

The importance of standardizing the basis of valuation in order that the Ministry of Supply should readily dispose of the motor-vehicles at a price reasonable under all the circumstances is apparent. It is well known that there exists an inflated market for motor-vehicles which is directly accounted for by the short supply and the increasing demand. Under these conditions, the adoption of (a) or (c) as the basis of valuation instead of (b) would deprive the Government of a considerable sum.

Nevertheless, it appears that a verbal direction was given on at least one occasion that the basis of valuation was to be as in (a). It is not clear whether this valuation was to apply only to cars, as distinct from trucks, which appear to have been valued in accordance with (b). But if all truck valuations have been made as in (b), then there could be no case for valuing cars for disposal to the public on the basis of the valuation as in (a) without proper direction.

The investigation has disclosed that little information exists on the various files that have been inspected relative to the matters under inquiry. It is emphasized that the investigation would have been materially simplified had the files contained records of the authorized appointment of officials concerned, the policy in respect of the disposal and valuation of vehicles, and other matters relevant to the inquiry. The records of the valuations made were most unsatisfactory and the information contained in them scanty.

This investigation showed that eleven cars were disposed of to Army personnel under conditions which amounted to priority, the cars not having been offered previously for sale to the public. The Audit Office was able to obtain valuations from two motor firms in respect of six of these eleven cars, and these valuations were from £60 to £150 in excess of the prices paid by the officers concerned. There is also clear evidence that a truck purchased by an Army officer was immediately resold through a dealer at a profit of £100. The officers concerned submit that they purchased in good faith and at prices fixed independently by persons who they had reason to believe were acting with full and proper authority.

(i) Aviation Fuel

My last report made reference to a review of the contract for the storage, handling, &c., of aviation fuel by two oil companies. The Air Department advised me in October last that negotiations with the companies were being handled by the Ministry of Supply and had been widened to include the prices to be paid by the companies for all fuel and oil products procured under lend-lease. Information received from the Ministry of Supply within the last few days is that negotiations have been protracted and are still proceeding. There are, however, good grounds for hoping that a very considerable recovery will be effected in respect of past payments.

(j) Coal-supplies, Linton Military Camp

Supplies of coal for Linton Military Camp were in the first place to be obtained from the State Coal Depot, Wellington, but in April, 1943, the Mines Department intimated to the Defence Purchase Division that, owing to shipping difficulties with the South Island, it would not be able to supply. The Defence Purchase Division then advised Army to purchase from a Palmerston North coal-dealer, but gave no definite instructions as to price. As the result of inquiries made by an Audit Inspector it was found that a considerable portion of the coal supplied by the company was State coal and that the prices charged by it to the Army Department were excessive. A new contract has now been let with another coal-dealer on more satisfactory terms.

(k) Defence Works Camps

Under the Defence Works Labour Legislation Suspension Order (1942/65), where a worker is transferred or engaged to proceed to a locality necessitating his sleeping away from his usual residence the employer is required to supply suitable board and lodging or pay the worker 30s. per week. About August, 1942, board and lodging for workmen transferred to Wellington for defence and earthquake repair work was not available, and to meet the situation several camps were opened and operated by a committee appointed by Wellington builders. The costs of operating the camps were to be recovered by charging the builders 30s. per week for each man employed from the camps, the builders in turn to recover from the Government and City Council.

The rate of 30s. per week was found to be insufficient to meet all operating-costs, and from 1st October, 1942, War Cabinet approved of the rate