

ship towards the maintenance of a branch of the Royal Naval Reserve of not less than 600 men. New Zealand: £40,000 per annum to an improved Australasian Squadron, and the establishment of a branch of the Royal Naval Reserve.

I wish to tender to the colonial Ministers the hearty acknowledgment of the Board of Admiralty for the manner in which they have assisted them to arrive at the satisfactory result given above. As might be supposed, we have not always been able to see eye to eye on the questions discussed; but the interchange of views has been mutually frank, and governed on all sides by a desire to treat the defence of the Empire on a business footing, and to abandon the discussion of theories for the attainment of results immediately practicable. It is true that the Board of Admiralty have not in these Conferences achieved all the results for which they might previously have hoped; but, on the other hand, it has been a great pleasure to them to hear from the Prime Ministers of all the self-governing colonies a generous appreciation of the work of the navy.

If the Parliaments of the above-named self-governing colonies accept and indorse these arrangements, a real step in advance will have been made in the organization of the naval forces of the Empire.

In the first place, an increase in the number of modern men-of-war maintained in commission will have been promoted by the aid of British subjects in the dominions beyond the seas.

In the second place, the conditions attached to the various agreements will show how keen is becoming the appreciation throughout the Empire of the peculiar characteristics of naval warfare, and of the fact that those local considerations which find their natural place in military organizations are inapplicable to naval organization. I would draw special attention to the improved composition and organization of the Australasian Squadron when the new agreement will have come into force, and to the fact that Cape Colony and Natal have made their offer unfettered by any conditions, a mark of confidence and of appreciation of the naval problem of which the Board of Admiralty are deeply sensible.

Thirdly, I hail with much satisfaction the establishment of a branch of the Royal Naval Reserve in the colonies. The circumstances of the population of Newfoundland are peculiar, and nowhere else, probably, within the Empire can so large a proportion of fishermen be found. A branch of the Royal Naval Reserve has already been founded there, and I look forward confidently to its steady growth. In Australia and New Zealand, although naval brigades have for some time been in existence there, and did excellent service in the recent China war, the formation of a branch of the Royal Naval Reserve is a new departure. The formation of a branch of the Royal Naval Reserve is not the only, or indeed the chief, step in advance in connection with the *personnel* of the fleet, for it has been agreed that, if possible, one of the ships of the Australian Squadron in permanent commission shall be manned by Australians and New-Zealanders under officers of the Royal navy, and that ten cadetships in the Royal navy shall be given annually in Australia and New Zealand.

I have accordingly great pleasure in recommending to His Majesty's Government that the offers of assistance which have been received should be accepted.

Sir Wilfrid Laurier informed me that His Majesty's Government of the Dominion of Canada are contemplating the establishment of a local naval force in the waters of Canada, but that they were not able to make any offer of assistance analogous to those enumerated above.

I have alluded to the fact that our interchange of views at the Conferences has been characterized by mutual frankness, and I desire to put on record the facts and arguments which I thought it my duty to set forth.

In the first place, I pointed out that even after the colonial Parliaments had ungrudgingly increased the proportion of their assistance towards the naval defence of the Empire, as recommended by their Ministers, the taxpayers of the British Empire would, in respect of naval expenditure, still be in the following relative positions:—

| —                         |     |     |     | Population (White). | Naval Contribution<br>per Caput per<br>Annum. |
|---------------------------|-----|-----|-----|---------------------|-----------------------------------------------|
|                           |     |     |     |                     | s. d.                                         |
| United Kingdom            | ... | ... | ... | 41,454,621          | 15 2                                          |
| Cape Colony               | ... | ... | ... | 538,000             | 1 10 $\frac{1}{4}$                            |
| Commonwealth of Australia | ... | ... | ... | 3,765,805           | 1 0 $\frac{3}{4}$                             |
| Dominion of Canada        | ... | ... | ... | 5,338,883           | Nil.                                          |
| Natal                     | ... | ... | ... | 64,951              | 10 9 $\frac{1}{4}$                            |
| Newfoundland              | ... | ... | ... | 210,000             | 0 3 $\frac{1}{2}$                             |
| New Zealand               | ... | ... | ... | 772,719             | 1 0 $\frac{1}{4}$                             |

For the year 1902–3 the navy estimates amounted to £31,423,000, after deducting appropriations-in-aid other than contributions from the self-governing colonies. Of this sum the self-governing colonies would, on the basis of the new agreements, have paid £328,000.

This table shows how large a proportion of the burden falls upon the taxpayer of the United Kingdom, and although it is true that by far the larger portion of the money which he provides is spent within the United Kingdom, yet it so happens that more of the money provided by the taxpayer of the United Kingdom is spent in the British dominions beyond the seas than the British dominions beyond the seas contribute to the maintenance of the British navy. Additional interest is lent to the fact by an analysis of the trade which the British navy has to protect. In the year 1900 the seaborne trade of the Empire may be roughly stated to have been worth between eleven