

The First Lord of the Admiralty: We are, of course, prepared with definite suggestions. I did not know whether you would like to have them raised in general form at the meeting, or whether they should be raised separately between the Admiralty and Canada and New Zealand and the Commonwealth of Australia and Natal and the Cape. We have them here if the Conference desires to have them.

The Secretary of State: I take it that the details in any case would have to be discussed probably separately, and that that would be the most convenient and quickest way of getting through our business; but I think that the Conference would probably like to discuss the general principles. What I rather anticipated was that you might be prepared to express in general terms what the Admiralty conceived would be the best scheme for carrying out the object which you have described, and also that we should take up the actual motion which is before the Conference in the name of the Premier of New Zealand. I do not know whether I am speaking the views of my colleagues, but I imagine they would like to have your proposals as well as the proposals of New Zealand before them before a general discussion begins.

The First Lord of the Admiralty: Well, then, if I may supplement my remarks on the suggestion of Mr. Chamberlain, of course I start with the Australasian agreement. Sir John Forrest and the Commander-in-Chief of the Australian Station, Sir Lewis Beaumont, have had many conferences on this subject. The memorandum which is now being circulated (Appendix IV A.) gives to the Conference the effect of carrying out the scheme on the general lines of the discussion between Sir John Forrest and Sir Lewis Beaumont. The general purport of it is this: that a certain squadron of up-to-date cruisers would be attached to the Australian Station. Of these cruisers we desire that at least one, if not two, should be manned exclusively by Australasians under the command of Imperial officers. We desire to establish a branch of the Royal Naval Reserve in New Zealand and Australia, composed partly of men trained in this cruiser manned by Australasians and partly out of such materials as may be available from the existing naval brigades. The contribution which would be regulated under that scheme is stated in this memorandum, which, of course, can be discussed, and I want it to be clearly understood that the basis we have taken is the basis of discussion taken by Sir John Forrest with Sir Lewis Beaumont, and we thought that a fair and wise starting-point. There will be no difficulty in time of peace in arranging that this squadron should be attached to Australian waters, with this proviso, that I think it would be a real advantage for the ships of the squadron, especially for the ships manned by Australasians, that they should go to China, the East Indies, the Cape, and elsewhere, and work with the ships of other squadrons; but whenever they so do that ship could be replaced by a substitute from the squadron which she had gone to join. Therefore I do not think there will be any difficulty in time of peace as to the proper allocation of the force whose headquarters would be Australasian. But the principles which are laid down, and on which I wish to lay great emphasis, are that in time of war this squadron must be available to fight the opponents, the attackers of the Empire, in whatever part of the Eastern seas their ships are to be found. Those principles, *mutatis mutandis*, could be applied to any of the other groups of colonies. This scheme may be taken as one which would be applicable to the altering circumstances of each case, either to Canada or South Africa, and not only applicable as a whole, but applicable in such parts as might be more feasible at the present moment in respect of those other groups of colonies. There is one old colony, of course, to which this particular form of agreement could not apply—that is, Newfoundland; but, then, I hope the Admiralty will be able to debate with the Prime Minister, and arrive at an understanding as to that scheme for the establishment of a Naval Reserve which was temporarily suspended owing to the fact that we found we had proceeded beyond our legal power. I may say that an Act of the Imperial Parliament recognising the enrolment of colonial fishermen in the Royal Naval Reserve has now passed through all its stages in both Houses of Parliament, and is only awaiting the Royal assent, so that there is no further hindrance to arriving at an understanding between His Majesty's Government and Newfoundland on that point.

From the general tenor of the discussion which followed, it was clear that the conditions and circumstances of the several colonies were so different that further discussion with a view to framing a general resolution would not be likely to lead to any practical result, and it was suggested that the representatives of the colonies should arrange for separate private meetings with the First Lord of the Admiralty, in order to settle with him what should be the form and extent in which they might severally best contribute to the naval defence of the Empire, and that the results arrived at should be reported to the Conference and recorded in the proceedings. This suggestion was readily agreed to, and the result of the informal discussions which followed is embodied in the following memorandum:—

MEMORANDUM BY THE FIRST LORD OF THE ADMIRALTY.

Accompanied by the Senior Naval Lord and the Financial Secretary, my colleagues of the Board of Admiralty, and assisted by the Director of Naval Intelligence, I have now had interviews with the Premiers of His Majesty's Government in Cape Colony, Natal, Newfoundland, and New Zealand, and with the Premiers and Ministers of Defence of His Majesty's Government of the Commonwealth of Australia and the Dominion of Canada; and, as the result, the Board of Admiralty have received the following offers of assistance towards the naval expenses of the Empire (see Appendix):—

Cape Colony: £50,000 per annum to the general maintenance of the navy. No conditions.
Commonwealth of Australia: £200,000 per annum to an improved Australasian Squadron, and the establishment of a branch of the Royal Naval Reserve. Natal: £35,000 per annum to the general maintenance of the navy. No conditions. Newfoundland: £3,000 per annum and £1,800 as a special contribution to the fitting and preparation of a drill-