

TAX EXEMPTION.

By section 3 of the Land and Income Tax Amendment Act, 1939, exemption from income-tax of the pay and allowances of soldiers earned by them while serving overseas, and the pay and allowances of soldiers serving in New Zealand not in receipt of annual or permanent salaries as members of His Majesty's Forces, was granted.

By the Social Security Contribution Regulations 1939 the Government exempted from payment of social security tax all soldiers in receipt of the Expeditionary or Special Force rates of pay while serving in New Zealand or overseas.

VISITING FORCES ACT.

By the Visiting Forces Act, 1939, provision was made with respect to forces from other parts of the British Commonwealth or from a colony visiting New Zealand, and with respect to the exercise of command and discipline when forces from different parts of the Commonwealth are serving together, and with respect to the attachment of members of one such force to another such force and with respect to deserters from such forces.

PART III.—AIR.

PRE-WAR EXPANSION.

In order to appreciate fully the war effort of the Royal New Zealand Air Force, it is desirable to give a brief outline of the pre-war expansion programme.

A. In 1936 two Air Force Stations existed, one at Hobsonville and one at Wigram; neither Station was adequately equipped. Only a few aircraft were in use and there was no ammunition or bombs in the country. This Government arranged with the United Kingdom Government for the services of Group Captain the Honourable R. A. Cochrane to be made available to report on military aviation. His report was received early in 1937 and was approved. It recommended:—

- (i) The creation of a separate department to deal with civil and military aviation:
- (ii) The establishment of Operational Stations at Whenuapai and Ohakea:
- (iii) The conversion of Hobsonville to a Stores and Repair Base:
- (iv) The conversion of Wigram to a Flying Training School:
- (v) The purchase of thirty "Wellington" aircraft and the provision of adequate supplies of ammunition and bombs.

B. During 1937 considerable additions were made to this programme:—

- (i) Orders were placed for additional aircraft and further supplies of ammunition and bombs:
- (ii) The establishment of a school for training Flight Riggers and Flight Mechanics at the Railway Workshops:
- (iii) Provision of Territorial Squadrons in the four main centres:
- (iv) Purchase of reserve of obsolescent aircraft and further expansion of the Flying Training School at Wigram and the Stores and Repair Base at Hobsonville.

C. Early in 1938 a third expansion programme was approved, providing—

- (i) Additional buildings at Hobsonville:
- (ii) Additional ammunition and bombs, and aircraft spares and equipment:
- (iii) Additional Territorial Flights at New Plymouth, Hastings, and Invercargill:
- (iv) Establishment of a Regular Squadron at Blenheim.

D. In April, 1939, a fourth expansion programme was recommended by the Air Department and approved in principle by the British Air Mission and the Pacific Defence Conference. This further expansion provided for—

- (i) The conversion of the Blenheim Air Force Station to a Flying Training School with an output of one hundred and forty pilots per annum:
- (ii) An increase in the Flying Training School at Wigram from an output of eighty pilots per annum to one hundred and forty pilots per annum:
- (iii) Purchase of additional aircraft and equipment necessary to maintain fully the training operations at these two Schools.

POSITION ON THE OUTBREAK OF WAR.

On the 4th September, 1939, the position of the Royal New Zealand Air Force was as follows:—

- (a) Territorial Squadrons had been established at Auckland, Wellington, and Christchurch.
- (b) An Aero Club organization with approximately sixty Elementary Training Aircraft of the "Tiger Moth" type existed.
- (c) The peace building programme for No. 1 Flying Training School, Wigram, was nearing completion.
- (d) The peace building programme for No. 2 Flying Training School, Blenheim, was approximately half completed.
- (e) The peace building programme for the Operational Station at Ohakea was approximately three-quarters completed.