

- (3.) *The bearing that increases in the prices of such lands due to sales, and to transfers effected subsequently to the inauguration and carrying-out of such drainage-works, have had upon the general taxation now leviable upon such lands.*

We are of the opinion that the valuers who for rating purposes have assessed the present unimproved values of the lands in question have been influenced to a greater or less degree by the high prices paid by settlers and others for the land, either by sales or transfers, during the boom period between 1916 and 1920, and that as a consequence of this the present unimproved values in the generality of cases are much too high, and that these inflated values have had the effect of unduly raising the taxation that has been paid in the past and that is now leviable on such land.

- (4.) *Whether the Government should proceed with the further development of lands within the aforesaid drainage district by expenditure out of capital, and, if so, whether such expenditure should be a charge on the Rangitaiki Land Drainage Account, or be provided by way of grant or subsidy?*

We think that further capital expenditure should be limited to the completion of some drains now in hand, and also to the following works already dealt with in the body of our report, namely: Tarawera River improvement; new outlet to Kopeopeo outfall drain, and flood-gate at both Whakatane and Rangitaiki ends; Awaiti drain. The cost of this work should, as we have already recommended, be borne half by the Rangitaiki Drainage Account and half by Government subsidy. We strongly recommend that an attempt should be made to limit this further capital expenditure to £40,000.

- (5.) *What portion (if any) of the charges to which lands in the aforesaid district have or may become subject can equitably be regarded as chargeable against the State and be met by way of a grant in aid of drainage and roadworks, having regard to the fact that the Government has in the past given grants or subsidies to works of a national character, such as roads, river-protection, drainage, &c.?*

In regard to the question as to the charges to which the lands have, up to the present time, become subject, and the amount of such charges which may equitably be borne by the State, an answer had already been given in the body of our report, and it is here reaffirmed. We are of the opinion that, of the total net liability of £481,202 as at the 31st March, 1925, the State should, in the first place, be chargeable with a sum of £112,002. The remaining £369,200, together with the additional capital expenditure recommended of, say, £40,000, making a total sum of, say, £409,200, should be paid half by a subsidy by the State and the other half by the Rangitaiki Land Drainage Account. We recommend that on this fixed liability of £204,600 rates be struck amounting to £10,280 (representing  $4\frac{1}{2}$  per cent. interest plus  $\frac{1}{2}$  per cent. sinking fund on £204,600), and that this amount of rates be levied against owners and settlers in addition to the separate rate to cover their proposed share of the annual cost of maintenance.

- (6.) *By what methods can the aforesaid settlers' indebtedness to the Crown be alleviated, and to what extent?*

This question is already answered in the reply to No. (5), but we recommend by way of further alleviation of the settlers' indebtedness to the Crown that the Government shall remit all drainage rates for the current year, and also for the year ending 31st March, 1925, and that rating should start as from the 1st April, 1926, on the basis of £204,600, as representing—apart from maintenance charges—the net liability of owners and settlers at that date.

- (7.) *What relief (if any) should be afforded to the aforesaid settlers by mortgagees, other than any relief that may be recommended as a charge to be borne by the Government?*

We cannot recommend any legislation that would interfere between the settlers and their mortgagees. We think that these should be left to work out their own arrangements amongst themselves. Any interference on the part of the State with the rights of mortgagees would have far-reaching and injurious effects. It would create a want of confidence on the part of investors in farm securities that might bring financial trouble to thoroughly sound settlers in all parts of the Dominion.