

Provision will be made by the New Zealand Government in the way of Dock-yard accommodation. suitable accommodation at Auckland for a naval depot for the joint use of the ships of the Royal Navy and the New Zealand Naval Force; the establishment, for the time being, to be maintained by and under the control of the Admiralty. Repairs and supplies for the New Zealand Force will be charged for on repayment basis.

The scale of pay of officers of the Royal Navy lent to New Zealand shall be Pay. the same scale of pay as in the Royal Navy unless a separate New Zealand service is established.

Men lent from the Royal Navy to the New Zealand Naval Force will receive New Zealand rates of pay.

The rates of pay, &c., in the New Zealand ship or ships will be the same as those fixed in the Royal Australian Force.

This scale will apply to men belonging to the New Zealand Naval Force serving in ships of the Royal Navy in New Zealand waters. Service in the Royal Navy beyond New Zealand waters will be considered as "foreign service," and will be paid at Royal Navy rates only, the balance between such rates and those fixed for the New Zealand Force being allowed to accumulate.

*Finance.*—In addition to the annual payment of about £140,000 to meet Finance. the sinking fund and other interest charges on account of the cost of the battle-cruiser "New Zealand" (the sinking fund will be sufficient to redeem the loan-money raised for this purpose in fifteen years from date—i.e., about the year 1928), an annual appropriation for the present time of £100,000 (being the amount of the present naval subsidy) to be used for the purposes of paying,—

- (a.) The maintenance of the training-ship lent to New Zealand as from the time of her transfer, including the cost of any stores supplied after transfer.
- (b.) The cost of all officers and men lent to New Zealand, including the usual contribution towards retired pay and pensions and the cost of passages.
- (c.) The cost, inclusive of all personnel charges—e.g., victualling, clothing, medical issues, &c.—of all men belonging to the New Zealand Naval Force, whether serving in ships belonging to the New Zealand Government or the Royal Navy, and also the cost of the freight of men sent for service elsewhere in the Royal Navy.
- (d.) The cost of training New-Zealanders for officers for the Royal Navy or the New Zealand Naval Force if trained at the Royal Australian Naval College, but no contribution to be paid by New Zealand if the officers are trained in England.
- (e.) The cost of the New Zealand Royal Naval Reserve.

The balance remaining will be paid to the Admiralty.

It will probably in the future be more and more difficult for the Mother-country to obtain the requisite numbers to satisfy the increasing demand for officers and men. Consequently it would seem that the greatest service New Zealand can render just at present to Imperial defence is to commence the training of personnel for the Navy.

With regard to the acquiring of ships by New Zealand in the future, it has been pointed out to the Admiralty,—

- (a.) That the great demand for money for developmental work and the difficulty of our finance in 1914 would probably prevent our doing anything till 1915.
- (b.) That any ships built by New Zealand or acquired would be at the call of the Admiralty whenever war took place or if war were imminent.
- (c.) That in such case New Zealand recognized the absolute necessity for one control and that this control must for the time being rest with the British Government.