

1917.
NEW ZEALAND.

NATIONAL EFFICIENCY BOARD

(REPORTS AND MEMORANDA IN CONNECTION WITH).

Laid on the Table of the House of Representatives by Leave.

PROPOSALS FOR THE ORGANIZATION OF INDUSTRIES IN NEW ZEALAND, DURING THE WAR AND AFTERWARDS.

MEMORANDUM BY THE HON. THE ACTING PRIME MINISTER.

OVER 60,000 workers have already left our shores owing to the war, and about 2,300 more will be sent every four weeks while the war continues. It may be expected that these will not be absorbed into the industries of the country for twelve months after the termination of the war.

Many of these have already given their lives for their country, and the efficiency of many others will have been lessened owing to wounds and sickness. With the number of workers thus diminished, if we are to maintain our exports, provide for the essential industries of the country, and establish new industries, it is imperative that capital should be employed to the best advantage in essential industries, and that by reorganization and scientific training the productiveness of labour may be increased. To do this effectively the State will require the assistance of a number of the most capable business men in New Zealand, and it will be necessary to give them wide administrative powers.

It is proposed to encourage voluntary effort as much as possible, and it is believed that there are numbers of business men of proved ability, not available for military service, who are ready and willing to devote themselves to the service of their country in this great crisis once the State has shown how their efforts may best be utilized.

INDUSTRIAL EFFICIENCY BOARD.

Four voluntary members selected by Cabinet from the business heads of the community, one for each military district, appointed where possible for the period of the war and twelve months afterwards, but shorter terms of service may be accepted.

Each member of the Board will require a paid secretary and other clerical assistance, and will be reimbursed all expenses incurred.

JURISDICTION AND DUTIES.

1. To formulate a general industrial efficiency scheme for the approval of Cabinet, and to make such proposals for its amendment as may be necessary from time to time.

2. To inquire and report as to what industries are essential during the war.

3. To inquire and report what workers are needed in essential matters, and how these may be best obtained without hardship to non-essential industries.

4. To advise the Military Service Board when requested.

5. To ascertain the special requirements of each district and each essential industry, and to report to the Government.

6. To recommend such measures as they may consider necessary to reduce the cost of living, to promote thrift, and to deter luxury; and, if necessary, to curtail the employment of labour in non-essential works during the war.

7. To make recommendation for the more extensive utilization of the labour of women in suitable industries during the war.

8. To encourage voluntary work, and to make recommendations for its utilization.

9. To provide for the industrial employment of those who have been rejected by the military authorities as unfit.

10. To advise as to the organized employment of all the available labour in the community should the necessity arise.

11. To draw up proposals for the efficient carrying-on of the farms or businesses of men who have been obliged to leave them owing to the war. (See Appendix A, "Management of Farms," and Appendix B, "Management of Businesses.")

12. To advise as to what new industries should be established during or after the war.

13. To report as to the need for further technical education and scientific research with respect to existing or future industries.

14. To co-operate with the Discharged Soldiers' Information Department and the Lands Department in arranging for the absorption of returning soldiers in the industries of the country.

15. To make such other investigations and reports as the Government may from time to time require.

16. To initiate and submit to the Government such proposals as they consider would increase the industrial efficiency of the State if carried into effect.

17. To carry out such industrial proposals as the Government may direct.

ADVISORY COUNCILS.

One in each group—twenty-one in all; voluntary. Five members, four of whom should be active business men—recommended by Industrial Efficiency Board; appointed by Government; representing the industries of the district. One Labour representative advisable: he may be paid if necessary.

The Advisory Councils will sit in consultation with the district member of the Board, who will be *ex officio* Chairman, and will communicate to the Council the policy of the Board.

Duties of Advisory Council.

1. To recommend to the Board the appointment of members of (a) Country and (b) Industrial Committees.

2. To collect information for the Board.

3. To initiate proposals and, where requested, advise the Board as to subsidiary schemes for the organization of industry in their district.

4. To obtain local industrial information for the Military Service Board when requested by the Industrial Efficiency Board.

