funds have been expended on their formation or upkeep. The sublessees have virtually become possessed of all the Crown tenants' interest in their respective sections so long as they comply with the covenants in their leases, and it is for this reason they have urged that the Crown should, in the matter of granting the freehold, deal with them directly (by special legislation if necessary) without reference to the Crown lessee, except in so far as to pay to him his due proportion of the purchase-money.

APPENDIX C.—THE STATE'S INTERESTS.

THE total value of the unimproved land and the improvements at Rotorua at the 31st March, 1914, as prepared by the Government Valuation Department, was as follows :—

	Capital Value. £	Unimproved Value. £	Value of Improvements. £
Rateable lands	503,002	285,287	217,715
Exempt non-rateable lands	250,933	184,645	66,288
Totals	753,935	469,932	284,003

The non-rateable lands belong to churches, the Natives, and the Government, but do not include the Government Gardens, which, not being included in the town, do not enter into this estimate. The total rent derived from the leased lands in the town and suburbs of Rotorua amounts to £2,596 14s., but that sum includes £698 14s. received under the Public Reserves and Domains Act, 1908, and the Thermal Springs District Act, 1881. This latter sum does not go to the Government, but to educational trusts, and that leaves only £1,898 net rental received by the Government for street-maintenance. If we capitalize at 5 per cent. the net rental received by the Government we get £37,960, which latter sum may be taken to represent the unimproved value of the land when first leased by the Crown. The first land leased at Rotorua was in the year 1882, since which time there has been land leased in the town and suburbs periodically as opportunity offered.

To get an approximate estimate of the increase of value of the land, which is now £469,932, we may deduct the beforementioned £37,960 from the value to-day, thus leaving £431,972 as representing the increase, being an average per annum of £22,735 for the nineteen years expired of the ninety-nine-years leases—leaving now eighty years unexpired. We assumed eighty years unexpired because the leases are at different dates, and we can get only an approximate estimate; but it is adequate to illustrate the position of affairs under consideration.

The State have alienated the Rotorua lands for ninety-nine years, having eighty years to run, the marketable interests it has in the lands now are the present value of the £1,898 a year ground rent, worth £37,194, and the reversionary interest in the land, worth £9,483, making a total of £46,677.

A careful consideration of the questions of the relative increase of money at compound interest at 5 per cent. and of the probable increase in the value of land at Rotorua shows that even if the land there increases during the ensuing eighty years at the same rate per annum as it has done during the last nineteen years, the increase of the £46,677 will, in our opinion, be greater than the probable increase in the value of the land at the end of eighty years, reckoning interest at 5 per cent.

Such estimates over so long a period can be only approximate, because interest at 5 per cent. may not be procurable continuously over eighty years, and on the other hand the most unexpected things may happen at Rotorua to enhance or depress the value of lands beyond possible calculation.

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