

30. The *details* of the approximate estimates for harbour defence are shown in Table A of Chapter VII, Volume II. The estimates for providing and maintaining the Naval Air School for New Zealand are included in the Naval Estimates in Table VI of this chapter.

31. The programme for the maintenance of ships has been kept at a low figure for the years 1920–21 and 1921–22, as some expense will be involved in providing the Naval Air School and mine and boom defences for the principal harbours; and it is suggested that this expense should be spread over these two years, and a start also made with the provision of the reserves of oil and coal which are so urgently needed.

32. An attempt is made in Table VI to indicate the cost, year by year, of the whole of New Zealand's naval commitments under my proposals. These include provision of reserves of oil fuel, upkeep and maintenance of the Division as it expands, cost of administration and training, cost of reserves, &c. Some of the figures given are only very approximate, since it is impossible for me to obtain them accurately at present. The figures for maintenance are based on rates of pay, &c., in the United Kingdom, which have recently been very considerably increased.

33. It is suggested that the ships and personnel for the New Zealand Division should be lent by the United Kingdom to the New Zealand Government, commencing in the year 1920 with a coal-burning light cruiser carrying a 6 in. gun armament, other vessels being gradually added until the Division has reached its complete strength by about the middle of 1926. As vessels become obsolete they should be replaced at the cost of the New Zealand Government. Meanwhile New Zealand should start to train officers and men for service in the Division.

It is suggested that the first light cruiser for the New Zealand Division should be coal-burning, as the price of oil fuel is very high at present, and no storage facilities exist in the Dominion. She should be replaced by an oil-burning vessel as soon as circumstances admit.

The Division (except the harbour defence portion) should be commanded by the senior Captain of the light cruisers, and when it reaches full strength this officer should be granted the rank of Commodore, being known as the "Commodore, New Zealand Division."

An officer with the rank of Commodore, senior to the "Commodore, New Zealand Division," should be lent for service ashore in New Zealand, to administer the whole of the naval forces in New Zealand waters, including the naval harbour defences, patrols, wireless communications, coastguard, training establishments, &c. This officer should be known as "the Chief of Naval Staff of the New Zealand Naval Board," and it is recommended that he be appointed as soon as the first light cruiser is detailed.

The New Zealand Division of the Royal Navy should, under certain conditions, pass under the orders of the Admiralty as already established by the New Zealand Naval Defence Act of 1913.

34. In war it is necessary that the whole Fleet of the Empire should be placed under the single control of the British Admiralty. It is highly desirable that the same procedure should be followed when danger of war exists. It is also necessary that the units comprising the Far Eastern Fleet should pass under one command if they are to be employed in Far Eastern waters.

35. Obviously the main strategical situation should govern the employment of such a fleet. If the main theatre of war were situated in European or Atlantic waters, some portion of the fleet might be required in those waters.