5. To advise the Minister of Defence as to whether he should confirm or otherwise deal with the recommendations of the Military Service Board in case of undue hardship to soldier called up.

6. To carry out locally such approved schemes of industrial organization as the Board may direct.

INDUSTRIAL SUPERVISORS.

One in each group—twenty-one in all; appointed by Government on the advice of the Advisory Council; paid out of the War Expenses Fund.

Officers and clerical assistance will be required. It is expected that the Supervisors and their staff will be obtained from men not available for service with the Expeditionary Force.

Duties of Supervisors.

1. To act as Secretary of Advisory Councils.

2. To keep such accounts as the Council may direct.

3. To collect information from Country and Industrial Committees.

4. To keep accounts of farms and businesses left under State control or managed by trustees. (See Appendices A and B.)

5. To make payments and collect moneys due on account of such farms or businesses.

6. To prepare all accounts kept by them for Government audit.

COUNTRY COMMITTEES.

Appointed by Board on recommendation of Advisory Council. It will be desirable to consult presidents of local bodies, farmers' unions, and agricultural and pastoral associations as to their appointments. Voluntary; five to ten members.

Sufficient Committees will be appointed in each group to provide the Advisory Councils with such information as may be required. On the basis of one member of Committee to each fifty farms of 10 acres and over, there will be 1,100 members of Country Committees—say, eight to each group. The members are intended to be chosen for their knowledge and experience, and for their prominence in forwarding patriotic movements. Where possible an existing organization is to be utilized or absorbed.

Duties of Country Committees.

1. To carry out the policy of the Industrial Efficiency Board as directed by the Council in their locality.

2. To advise the Council as to what labour is required in their district, and, if it is expected to be insufficient, to make proposals as to how best it may be supplemented.

3. To make recommendations to the Council for transmission to the Board as to the best course to pursue in connection with the farms of soldiers who have joined the New Zealand Expeditionary Force from their locality. (See Appendix A.)

4. To advise their Council as to the appointment of Trustees or Managers for soldiers' farms.

5. To advise their Council as to essential crops that can best be grown for export in their locality.

6. To make arrangements for the harvesting of essential crops, for the shearing and dipping of sheep in their locality, and generally for the organization of local labour.

7. To advise the Military Service Board when requested as to the necessity for retaining the services of any man who would otherwise be called up for military service.

INDUSTRIAL COMMITTEES.

Appointed by the Board on the recommendation of the Advisory Council of the group, on the basis of one Committee to each industry affected by the operations of the war. Voluntary; three members. It is intended that there shall be at least one Labour member on each Committee.

In districts where the industry is carried on by widely scattered units, an Industrial Committee may be appointed for each collection of, say, ten units, the unit in this case being a registered factory.

Where possible, the services of existing industrial associations and unions should be utilized. It is most important that both employers and employees shall co-operate for the benefit of the industries affected.

Duties of Industrial Committees.

1. To carry out the policy of the Industrial Efficiency Board as directed by the Council in their locality.

2. To advise the Council as to what labour is required for essential industries in their districts, and, if it is expected to be insufficient, to make proposals as to how best it may be supplemented.

3. To make recommendations to the Council of their group for transmission to the Board as to the best course to pursue in connection with the businesses or industries of soldiers who have joined the New Zealand Expeditionary Force from their locality. (See Appendix B, "Management of Soldiers' Businesses.")

4. To advise the Council as to the appointment of Trustees or Managers for soldiers' businesses.

5. To advise the Council as to the essential industries that can be best carried on in their locality.

6. To make arrangements for the carrying-on of essential industries in their locality and generally for the organization of local labour for that purpose.

7. To advise the Military Service Board when requested as to the necessity of retaining the services of any man who would otherwise be called up for military service.

SOLDIERS' TRUSTEES.

To be responsible for the management of soldiers' farms or businesses where soldiers have not made private arrangements for so doing. Appointed by the Government on the recommendation of the Board. Voluntary.

Duties of Soldiers' Trustees.

