

All accounts between this Department and the Government of New Zealand have been adjusted to date, including a sum of £250 4s. paid by this Department to the Government of New Zealand for insurance for the year 1902-3.

With reference to the repayment to the Government of New Zealand of the capitalised cost of the schooner (£6,000), together with interest thereon at 4 per cent., the sum of £502 12s. has been paid by the Cook Islands Administration to the Government of New Zealand as follows: Cook Islands Administration £301 11s. 3d., and Niue Island Administration £201 0s. 9d. A similar payment is to be made each year.

There is now no insurance on the schooner, but by arrangement with the Minister for the Islands, sanctioned by the Resident Commissioners of the Cook Islands and Niue, an annual sum of £300 is to be set aside and invested on fixed deposit in the Bank of New Zealand as an insurance fund, of which the Cook Islands Administration is to pay £250, and the Niue Island Administration £50. It has also been arranged that the Niue Island Administration shall refund the Cook Islands Administration the sum of £406 0s. 1d., representing £300 as two years' (1902-3-4) contribution towards the loss on the running of the schooner, and £106 0s. 1d. one-sixth of insurance premiums. The contribution of Niue towards the loss for the year 1904-5 has yet to be arranged.

In reporting to the Minister last September it was stated that the vessel had nearly paid her way for the first six months of the year, but that a larger expenditure might be expected for the last six months, as Captain Champion had reported that the vessel required large expenditure for outfit and repairs. The expenditure under this head has been for the last six months over £500, as compared with about £100 for the first six months, and this, coupled with the fact that £319 for special charters was received in the first six months of the year, accounts for the greater part of the loss in the running of the vessel for the last six months. Captain Champion reports that the vessel is now well found in sails and gear, and consequently will require but little expenditure in that direction for some time to come.

During the year the schooner has made the following trips, aggregating about seventeen thousand miles: Rarotonga to Niue and Auckland, 3; Auckland to Niue and Rarotonga, 2; Niue to Rarotonga, 1; Rarotonga to Auckland, 1; Niue to Samoa, 1; Samoa to Rarotonga, 1; Rarotonga to Penrhyn and Malden Islands, 1; Malden Island, Penrhyn, Manihiki, and Rakahanga to Rarotonga, 1; round Cook Group, 4.

Dealing with the question of the expenses of the vessel, it is difficult to say where more economy can be practised in running the vessel, except in the matter of outfit and repairs. The wages per month of the captain, officers, and crew amount to £73 10s. The oil-engine is also a large expense, benzine costing nearly £200 per annum and repairs over £50, the engineer also drawing £14 per month (this is included in the amount of wages above mentioned).

The earnings for the year have been approximately the same as in the previous year, and more cannot be expected for the coming year, as, with the exception of one or two of the outlying islands at which the steamer seldom or never calls, the traders in the Cook Group prefer to use the steamer, with its certainty of reaching New Zealand in a week, to availing themselves of the schooner, in spite of the lowness of the freights. These remarks do not apply to the traders at Niue, who have given the schooner a fair amount of support, but then there is no steamer to compete with the schooner in the Niue trade.

I have, &c.,

E. BLAINE, Secretary.

The Resident Commissioner, Rarotonga.

*Government Schooner Department Balance-sheet to 31st March, 1905.*

[illegible]

Rarotonga, 24th April, 1905.

E. BLAINE, Secretary.