

floating trade in Australian waters. This agreement was, as you are aware, adopted as a schedule to the Australian Naval Force Act, which six out of the seven colonies therein named passed subsequently, with the view of giving effect to it.

In December, 1887, I felt myself justified in informing the Lords Commissioners of the Admiralty that, notwithstanding the withdrawal of the Queensland Bill, there appeared to me no reason why their Lordships should not place on the estimates the sum for which provision should be made by Her Majesty's Government in connection with the arrangement with the colonies.

In this view I received the support of the majority of the colonial Governments, three of which telegraphed through their respective Governors urging the construction of the vessels without delay, while a similar wish was conveyed by the Government of Victoria in a despatch from Sir H. Loch of the 11th of January, 1888.

I have now the honour to transmit to you for communication to your Government a copy of a letter from the Admiralty containing statements of actual and estimated expenditure in the construction of the vessels, on which, under Article VII. of the agreement, the Australian Colonies would pay 5 per cent. up to the limit named, and of the annual estimated cost of maintenance (£137,571), of which the payment by the Australian Colonies is limited to £91,000 per annum.

I trust that your Government will take into consideration, with the other Governments concerned, the question of their liability, calculated on the basis of population, and that, in accordance with their Lordships' wishes, the necessary arrangements may be made for payment before the 31st of March next of the advance of half-subsidy, for which they have taken credit in the estimates for 1890-91.

Looking to the magnitude of the interests which this scheme has been designed to protect, I have not allowed myself to suppose that the Colony of Queensland will continue to maintain its present attitude, or, if this should unfortunately be the case, that the other colonies would desire any reduction of the strength of the additional squadron to be maintained in Australasian waters; and I feel confident that the public spirit of the colonial Governments and Legislatures will induce them to devise in consultation any rearrangement of the incidence of the colonial contributions which may prove necessary in order to enable the scheme agreed upon to be carried out in its integrity and with complete success.

I have, &c.,

KNUTSFORD.

Governor the Right Hon. the Earl of Onslow, G.C.M.G., &c.

Enclosure.

The ADMIRALTY to the COLONIAL OFFICE.

SIR,—

Admiralty, 2nd October, 1890.

With reference to previous correspondence, I am commanded by my Lords Commissioners of the Admiralty to transmit for the information of the Secretary of State for the Colonies,—

1. A statement of actual and estimated expenditure in construction of vessels, £850,000, on which the Australian Colonies will pay 5 per cent. up to a limit of £35,000.

2. The annual estimated cost of maintenance, £137,571, the payment by the Australian Colonies being limited to £91,000 per annum.

My Lords desire me to add that, so far as can be seen at present, the five vessels of the "Katoomba" class (late "Pandora" class) will possibly be ready to be commissioned early in December and the "Karakatta" and "Boomerang" (late "Whiting" and "Wizard"), possibly in October. And I am to request that Lord Knutsford will arrange with the various colonies for payment before the end of the financial year of the advance of half-subsidy for which the Admiralty have taken credit in the estimates for 1890-91—namely, Half-year in respect of first cost, £17,500; half-year in respect of maintenance, £45,000: total, £63,000.

I have, &c.,

The Under-Secretary of State, Colonial Office.

EVAN MACGREGOR.