1. To direct the policy of managing soldiers' farms or businesses in their absence.

2. For this purpose to appoint Managers or foremen where required, and to control them as they may consider advisable.

3. To report to the Advisory Council as to such estates.

4. To arrange with the Advisory Council as to the keeping of accounts of such estates.

The legal status and responsibility of these Trustees will require to be definitely arranged.

MANAGERS.

1. To be appointed and controlled by Trustees.

2. To pay all moneys received into a trust account kept at the Supervisor's office.

3. All payments to be by cheque drawn on a trust account signed by both the Manager and the Trustee, and countersigned by the Supervisor.

4. To render monthly accounts to the Supervisor showing—(a) Receipts and payments, (b) stock on hand, (c) stock bought or sold.

APPENDIX A.—MANAGEMENT OF SOLDIERS' FARMS.

It is an essential part of these proposals that adequate arrangements should be made to carry on the farms of soldiers during their absence.

The policy will be laid down in the first instance by the Government, but it will be submitted to the Board, who will consult the Councils and Committees and make such recommendations for its modification as may be necessary from time to time. It will be carried out by the Country Committees under the directions of the Councils.

There is no intention to interfere with individual arrangements which soldiers may make before leaving, but it is designed to provide machinery which will ensure that soldiers need be under no apprehension that their farms will be uncared-for during their absence and that their accounts will be neglected.

When the State is asked by a soldier or his relatives to take care of a farm during his absence, the Council shall advise the Board as to whether—

- (a.) The farm can be profitably managed. If the advice is unfavourable the Government should undertake to realize the farm and stock on behalf of the soldier, and safeguard the proceeds through the Public Trust Office till his return.
- (b.) The farm should be carried on on behalf of the soldier. For this purpose it would be handed over to a Trustee.
- (c.) The farm should be taken over by the Government and leased for short periods till the soldier's return, when it will be handed back to him with the rents paid during his absence.
- (d.) The farm shall be taken over by the Government at a valuation, managed by them during the war, and afterwards made available for land-settlement by returned soldiers.

APPENDIX B.—MANAGEMENT OF SOLDIERS' BUSINESSES OR INDUSTRIES.

The proposals made in Appendix A for farms will, *mutatis mutandis*, apply to soldiers' businesses or industries and their management by the Industrial Committees.

In case of a business or industry it may be desirable to incorporate it into another business with a view to its more economical working.

APPENDIX C.—THE EXAMPLE OF OTHER COUNTRIES.

The following are some of the methods adopted in other countries for conserving the national wealth, increasing output, and promoting industrial efficiency. It will be a matter of consideration by the Government how far they are applicable or necessary in New Zealand, so that a policy may be immediately outlined for the Board.

- (1.) Encouraging local industry by higher Customs duties on articles capable of local manufacture.
- (2.) Prohibition of the import of luxuries—*e.g.*, pianos, pleasure-cars, jewellery.
- (3.) Limitation of export of raw material—*e.g.*, rimu, kauri, kahikatea, kauri-gum, phormium.
- (4.) Reduction in the consumption of alcohol.
- (5.) Stoppage of public works and railways not immediately necessary or likely to be profitable.
- (6.) Reduction of train services and increase of fares.
- (7.) Limitation of the use of petrol to industrial purposes.
- (8.) Reduction of licenses for totalizator at race meetings.
- (9.) Suspension of trade-union rules limiting the hours of labour and forbidding the employment of women or of partly skilled workers.
- (10.) The employment of women in all industries suitable to them.

APPENDIX D.—STATISTICS.

The Board should be asked to supply as soon as possible a list of industries divided into (1) essential, (2) partly essential, and (3) non-essential industries, and should prepare a return showing—

- (a.) The number of workers available in each industry in each of these categories:
- (b.) The number of workers required for each essential industry:
- (c.) The number that can be spared without undue hardship from partly essential and non-essential industries.

In case of each industry the Country and Industrial Committees should secure the filling-up of forms and the making of returns showing the above particulars so far as they relate to their locality or industry.

A return showing the trades and occupations of men who have left with the Expeditionary Force is kept up to date by Base Records.

APPENDIX E.—FINANCE.

It is expected that a great deal of voluntary assistance will be forthcoming to help this organization, but certain working-expenses are unavoidable.

