

4. The main duty of the forthcoming Conference as regards naval defence will be, therefore, to determine the form in which the various Dominion Governments can best participate in the burthen of Imperial defence with due regard to varying political and geographical conditions. Looking to the difficulties involved, it is not to be expected that the discussions with the several Defence Ministers will result in a complete and final scheme of naval defence, but it is hoped that it will be found possible to formulate the broad principles upon which the growth of Colonial naval forces should be fostered. While laying the foundations of future Dominion navies to be maintained in different parts of the Empire, these forces would contribute immediately and materially to the requirements of Imperial defence.

5. In the opinion of the Admiralty, a Dominion Government desirous of creating a navy should aim at forming a distinct Fleet unit; and the smallest unit is one which, while manageable in time of peace, is capable of being used in its component parts in time of war.

6. Under certain conditions the establishment of local defence flotillas, consisting of torpedo craft and submarines, might be of assistance in time of war to the operations of the fleet, but such flotillas cannot co-operate on the high seas in the wider duties of protection of trade and preventing attacks from hostile cruisers and squadrons. The operations of destroyers and torpedo boats are necessarily limited to the waters near the coast or to a radius of action not far distant from a base, while there are great difficulties in manning such a force and keeping it always thoroughly efficient.

A scheme limited to torpedo craft would not in itself, moreover, be a good means of gradually developing a self-contained fleet capable of both offence and defence. Unless a naval force—whatever its size—complies with this condition it can never take its proper place in the organization of an Imperial navy distributed strategically over the whole area of British interests.

7. The Fleet unit to be aimed at should, therefore, in the opinion of the Admiralty, consist at least 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 depôt and store ships, &c., which are not here specified.

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 its 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 2,300 officers and men, according to the Admiralty scheme of complements.

9. The estimated first cost of building and arming such a complete Fleet unit would be approximately 3,700,000*l.*, and the cost of maintenance, including upkeep of vessels, pay, and interest and sinking fund, at British rates, approximately 600,000*l.* per annum.

10. The estimated cost of the officers and men required to man the ships does not comprise the whole cost. There would be other charges to be provided for, such as the pay of persons employed in subsidiary services, those undergoing training, sick, in reserve, &c.

11. As the armoured cruiser is the essential part of the Fleet unit, it is important that an "Indomitable" of the "Dreadnought" type should be the first vessel to be built in commencing the formation of a Fleet unit. She should be officered and manned as far as possible by Colonial officers and men, supplemented by the loan of Imperial officers and men who might volunteer for the service. While on the station the ship would be under the exclusive control of