

13. At the end of March, 1945, the year ahead therefore appeared fraught with difficulties as well as hopes. The strain of the Dominion's war effort had reached its greatest tension. The acute labour position in industry, combined with the extreme demands upon industry, meant that further redistribution of labour resources through man-power controls had to be faced, even though the comb-out of resources of man-power for redistribution had reached very near to the point of exhaustion in some areas. The immediate problems to be faced were thus extremely difficult. As against them was the known certainty of victory in Europe at no unduly prolonged date and the prospect of a return then of at least a large part of New Zealand's Forces from Europe and of a consequent measure of relief in the industrial field.

SECTION II.—RÉSUMÉ OF MAJOR EVENTS AND POLICY DECISIONS OVER THE TWELVE MONTHS ENDED 31st MARCH, 1946

(i) Military

14. In the military sphere two events, of course, predominate—the defeat of Germany on 8th May, 1945, and the more unexpected collapse and surrender of Japan on 15th August, 1945. The main policy decisions affecting departmental activities during the twelve months under review turn upon these two events.

15. On 1st April, 1945, the comb-out of Category "A" men held in industry under appeal was continuing. This was in line with the decision taken by the Government in September, 1944, to continue to reinforce the Middle East Division until the end of the European War, but to introduce immediately a replacement scheme whereby men who had completed three years' service overseas would be returned to New Zealand and would be replaced overseas by Category "A" men still held in industry.

16. In view of the priority needs of Army for personnel to complete the numbers required for the replacement drafts it was arranged that the intake of recruits into Air Force and Navy would be restricted during the early part of 1945 to persons under the age of twenty years and six months who had volunteered for service in Air Force or Navy, and that consideration would later be given to making up any deficiency in the numbers required by these Services from Category "A" personnel after the needs of Army for the replacement drafts had been assured. Due to the intervention of VE Day, however, it was not necessary to give further consideration to increasing the number of men to be made available to Air Force and Navy.

17. The German surrender, less than a month after the departure of the 15th Reinforcements, did not bring the review of appeals to an immediate and complete halt, but the process continued only on a greatly reduced scale. Meantime discussions proceeded between the New Zealand Government and the authorities overseas as to the further use to be made of the 2nd N.Z.E.F.

18. In the middle of July Government announced that no more Category "A" farm workers whose appeals had been dismissed would be mobilized by Army until they could be replaced in their existing employment.

19. During the period between VE Day and the beginning of August the Middle East (Second) Division replacement scheme continued to be implemented. It became obvious, however, that it would no longer be necessary to maintain a full Army Division for employment against Japan and at the same time maintain current Air Force and Navy commitments. A regrouping of Forces involving the reduction of the overseas division to two brigades and a substantial reduction in the numerical strength of Air Force and Navy personnel became possible and was announced by the Right Hon. the Prime Minister on the 2nd August.

20. With the defeat of Japan two questions called for and were given immediate decision. The first question was, What to do with the 16th Reinforcements then awaiting embarkation for overseas? And the second was, What substantial reduction in the numerical strength of the other Forces could be immediately agreed upon? Government's