The following is an estimate of the annual cost of administration :—

	£
Expenses of members of Board (four)	2,400
Salaries and expenses of Secretaries (four)	3,200
Salaries of Supervisors (twenty-one) at £250	5,250
Offices (twenty-one), including staff and rent	8,400
Travelling-expenses of Supervisors and Inspectors	1,000
Travelling-expenses of members of Advisory Council (105)	2,000
Committees (1,100 members), hire of rooms, stationery, stamps, &c.	2,400
Inspectors of Farms (five)	1,200
Legal expenses	500
Labour members (ten), pay and travelling	2,500
	£28,850

Expenses will depend very largely on how far this organization extends for the first six months.

MEMORANDUM by the Hon. the ACTING PRIME MINISTER.

Prime Minister's Office, Wellington, 11th January, 1917.

Memorandum for all Ministers.

In the proposals for the "Organization of Industries during the war" I wish to call your attention to—(a) Paragraph dealing with "New Industries during or after the War"; (b) paragraph "Need for Further Technical Education and Scientific Research with respect to Existing or Future Industries"; (c) paragraph *re* "Absorption of Returning Soldiers."

The National Efficiency Board may do very great service to New Zealand by consideration of new industries which may be established immediately on peace being declared. If such are brought into existence the absorption of the returning soldier will be materially aided.

Great Britain, Canada, the Commonwealth of Australia, and the Union of South Africa are all taking steps to provide for new industries, and as one means of encouraging the establishment of new industries and the extension of those already in existence each country is determined to actively prosecute scientific and industrial research.

For the information of members of Cabinet I attach a copy of Government House despatch (No. 3688/16) from the Governor-General of the Commonwealth. It will be noted that action has been taken in connection with "Scientific Research."

If we in New Zealand wish to prevent our returning soldiers being attracted away by inducement and opportunities offered outside New Zealand it seems necessary that steps should be taken without delay to set up a Committee to deal with scientific and industrial research, and I believe this Committee should work in conjunction with the National Efficiency Board.

At Cabinet meeting to-morrow I will distribute, as far as the number at my disposal will allow, copies of a pamphlet issued by the Victorian State Council entitled "The Repatriation of the Soldier." This pamphlet summarizes reports of valuable work done in Canada, and makes suggestions for action in the Commonwealth of Australia. Further copies have been asked for, and on receipt they will be distributed to members of Cabinet who have not received a copy.

If Cabinet agrees to the appointment of a Scientific and Industrial Research Committee, I propose that the Minister of Education should recommend to Cabinet names of gentlemen suitable for the purpose.

The Committee should represent the scientific and industrial interests of the country.

J. ALLEN,
Acting Prime Minister.

NATIONAL EFFICIENCY BOARD to the Hon. the ACTING PRIME MINISTER.

SIR,—

National Efficiency Board, Wellington, 5th February, 1917.

We have the honour to confirm our acceptance of office, verbally made by you at the interview which we had the pleasure of having with you on the morning of Friday, 2nd instant, when you formally notified us of our appointment by Cabinet to consider and report upon the question of the organization of industries in New Zealand during the war and afterwards. We have carefully considered the memorandum which you handed to us, and now have the honour to place before you the conclusions which we have so far arrived at.

We are unanimously of opinion that it is desirable that such a Board should be formed, and that it should commence work as speedily as possible; that there should be a central office in Wellington, and that the Board should meet there from time to time, and also in other centres. It is necessary that the Board should be furnished with a thoroughly competent secretary to take charge of the central office. The man selected should be an experienced public servant with a thorough knowledge of Government departmental work.

We have appointed Mr. William Ferguson as Chairman of our deliberations.

We have carefully discussed the proposals set out in your memorandum as to the constitution not only of the Board, but also of the various organizations which it is suggested should work in conjunction with it. Our present idea is that it is inadvisable to set up the elaborate system of committees which is outlined in your memorandum; but we believe that good and efficient work can be obtained by the appointment of such voluntary experts in particular channels of investigation as may be necessary in each district or subdistrict, and in each industry or sub-industry. We suggest that each member should have the privilege, after preliminary inquiry into the various questions that may come before him in his own district, to nominate through the Chairman, for appointment by the Government, individuals who should be requested to act as voluntary expert advisers to the Board.

