

new arrangements with the Imperial Government under the altered conditions the interests of New Zealand should not be overlooked. I consider it my duty to point this out and to have the direct connection between New Zealand and the Royal Navy maintained in some concrete form.

New Zealand will supply a "Dreadnought" for the British Navy as already offered; the ship to be under the control of and stationed wherever the Admiralty considers advisable.

I fully realise that the creation of specific units, one in the East, one in Australia, and, if possible, one in Canada, would be a great improvement upon the existing condition of affairs, and the fact that the New Zealand "Dreadnought" was to be the flagship of the China-Pacific unit is, in my opinion, satisfactory. I however consider it is desirable that a portion of the China-Pacific unit should remain in New Zealand waters, and I would suggest that two of the new "Bristol" cruisers, together with three destroyers and two submarines, should be detached from the China station in time of peace and stationed in New Zealand waters; that these vessels should come under the flag of the Admiral of the China unit; that the flagship should make periodical visits to New Zealand waters; and that there should be an interchange in the service of the cruisers between New Zealand and China, under conditions to be laid down.

The ships should be manned, as far as possible, by New Zealand officers and men, and in order that New Zealanders might be attracted to serve in the Fleet, local rates should be paid to those New Zealanders who enter, in the same manner as under the present Australian and New Zealand agreement, such local rates being treated as deferred pay.

The determination of the agreement with Australia has, of necessity, brought up the position of New Zealand under that joint agreement. I therefore suggest that on completion of the China unit, the present agreement with New Zealand should cease, that its contribution of 100,000*l.* per annum should continue and be used to pay the difference in the rates of pay to New Zealanders above what would be paid under the ordinary British rate. If the contribution for the advanced rate of pay did not amount to 100,000*l.* per annum, any balance to be at the disposal of the Admiralty.

The whole of this fleet unit to be taken in hand and completed before the end of 1912, and I should be glad if the squadron as a whole would then visit New Zealand on the way to China, leaving the New Zealand detachment there under its Senior Officer.

I remain,

The Right Hon. R. McKenna, M.P.,
Admiralty, Whitehall, S.W.

Yours sincerely,
J. G. WARD.

DEAR SIR JOSEPH,

18th August, 1909.

The suggestions made by you at the meeting on the 11th and recited by you in your letter to me of the same date have been carefully considered and concurred in by the Admiralty.

The present Naval Agreement with Australia and New Zealand will not be renewed, and in view of this fact and the other special circumstances referred to by you the part of the China Fleet unit, as set out by you, will be maintained in New Zealand waters as their headquarters. Your wish that the ships of the Fleet as a whole, or at any rate the armoured ship and the cruisers, when completed, should pay a visit to New Zealand on the way to China shall also be carried out.

I take this opportunity on behalf of the Admiralty of repeating their sincere thanks to the New Zealand Government for taking so important a part in the inception of the present Conference. The Admiralty feel that every effort should be made to work out a scheme acceptable to the people of New Zealand, having regard to the patriotic action taken by yourself and your Ministers in March last.

I remain,

Yours sincerely,
REGINALD McKENNA.