

The following correspondence between Mr. McKenna and Sir Joseph Ward sets out the position at that date :—

*Extract from letter from the Right Hon. Sir J. G. Ward to the Right Hon. Mr. McKenna.*

(No. 1.)

Dear Mr. McKENNA,—

London, 11th August, 1909.

New Zealand will supply a "Dreadnought" for the British Navy as already offered; the ship to be under the control of and stationed wherever the Admiralty considers advisable.

I fully realize that the creation of specific units, one in the East, one in Australia, and, if possible, one in Canada, would be a great improvement upon the existing condition of affairs, and the fact that the New Zealand "Dreadnought" was to be the flagship of the China-Pacific unit is, in my opinion, satisfactory. I, however, consider it is desirable that a portion of the China-Pacific unit should remain in New Zealand waters; and I would suggest that two of the new "Bristol" cruisers, together with three destroyers and two submarines, should be detached from the China station in time of peace and stationed in New Zealand waters; that these vessels should come under the flag of the Admiral of the China unit; that the flagship should make periodical visits to New Zealand waters; and that there should be an interchange in the service of the cruisers between New Zealand and China, under conditions to be laid down.

The ships should be manned, as far as possible, by New Zealand officers and men; and, in order that New-Zealanders might be attracted to serve in the fleet, local rates should be paid to those New-Zealanders who enter, in the same manner as under the present Australian and New Zealand agreement, such local rates being treated as deferred pay.

The determination of the agreement with Australia has of necessity brought up the position of New Zealand under that joint agreement. I therefore suggest that on completion of the China unit the present agreement with New Zealand should cease; that its contribution of £100,000 per annum should be continued and be used to pay the difference in the rates of pay to New-Zealanders above what would be paid under the ordinary British rate. If the contribution for the advanced rate of pay did not amount to £100,000 per annum, any balance to be at the disposal of the Admiralty.

The whole of this fleet unit to be taken in hand and completed before the end of 1912, and I should be glad if the squadron as a whole would then visit New Zealand on the way to China, leaving the New Zealand detachment there under its senior officer.

I am, &c.,

J. G. WARD.

*Letter from the Right Hon. Mr. McKenna to the Right Hon. Sir J. G. Ward.*

(No. 2.)

Dear SIR JOSEPH,—

London, 18th August, 1909.

The suggestions made by you at the meeting on the 11th and recited by you in your letter to me of the same date have been carefully considered and concurred in by the Admiralty.

The present naval agreement with Australia and New Zealand will not be renewed, and in view of this fact and the other special circumstances referred to by you the part of the China fleet unit, as set out by you, will be maintained in New Zealand waters as their headquarters. Your wish that the ships of the fleet as a whole, or, at any rate, the armoured ship and the cruisers, when completed, should pay a visit to New Zealand on the way to China shall also be carried out.

I take this opportunity on behalf of the Admiralty of repeating their sincere thanks to the New Zealand Government for taking so important a part in the inception of the present Conference. The Admiralty feel that every effort should be made to work out a scheme acceptable to the people of New Zealand, having regard to the patriotic action taken by yourself and your Ministers in March last.

I have, &c.,

REGINALD MCKENNA.

In the early part of 1912 the New Zealand Government consented to the battle-cruiser being stationed wherever the Admiralty deemed advisable. In that alteration of the 1909 agreement the present Government concurs; indeed the Admiralty has been informed that the battle-cruiser "New Zealand" is unreservedly placed at their disposal. Until 1912 the Imperial Government maintained in the South Pacific the Australasian Squadron, but with the coming into operation of the new arrangement between the Imperial Government and the Commonwealth of Australia, and the completion by the Commonwealth of the Australian unit of the proposed Pacific Fleet, the Australasian Squadron was withdrawn, with the exception of some of the smaller vessels, which were to have their headquarters in New Zealand waters.

This was the position which was in sight prior to the visit of the Minister of Defence to England at the beginning of this year.