It is also proposed that the members of the Board in their respective districts should, as far as possible, obtain the assistance and co-operation of existing organizations, with the view to co-ordinating the producing, manufacturing, labour, commercial, and distributing interests of this Dominion. By these means it is believed that expert evidence can be obtained in the quickest and most accurate manner. It is realized that existing organizations may not fully represent the industry or interests affected; the members of the Board will therefore be careful to obtain outside assistance, apart from the trade and other organizations, where they deem it desirable. It is possible, particularly in connection with men representing the labour organizations, that it would be unfair to ask individuals to give their services without remuneration, and, although it is hoped the great bulk of the work would be done voluntarily, authority should be given to this Board to make arrangements for payment where it is considered desirable.

We believe that it will be necessary in some industries and lines of investigation for definite evidence to be obtained under oath, and for this purpose we recommend that we should have powers conferred upon us which we believe can only be provided by the constitution of the Board as a Royal Commission; and we suggest that if this is decided to be the best method of carrying out the objects sought we should be appointed as a Royal Commission, but that the terms of appointment should grant to each individual member of the Board powers of examination and inquiry under oath, so that it will not be necessary to make such investigations sitting together as a Board.

With regard to the items set out on pages 4 to 6 inclusive of your memorandum, we agree that those items numbered 1 to 17, with the Appendices C and D, set out matters which should receive our attention, and that they should be included in the powers conferred upon us. All these matters are of great national interest; many of the suggestions will involve a restriction of personal freedom of action, and it will be our duty to so far as possible educate those who are affected by the proposals to the necessity of making sacrifices in the national interest.

We are of opinion that some of these duties are much more urgent than others, and we believe that one of the most important and pressing duties which will be cast upon us will be to arrive at a decision as to what are essential and what are non-essential industries and occupations in relation to (a) military requirements, (b) civil and other national necessities, and (c) the general mercantile trade of the Dominion. It is important that we should include in our investigations the problems of transit and the desirableness of reducing the amount of waste energy which at present is being expended in various directions.

We are satisfied that we ought to investigate at as early a period as possible the question as to how far men's labour can be, or ought to be, replaced or diluted by the employment of women. We believe it is essential that a national sentiment should be created, that idleness in any form is discreditable to the individual, being a national and economic waste.

With regard to the suggestions made in the memorandum as to the constitution of Advisory Councils and Committees and the appointment of Supervisors and Industrial Committees, we are of opinion that the scheme proposed would be unwieldy, slow of action, and unnecessarily costly. We would prefer to ascertain by practical trial whether the suggestion as above made for voluntary expert assistance will meet all that is required. In the event that it should be found that it does not do so, then we will be prepared at a later date to submit a scheme to the Government for consideration.

We would like, before expressing any definite opinion upon the question of the appointment or duties of soldiers' Trustees, Managers for soldiers' farms, and other businesses to have time to gather more direct information on this matter, including a definite personal contact with the difficulties as they may exist in our respective districts. We are of opinion that some system is necessary, and should be brought into operation as speedily as possible, and we think that general powers of investigation should be given to us.

We realize that there will be a difficulty in settling a sufficient number of returned soldiers on the land, and are of opinion that one of the most important directions in which we can investigate will be in connection with the provision of a scheme by which country work can be made more generally attractive than it has been in the past, especially to married men.

The Government should place at our disposal all information and assistance which can be obtained through or from the various Departments. We request that instructions be given to the branch offices of all Government Departments to furnish direct to each member of the Board such information and assistance as he may require in connection with his district. Our object in making this somewhat unusual request is to expedite inquiries, which in many instances will relate to matters of a purely local character. We deem it most important that information concerning what is being done in other countries should be obtained for us as speedily as possible, especially with regard to post-war preparation.

We believe that an important branch of our investigations will be to ascertain whether there are any, and, if so, what, industries that can be started before or after the conclusion of the war, in order to absorb returning labour, and in so doing that every effort should be made to conserve the associations of comradeship which have proved so attractive to the men while on active service, and which if continued would tend to produce good citizenship.

