

DEAR SIR JOSEPH,—

Admiralty, Whitehall, 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,

(Sd.) REGINALD McKENNA.

In making these proposals I acted on what, after very full consideration, I believed to be best for New Zealand and most in accord with the sentiments of her people.

It would be quite out of place for me to attempt to question, or even to criticize, the decision of Canada and Australia to establish local navies. It is for these great dependencies themselves to determine the lines on which they are to proceed, and I fully recognise that they are the best judges of their own best interests. It will be clearly understood, then, that the reasons which moved me in the course I took had no relation to them.

Omitting all such controversial points as the difficulty of maintaining a common standard and arranging for interchanges, the risk of defeat in detail if the British fleets were crushed, and so on, there remains one consideration which is purely personal to New Zealand, and, in my own opinion, determines the whole matter. This is the question of cost.

To show what pecuniary liability is involved in a local-fleet unit, I quote an extract from an Admiralty memorandum that Mr. McKenna, the First Lord, submitted to the Conference:—

7. The fleet unit to be aimed at should, in the opinion of the Admiralty, consist of the following:—

- 1 armoured cruiser (new "Indomitable" class, which is of the "Dreadnought" type),
- 3 unarmoured cruisers ("Bristol" class),
- 6 destroyers,
- 3 submarines,

with the necessary auxiliaries, such as depot and store ships, &c.

Such a fleet unit would be capable of action not only in the defence of coasts, but also of the trade routes, and would be sufficiently powerful to deal with small hostile squadrons should such ever attempt to act in those waters.

8. Simply to man such a squadron, omitting auxiliary requirements and any margin for reliefs, sickness, &c., the minimum numbers required would be about 2,000 officers and men, according to the Admiralty scheme of complements, including—

- 1 Rear-Admiral, or Commodore, and staff,
- 1 captain,
- 4 commanders,
- 43 lieutenants and sub-lieutenants,
- 16 engineer officers,

besides medical and accountant officers and warrant and petty officers of the various classes.

9. The estimated first cost of building and arming the class of ships indicated would be—

	£
"Indomitable" (new)...	2,000,000
"Bristol" ...	350,000*
Destroyer (river class) ...	80,000*
Submarine (C class) ...	55,000*

* May have to be increased.

It is difficult to estimate the annual cost of maintenance—i.e., upkeep of hull and machinery, sea stores, fuel, &c.—under the new conditions contemplated, but it may be taken that it would amount approximately to,—

	£
"Indomitable" ...	52,000
"Bristol" ...	16,500
Destroyer (river class) ...	10,700
Submarine (C class) ...	2,300

It is also difficult to estimate the amount which should represent interest and depreciation on first cost. The life of the "Indomitable" and "Bristol" classes may be estimated at twenty