

standard; and, since the New Zealand Division has not the resources for training these specialist ratings, we must continue to enter only those trained ashore who can pass the regulation tests, and make up the balance with men on loan from the Royal Navy.

IX. EXPENDITURE DURING LAST FINANCIAL YEAR.

Owing to the necessity for the strictest economy in all Departments there was practically no development in naval resources on the New Zealand Station during last financial year. The only expenditure incurred beyond the maintenance and upkeep of "Chatham" and "Philomel" and of the Devonport Base, entry and training of recruits, payment, victualling, &c., of personnel, and expenses of administration, was an item of £1,272 for the building of a gun-mounting shed at Devonport, Auckland.

The actual expenditure amounted to	£ 211,224
to which, for comparative purposes, should be added expenditure not brought to account within the financial year	17,226
and a sum appearing as a credit against the item "Remittances of ship's company pay, paid in England"	4,050
Total actual expenditure	<u>£232,500</u>

This last-mentioned item appears as a credit, owing to Admiralty claims not having been received for the amount paid by them on behalf of the New Zealand Government.

X. ESTIMATES FOR 1923-24.

Estimates for the current financial year have been framed with the object of giving effect to the views expressed by the Admiralty as to the lines which, in their opinion, Dominion naval policy should follow. These views are recapitulated below under the headings given by the Admiralty, in the order of their importance, with a statement as to proposals for the current financial year.

(i.) "*Maintenance of Nucleus of Sea-going Squadron capable of Expansion by Light Cruisers and Ocean-going Submarines.*"—Slight expansion in personnel only is proposed, the recruiting policy being based on the substitution of the "Chatham" by an oil-burning light cruiser next year. These ships carry far fewer stokers but rather more seamen than cruisers of the "Chatham" class. During the past two years and a half the foundations have been laid with a view, as the financial position of the Dominion improves, to the gradual expansion of the sea-going squadron to the quota of three light cruisers, with attendant oil-tanker, and a unit of ocean-going submarines.

(ii.) "*Provision of Oil Reserves in the Dominion.*"—The Admiralty have emphasized the necessity for the provision of oil-fuel reserves in the Dominion, independent of commercial stocks, before oil-burning cruisers are sent to the South Pacific. An item of £12,000 has therefore been placed on the estimates for the erection of a 5,000-ton oil-tank at Devonport, as Auckland has proved to be eminently suitable as a repairing and storing base for a small squadron.

(iii.) "*Assistance in equipping Empire Naval Bases.*"—An early start is to be made in the development of the defences of Singapore at an eventual cost of about £10,000,000. New Zealand's share of contribution towards this Imperial work should be regarded as approximately £200,000, and if the sum can be provided during this and the following year the Government will be clear of their commitment under this head by the year 1925, when, it is hoped, some expansion in the sea-going squadron maintained in these waters will be possible. When this takes place the annual maintenance charges will absorb the £100,000 which it is suggested should be contributed annually during this and next financial year for the equipment of Empire naval bases.

(iv.) "*Provision of Bases, Docks, Depots, and Reserves of Stores and Fuel in New Zealand for War-vessels.*"—Items have been placed on the estimates for the improvement of the facilities of the existing base for repair work, &c., and of the "Philomel" and buildings attached thereto as a training and receiving depot. A further item of £5,000 has been inserted with a view to relieving the Imperial Government of the subsidy which they have been paying continuously since 1909 under agreement with the Auckland Harbour Board for the payment of £150,000 over a period of thirty years. (*Vide* Section VII, "Refits of H.M. Ships.")

As regards reserves of fuel, provision has been made for the continuance of the policy of maintaining emergency stocks of coal at Auckland and at Suva, Fiji.

(v.) "*Provision for Local Protection of Trade, and Storage of Guns for Merchant Ships and their Escorts, and providing Trained Personnel for them.*"—During last year provision was made for the storage of guns as recommended, and a commencement was made with the recruitment and training of the necessary personnel by the entry of reservists (men). It is proposed during the current financial year to continue the enrolment and training of Reserve ratings, and to commence the entry of officers (*vide* Section VI).

(vi.) "*Provision of Mobile Defence and Mine-sweeping Organization.*"—An item of £5,500 has been placed on the estimates for the purchase of guns for mobile local defence. This item should be continued for the next ten years until fifty such guns have been obtained for this purpose.

Until larger numbers have been enrolled in the Reserve it is not proposed to ask for money for the war-vessels of a mine-sweeping organization.