We are of opinion that it is the duty of the State to provide, through national organization, facilities for the placing of men and women in employments and occupations for which they are best fitted. We are afraid that there is a risk that returned soldiers may drift into occupations far below their true standard of fitness and efficiency, with a consequent loss both to the State and to the individual.

We are satisfied that intermittent labour is harmful to the individual and a loss to the country. It will be part of our duty to ascertain how far it is unavoidable and how far permanence of employment can be arranged for.

With regard to the reference to scientific research which was made in your memorandum, and in respect to the reports on the co-ordination of science and industry, presented by the President of the New Zealand Institute and dated the 31st January, 1917, we emphatically support the necessity for scientific investigation and research. We deem it most desirable that university professors and other persons skilled in scientific investigation should be brought into touch with the practical difficulties met with in the various industries. We are of opinion that in the course of our investigations these difficulties must claim our attention, and we therefore submit that it is desirable that not only should our members be members of the local investigation societies or organizations in each of our districts, but also that our Chairman should be a member of the central Board of Scientific Research if such is constituted. We certainly think that any

organization that may be set up should be such as will enable a close personal contact between the National Industrial Efficiency Board and the proposed Research Committee.

With regard to that part of your memorandum relating to the cost of our operations, we feel that at the present preliminary stage we are unable to express any definite opinion; but it will be obvious from what we have already stated that at the outset the expenditure will be at a lower rate than that mentioned in your memorandum. What the expenditure will eventually become can only be ascertained as experience shows what is necessary.

After our appointment has been confirmed and our powers have been clearly defined, we propose to commence our work by holding a public meeting in Auckland, Christchurch, Dunedin, and Wellington respectively, at which all members of the Board will attend, the object being to endeavour to obtain the benefits of public approbation and assistance which, in our opinion, are most essential. We feel that our hands would be greatly strengthened if Ministers of the Crown could arrange to attend these four initial meetings, because this would give weight to our work which no official document could accomplish.

In conclusion, we report that it is not at present within our power to make recommendations on any of the vital questions raised by your memorandum. Before this can be done there must be due investigation of each particular subject. Any conclusion which we could arrive at at present could only be tentative, and would probably have to be modified materially after investigation. We believe that the only method by which we can secure good work is for the Government to give to the Board full powers, and we assure Cabinet that individually and as a Board we recognize the importance of the duties which the Government proposes to place upon us, and that we commence our work with a full sense of our responsibilities.

We have, &c.

WILLIAM FERGUSON, Chairman.

JAS. A. FROSTICK.

J. H. GUNSON.

W. D. HUNT.

The Hon. J. Allen, Acting Prime Minister, Wellington.

NATIONAL EFFICIENCY BOARD to the Hon. the ACTING PRIME MINISTER.

SIR,—

National Efficiency Board, Wellington, 16th February, 1917.

We have the honour to report that we have duly considered the question of a practical policy in respect to soldiers' farms and businesses. We understand that the question is deemed by the Government to be one of urgency. It has therefore received our earliest attention, and we agree that it is a matter to be dealt with forthwith.

Farms.

In the majority of cases the Military Service Boards are refusing, and we think rightly so, to give total exemption, but are allowing farmers a limited amount of time to arrange their affairs before going into camp. In some cases men are able to arrange for the management of their farms, in other cases they are disposing of their properties by sale or lease; such disposal, however, is becoming increasingly difficult to arrange. The operation of the Military Service Act renders the future of all Reservists so uncertain that it precludes them from becoming either purchasers or tenants. The operation of the Act so limits the future supply of labour that, in effect, it prevents men who are not Reservists from buying or leasing land, particularly that of a dairying or arable class.

