

to be about 600,000*l.*, to which amount a further additional sum would have to be added in view of the higher rates of pay in Australia and the cost of training and subsidiary establishments, making an estimated total of 750,000*l.* a year.

This annual cost should be disbursed by the Commonwealth, except that the Imperial Government, until such time as the Commonwealth could take over the whole cost, should assist the Commonwealth Government by an annual contribution of 250,000*l.* towards the maintenance of the complete Fleet unit.

The annual subsidy of 200,000*l.* under the existing agreement should be paid as heretofore by the Commonwealth to the Imperial Government up to the time when the existing Australian Squadron should be relieved by the new Australian Fleet unit.

When desired, officers and men of the Australian Service might be sent for training and service to vessels and training schools of the Royal Navy and their places taken by officers and men of the Royal Navy who, with the approval of the Admiralty, should volunteer for service in vessels of the Australian Navy.

The dockyard, &c., at Sydney, should on the completion of the Fleet unit be handed over to the Commonwealth Government free of charge, on condition that it is to be maintained in a state of full and complete efficiency, and that it shall not be diverted from its original purpose.

The construction of the Armoured Cruiser should be undertaken as soon as possible, and the remaining vessels should be constructed under conditions which would insure their completion, as nearly as possible, simultaneously with the completion and readiness for service of the Armoured Cruiser, which it is understood would be in about 2½ years.

Training Schools for officers and men should be established locally and arrangements made for the manufacture, supply, and replenishment of the various naval, ordnance, and victualling stores required by the Squadron. Until stores and munitions of war are manufactured in Australia the vessels of the Australian unit should be supplied as far as possible with stores, ammunition, and ordnance stores in the same manner, and at the same cost, as other vessels of His Majesty's Service.

Great stress was laid upon the maintenance of the same general standard of training, discipline, and general efficiency both in ships and officers and men.

*19th August, 1909.*

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