

served by the New Zealand Supply Mission in Washington, whilst direct contacts on supply matters in other countries are maintained by the Liaison Officers situated in the United Kingdom, Australia, India, and Canada.

Lend-lease aid to New Zealand since the establishment of American Command in the South Pacific Area has greatly increased and because transactions must be conducted on a Government-to-Government basis many radical changes have become necessary in the procurement methods followed by New Zealand in peacetime. Outside direct military equipment, we are securing under lend-lease a large proportion of the necessary machine tools, raw materials, and components necessary to develop and maintain our war production. The change from importation of our non-munitions requirements formerly purchased for cash under a system of import licensing has been effected by means of co-operation with commercial houses. Typical examples of how the Ministry utilizes the assistance of business interests whilst retaining complete Government control of import, distribution, and use are Consolidated Importers (N.Z.), Ltd., and Steel Distributors, Ltd. The former company, which is non-profit-making and open to all, is representative of the peacetime agencies, and investigates and consolidates New Zealand's bulk forward requirements in such items as machine tools, artificers' tools, and other general hardware, whilst Steel Distributors, Ltd., is similarly a non-profit-making company under direct Government supervision, formed from the peacetime agencies for the express purpose of storing the Government's imports of steel and distributing through merchants to the trade generally. The experience and resources of business firms are used in many other directions to handle our lend-lease importations, subject, of course, to a strict Government supervision in terms of our undertaking given in the Lend-Lease Agreement.

A most significant development in overseas procurement which has followed the establishment of combined boards between the United States and the United Kingdom dealing with raw materials, production, foodstuffs, and shipping has been the increasing tendency for the war production of both countries to be based on forward planning and programming. The effect of this upon New Zealand's essential imported requirements has drawn attention to the necessity for creating adequate machinery which will be able to effect forward programming requirements for submission to these combined authorities. Programming is designed to enable a complete picture of the requirements of the various United Nations to be obtained in London and Washington, thereby rendering possible the planning of production and allocation of raw materials and finished products. It follows, therefore, that New Zealand, in keeping with other countries, must plan her overseas requirements in advance and submit them well ahead of actual production if we are to be successful in obtaining allocations of the goods we require. The Ministry is concentrating on this problem in an endeavour to fulfil all requirements indicated to us from overseas by way of programming requisitions.

The radical change required by the exporting countries from normal commercial ordering practises to one of direct Government-to-Government ordering has now been achieved for most of our imported essential requirements from North America, although the Ministry is still facing the problems involved in co-ordinating and centralizing innumerable individual repetitive orders no longer available on a private import basis. Apart from lend-lease, there are still importations which, because of various special reasons, are procured by Government cash orders through the Ministry or by commercial importers.

*Production.*—The Director of Production (Mr. G. H. Jackson) has vigorously pursued the work of directing and watching all phases of production in terms of his appointment, which I outlined in my last report. A change has been effected in the control of shipbuilding and repairs in that this control is now vested in the Shipbuilding Controller (Mr. James Fletcher), with the Chairman of the original Committee (Mr. G. E. Breeze) as Deputy Controller, and Mr. E. W. C. Smith the Chief Executive Officer. The organization forms a separate Division in the Marine Department.

In production of naval craft good progress has been made during the year. There are some hundreds of units in hand, some of which are completed, comprising such craft as composite and steel minesweepers, patrol vessels, barges, tugs, towboats, powered lighters, and other auxiliary craft for our Allies in addition to our own use. Ship-repair work has become a most important phase of New Zealand's war activities, and this Ministry has made strenuous endeavours to have available in the country those imported materials so necessary in this work.

In radio production it has been necessary to stop completely the manufacture of sets for domestic use in order that the industry might be able to satisfy local Army requirements, and also to implement an order for a very large number of sets for the use of the various military commands in the Eastern Group Area. A prominent member of the radio industry, Mr. R. Slade, was appointed to the Ministry to organize this work as Controller of Radio Production.

In the building and ancillary trades—sawmilling, manufacture of joinery, &c.—it has been necessary to regulate so that urgent works receive priority. Provision for vast areas of storage space has been necessary as also has been the erection of new hospital accommodation.

Munitions production has expanded very considerably, and in the year under review millions of rounds of small-arms ammunition have been produced and hundreds of thousands of grenades completed for supply to New Zealand forces and combat areas east of Suez and coming within the purview of the Eastern Group Supply Council. Complete requirements of universal carriers for the New Zealand forces have been manufactured. General types of fuses for various shells are in production, while mortars and mortar bombs are being produced in increasing numbers. Certain types of automatic rifles, besides numerous other lines of equipment so important in modern warfare, are being manufactured in our various engineering shops throughout the Dominion, both for New Zealand requirements and for export overseas.