We are of opinion that immediate facilities should be provided by the Government for the management of soldiers' farms. In many instances the farmer Reservist when called up succeeds in making arrangements suitable to himself, and of a character that enables his farm to be run as in the past. No assistance is required from the Government in cases of that class. Upon the other hand, there is a large number of farmers being called up who find it impossible to suitably arrange for the continued management of their farms. Under such conditions facilities for the management of soldiers' farms should be immediately provided. We therefore beg to submit the following proposal:—

Boards of Trustees should be appointed for particular districts or subdistricts as may hereinafter be provided to advise, manage, or dispose of soldiers' farms, or in case of death to act (if required) for the beneficiaries. The Boards of Trustees should be appointed by the Government upon the recommendation of the National Efficiency Board.

The National Efficiency Board to determine from time to time the centres in which it considers it necessary to establish Boards of Trustees. Each Board should consist of three members, whose services should be rendered voluntarily. Two should be business men with a thorough knowledge of the district concerned and of farmers' requirements generally; the third a practical farmer resident in the district. Such Boards of Trustees shall be subject to and responsible to the National Efficiency Board. The member of the National Efficiency Board for the district shall be *ex officio* a member of every Board of Trustees in his district, and may, at his own discretion, call meetings of Trustees at any time.

The Trustees shall appoint a Supervisor for each farm, who must be a practical farmer and be approved of by the National Efficiency Board. Each Supervisor shall accept responsibility

under the Trustees to manage such farm on such terms and under such conditions as may be agreed to. The services of any Supervisor may be dispensed with by the Trustees with the approval of the National Efficiency Board.

An inventory of all the soldier's assets and a statement of his liabilities should be prepared on the proposal for the formation of a trust. If on investigation it should be found that the financial position of the farmer appears to be unsatisfactory to the National Efficiency Board, the management of the farm should be declined. If it should be found by the National Efficiency Board that the estate is one suitable for management by Trustees, then a general agreement shall be arrived at between the soldier (farmer) and the Trustees as to the lines upon which the farm is to be run. Such agreement shall be subject to the approval of the National Efficiency Board. The Supervisor shall manage the farm under the direction of the Trustees. It is recognized that one of the chief difficulties that will be met with is that of obtaining labour, but it is believed that in many cases considerable assistance can be economically arranged for from the neighbours.

Proper accounts and returns, in prescribed form, shall be furnished by the Supervisors, and shall be rendered to the Trustees monthly.

The Trustees shall appoint duly qualified professional accountants, approved by the National Efficiency Board, to keep the books of all soldiers' estates. The accountants shall issue half-yearly statements as on the 30th September in each year, and an annual report and balance-sheets as at the 31st March, and a final statement on completion of the trust. Certified copies of all statements, reports, and balance-sheets, after adoption by the Trustees, must be supplied to the member of the National Efficiency Board for the district. Such balance-sheet shall be duly audited by a nominee of the National Efficiency Board.

Upon the recommendation of the National Efficiency Board the Government may remove Trustees from office, accept the resignation of Trustees and appoint others to succeed them, alter or amend the conditions of their appointment, or alter and amend the terms of any agreement entered into between the Trustees and the soldier.

Where funds accumulate which in the opinion of the National Efficiency Board are not required for use in connection with the farm, the Trustees, on the written request of the soldier contained in the primary agreement or otherwise, may invest moneys on his behalf in such securities as are provided by law for the investment of trust funds; or where no definite instructions have been given by the soldier for the disposal or investing of any moneys which may accumulate in the hands of the Trustees on his behalf, or in the event of the death of the soldier when no will exists, the Trustees shall hand such funds over to the Public Trustee for investment.

The Trustees shall continue in office until the discharge of the soldier from the Expeditionary Force, and where necessary for a term of three months thereafter, but this term may be extended at the request of the soldier and by the consent of the Trustees and the National Efficiency Board.

The question of recommending the Government to purchase soldiers' farms where either (a) the soldier is unable to satisfactorily arrange his own affairs, or (b) management by a Board of Trustees, as proposed herein, is not arranged for, presents many difficulties, but the matter has received careful consideration. The State has purchased and, we understand, is still acquiring considerable areas of land for settlement purposes by returned soldiers and others. In our opinion this policy, with necessary qualifications, should be applied to farms of soldiers where it may be preferable for the State to purchase the property, rather than that Trustees should accept management. There will be probably numerous cases where the soldier desires that his estate should be wound up, and it would be in the general interest that facilities to enable this to be done should be afforded.

