

*The Revenue.*—At present there is none. The fines levied by the Courts are divided in fixed proportions between the Arikis, the Judges, and the police. The Judges and police are really chiefs and landowners, and their share of the fines forms only a pleasant, though small, addition to their other incomes. It is the only payment they receive. Customs duties of the usual kind would be absorbed largely in the cost of collection. A land-tax must remain for the distant future, and a poll-tax—as the Natives already support their own churches and schools—would be unpopular and also unprofitable. The most ready means of revenue would be a uniform percentage on imports of all kinds. If the percentage were small, and the penalty for infringement large in proportion, there would be no inducement to risk the penalty, and therefore very little, if any, expense necessary for collection. A tax of 3 per cent. might be expected to yield £750 to £800. This could be brought up to £1,000 by charging business licenses to those engaged in trade. The Court fines could not be estimated at more than an additional £100 or £150. The possible immediate revenue might thus be taken at £1,100 per annum.

*Expenditure.*—The only administrative expenditure at present required would be the payment of fixed allowances or salaries to the chiefs who act as Judges and police in the different islands, together with the salary of a very necessary European Superintendent of Police, a proper interpreter, and a few native clerks. These charges and other contingencies would be fully covered by the revenue as above estimated. Treasury work and its attendant cost could be avoided by arranging with some New Zealand mercantile firm having branches in all the islands. Such a firm should be glad to do the banking and treasury work without charge, as it would assist them in their ordinary business. They could receive and pay all public money, and send accounts regularly to be audited in Wellington. Deeds for all foreign residents, of all nationalities, will, I presume, be registered by the British Resident. No other plan of registration seems for the moment possible.

There remain the building of a public hall for the meetings of Council, for a Courthouse, and for other public purposes. The present plan of calling the Council together at one of the Arikis' residences makes it too personal in character. Rivalries would be avoided by the use of a public building, which need not cost more than £200.

A trigonometrical survey of the islands, bridges for the rivers, and roads or tracks to open up the hills, are also needed. The hill-country is now quite unoccupied, and contains much fertile land which is used only by the natives for gathering plantains and other indigenous food. A small annual subsidy for three or four years would enable a great deal to be done in these directions. The natives would by that time have seen the benefit to be obtained from an organized government, and should be able and willing to contribute the cost for themselves.

*Legislation.*—This subject was necessarily dealt with in some of its aspects in my reports on the Pearse affair and the liquor traffic. During my stay the Arikis made arrangements that ought to give the Legislature a more fixed and regular character. These arrangements were made by a resolution of the existing Council, and can only be regarded as tentative. They will be found in the minutes of Council meetings contained in the appendix. The position in the Arikis' Council proposed to be taken to the British Resident, must depend on the duties and responsibilities that may be attached to his office, and on the part which his instructions may enable him to take.

Until the powers of the native Government under the protectorate are understood, in relation both to British subjects and those of other nations, no definite arrangements can be made. In any case it will be very desirable to make use of existing native methods, and to introduce changes as gradually as possible. The observance, in legislation or otherwise, of the regular European forms of procedure will for a long time be impossible.

If import duties are to be levied, one port of entry only can be allowed for the group, and that will naturally be Avatiu (in Rarotonga). The town at the back of this port, between it and Avarua, is the centre of foreign trade, and is known as Avarua. The Mangaiaans and Aitutakians may demur to this, and it will be necessary to know how far the Council at Rarotonga can claim obedience to such a law, as well as to any changes in the currency and similar matters. The Ariki of Atiu (lord also of Maukè and Mitiaro) is the husband of Makea, and has joined the Council at Rarotonga. With his people there will therefore be no difficulty. It is far from certain that the people of the other two islands will agree for some time to join the Council—a contingency to be taken into account.

*The Laws* are a mixture of ecclesiastical and secular rules and enactments growing out of the necessities of earlier times. The sooner that some of them are allowed to become obsolete, so that crime can be dealt with publicly by the law-courts, and breaches of morality or of religious observance privately by the Church, the better will it be for the Church and the people. There is no provision for appeal from the decisions of each District Judge. They are final. The only relief is in the pardoning power of the Council of Arikis, now formally recognised by law. The Judges were much opposed to this, as infringing on what they considered their duty. In the Appendix I have included the laws passed up to 1879, when they were compiled and printed at the mission press. This collection is now rare, and I have to thank the Rev. Mr. Hutchin for a copy. The only printer (an old native) is becoming too feeble to work, and I could only trace one law since 1879. It was published in 1888, and renewed the prohibition against the importation of liquor. With it ends the laws in force when the protectorate was proclaimed. Those since passed are confined to the laws enacted during my stay. The first was a temporary measure, passed on the 22nd November, to stop the sale of liquor to natives, and has been fully reported to your Excellency in my despatch of that date. All are included in the Appendix, in which I have also printed the letter sent by Captain Bourke, of H.M.S. "Hyacinth," to each of the Arikis, on the flag being hoisted by him. This letter states their position and authority in making laws under the protectorate, and is regarded by them as a species of charter. The laws are readily obeyed by the natives, and fairly so by the foreign residents, between whom and the Natives a very good feeling exists.