

“The reason for (c) is that direct importers who, for business and patriotic reasons, desire to quote for military supplies hesitate to do so in competition with their wholesale customers, and consequently in such cases heavy loss can be sustained by the Government unless the most economical purchase is made by the Department. Then again, a successful tenderer is oftentimes in a better position to conduct his buying operations if his rivals in trade are not aware of the fact that he is a successful tenderer for military supplies. This protection to tenderers has had the effect of encouraging business houses to tender more freely, and has been much appreciated by contractors.

“In cases where quotations are made on samples submitted or direct purchases effected by the Department, the office system inaugurated enables me to at any time look into particular cases with a view to justifying the action taken before orders are confirmed by me.”

“In considering this method of dealing with the business as has been suggested by the Commission, the Board has advised the Minister that they see no reason for departing from the principles on which we conduct our business in this respect; as a matter of fact our experience during the last twelve months in particular confirms the Board in its opinion, in which the Minister in Charge concurs, and therefore it is not proposed to make any adjustment.”

9. As a result of a visit paid to the Department by the Public Service Commissioner and his colleague, the Commissioner requested an outline of the procedure and methods adopted in regard to conducting the buying operations, with which the Commissioner expressed satisfaction. During June last I took an opportunity of forwarding a copy of the outline to my colleague the Hon. Minister of Internal Affairs, under cover of the following letter, dated 8th June, 1918, which is now receiving his attention:

“Since you were good enough to address me on the 15th November, 1916, in regard to suggestions then made to you concerning the personnel of the Public Service Stores Tender Board, I understand that no action in this connection has yet been taken, although it would now appear advisable for the methods of buying to be wholly or partially reviewed.

“It will, I think, be readily conceded that the matter of buying supplies advantageously in these peculiar times requires handling by competent men possessing mercantile experience, and consequently I have no hesitation in bringing this matter forward for reconsideration in a form which now may enable you to deal with it.

“The Public Service Commissioner, having paid a visit of inspection to my Department, requested my chief executive officer to address a memorandum to him in confirmation of a conversation which took place as a result of the Commissioner’s observations. For your information I attach a copy of this memorandum. It will be gathered therefrom that the forces of change as regards markets for all goods are visibly at work, and it would appear to rest with us whether we will allow the present methods of conducting business to continue, or direct the management of buying operations into better-defined channels.

“In the light of information before me I am of the opinion that the time is opportune to make a beginning, and that considerable loss may follow postponement of this matter until the termination of the war, as was considered best some two years ago.”

#### CONTROLLED DISTRIBUTION OF COAL.

1. The work connected with controlling the distribution of coal to the best advantage from a national point of view has been creditably performed by my honorary representatives in the four main centres, who have all devoted much time and attention to coping with the steady volume of business, and in assisting me to solve the perplexities which have confronted the Department. Reduced output of bituminous coal and curtailed importations of the same class of fuel constitute the cardinal obstacles of those who have associated themselves with me in this important work.

Notwithstanding occurrences and circumstances which have developed these two factors, it is satisfactory to record the fact that no activity has throughout the period under review ceased to operate for lack of fuel, although at times certain industrial consumers have had occasion to economize pending the receipt of deliveries. The Department, in anticipation of the possibility of having to continue with a reduced quantity of steam-raising coal being available, prudently made arrangements to as far as possible meet the expected position, but found its calculations disturbed by the violence of the storms which for protracted periods during the winter prevented coal-laden ships conveying their much-needed cargoes at times when coal for household use was in greatest demand. Throughout these periods the Wellington Coal Trade Committee in particular daily devoted themselves to devising means of specially supplying many necessitous cases, such as those of sickness and the like, which were reported to the Department. In referring to this matter I desire to pay a tribute to the patriotic manner in which the citizens acted on these occasions. In only one or two isolated cases was any action taken which aggravated the situation. A contention as to prices was put forward by a number of people, but this was in no way a reflection on the fairness of the distribution, and being a matter separate and apart from distribution it was promptly referred to the Board of Trade and dealt with.

During the coming summer it is my desire to see sufficient coal made available to enable the large and important coal-consumers to lay in relatively reasonable stocks, so that when the following winter sets in it will be an easier matter for those in the trade to give satisfactory attention to householders’ needs.