

698. The following table furnishes an interesting comparison of the cost of Land and Air Defence in Great Britain and various Dominions, including New Zealand :—

Great Britain, 1931-32 ..	Estimates, £58,030,000, representing £1 8s. 5d. per head of population.
South Africa, 1929-30 ..	£865,534 .. 9s. 9d. ..
Canada, 1929-30 ..	£3,304,675 .. 6s. 9d. ..
Australia, 1931-32 ..	£1,776,858 .. 5s. 6d. ..
New Zealand, 1931-32 ..	£215,000 .. 2s. 10d. ..

699. A further material reduction in the cost per head cannot be expected if the Dominion is to maintain any semblance of a defence force.

700. Certain minor economies might be effected by a revision of the financial regulations of the Department. We will deal with these under their respective headings.

701. *Pay and Allowances of New Zealand Permanent Forces.*—These are covered by Section II of the regulations which govern the rates of salaries and special allowances, such as married men's allowances, proficiency pay, &c., for all personnel. **We are of opinion that the present scales of pay are on too liberal a basis, and recommend that amended rates be adopted, applicable only to future enlistments.** We do not recommend an alteration in the basic rates for present personnel in addition to the salary reductions already effected.

702. While we do not wish to particularize in the matter of pay, it is evident that an amended scale should be provided for warrant, non-commissioned officers, and men. The pay of officers seems reasonable, except that of Second Lieutenants, which appears to be unduly high, and we recommend a recasting of the scale applicable also only to future enlistments. The whole question of pay and allowances has been the subject of a special investigation by Treasury and the Public Service Commissioner, **and the recommendations in the report of the Inspecting Officers are generally sound, and should be incorporated in the revised regulations.**

703. As we cannot recommend the application of revised scales to the present personnel, there will be no immediate saving, except in so far as appointments during the current year (if any) are concerned. There will, however, be an ultimate saving on the retirement of the present personnel of approximately £21,000 per annum.

*Outfit Allowances to Officers of New Zealand Permanent Forces.*

*Outfit Allowances to Warrant Officers, N.C.O.s, and Men of the New Zealand Permanent Forces.*

*Outfit and Upkeep Allowances for Artificers.*

704. Officers receive an outfit allowance of £14 8s. and an annual upkeep allowance of £5 8s.

705. The outfit of personnel below commissioned rank is provided by issues from stocks carried by the Department and an upkeep allowance of £6 15s. per annum is paid to warrant officers.

706. Outfit allowances are paid to artificers.

707. **We are of opinion that these allowances to members of the Permanent Forces are not justified, as the salaries paid are sufficient to enable the officers and warrant officers to provide for the upkeep of their own uniforms.**

708. **We accordingly recommend that the annual upkeep allowance to officers and warrant officers be discontinued.**

709. There may be other directions in which the Financial Instructions and Allowance Regulations for the New Zealand Military Forces might be reviewed in consultation with the Treasury. The foregoing are, however, the main items to which attention should be directed, and although we cannot estimate what saving will result immediately from the changes we suggest they should, in the long-run, be conducive to more economical administration.

#### GENERAL.

710. As already stated, the aim should be to reproduce the programme carried out during 1931-32. We refer particularly to the substitution of bivouacs for regular camps. We believe that this system should in the meantime be continued, as the financial position is such that a return to the old system, desirable though it may be, is quite impossible.

711. We would also refer to the item of £7,000 on the 1931-32 appropriations under "Military Aviation" for the purchase of aircraft, marine craft, &c. The purchase of further machines might perhaps be deferred for the present.

712. **The present small-arms-ammunition contract between the Department and the Colonial Ammunition Co., Ltd., is unsatisfactory. It should be reviewed and, if possible, terminated.**

713. It appears to be obvious that this Dominion is not contributing on a reasonable scale towards the land defence of the Empire, and we consider that the whole question should be reviewed as soon as financial considerations will permit, as it is a *sine qua non* that all parts of the Empire should contribute adequately and proportionately to the general scheme of Empire defence. The present measures can be justified only on the grounds of financial expediency.

#### VOTE—CUSTOMS DEPARTMENT.

714. The net expenditure under the vote in 1914-15 and in 1930-31 was as under :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
47,336	19,463	66,799	74,272	15,639	89,911