In all such cases we strongly recommend that a scheme should be devised by which prompt action could be taken under which the farms or, at the option of the Government, farms and stock could be purchased by the State for utilization for settlement purposes.

Having regard to the fact that in these cases the owner of the land is being taken away compulsorily for military service and is not therefore in a position to freely negotiate for the disposal of his land, we strongly recommend that a somewhat different system from that now operating through the Land Purchase Board should be adopted, and we think that the method which would give the greatest satisfaction to the soldier and to the public, and at the same time prove fair to the State, would be one under which the soldier would have the privilege of nominating a valuer, the State to have the same privilege, and both parties to appoint an umpire in the usual way.

Businesses.

The practical difficulties in respect to businesses appear to be greater and more diversified than those in relation to farms, partly owing to the nature of many businesses, and partly to the almost entire dependence of small businesses on the personal efforts of the individual owner. While it may be equally just and reasonable to endeavour to protect the interests of those engaged in business as it is those of the farmer, yet it is obvious that many cases of hardship must arise. The farming interests must be deemed primarily essential to the State: for that reason a general policy as recommended hereinbefore appears to be fully warranted. On the other hand, many businesses cannot be deemed to be essential, and in that respect from the national standpoint a vital difference exists between farming and business interests respectively. It is therefore in our opinion impossible to lay down any definite lines upon which to proceed in dealing with soldiers engaged in business. We therefore consider that each case must be dealt with strictly upon its merits. We recommend that the principle of Boards of Trustees for soldiers' businesses be adopted; that such Boards be suitably constituted in the same manner as those already recommended for farms; that such Boards of Trustees have the services of Supervisors; and that the relation of the Trustees and the Supervisors to the National Efficiency Board be the same as that proposed in connection with farms.

The National Efficiency Board should therefore take into consideration the nature of the business from which the soldier has been taken, with a view to render to him whatever assistance may be possible in cases where, in the opinion of the Board, such business should, in the interests of the State and the soldier, be carried on. It is probable that in some cases it may be best in the interests of all concerned to amalgamate soldiers' businesses with other existing businesses. The question of the financial status of the soldier should be considered upon identically the same lines as that of the farmer and as to whether such business is essential or otherwise. Where in the opinion of the National Efficiency Board the business shows reasonable prospect of success if carried on under supervision the Board should, subject to the special request of the soldier, endeavour to make arrangements accordingly; but in every case the National Efficiency Board, through the Trustees, should not undertake to supervise any business unless powers of sale and of amalgamation with other businesses are given to them, to be exercised whenever it appears to be impossible to continue the business without loss to the creditors in the estate.

In cases where it appears necessary to arrange for the immediate disposal or winding-up of any business the soldier may apply to the Board for his business to be so dealt with, and in such case the machinery herein set up by the Board could be available. The proceeds, after payment of all liabilities, may be paid direct to the soldier, or by request may be invested on his behalf in the same manner as provided for under the conditions applying in this recommendation to farmers.

Moratorium.

With the view of protecting the estates of soldiers whilst in the hands of Trustees (either farm or business) we recommend that the provisions of the moratorium legislation shall be made to apply, in order that the Trustees may not be hampered in any way in the discharge of their duties, particularly in regard to financial obligations which may have been left by the soldier.

We have, &c.

WILLIAM FERGUSON, Chairman.

JAS. A. FROSTICK.

J. H. GUNSON.

W. D. HUNT.

The Hon. Sir James Allen, K.C.B., &c., Acting Prime Minister, Wellington.

The Hon. the ACTING PRIME MINISTER to the CHAIRMAN of the NATIONAL EFFICIENCY BOARD.

DEAR SIR,—

Prime Minister's Office, Wellington, 22nd February, 1917.

I have the honour to acknowledge receipt of the National Efficiency Board's reports of the 5th February, the 16th February, and the 19th February.

Report of the 5th February, 1917.—The report of the 5th February has been considered by the Government and adopted.

I desire to congratulate Mr. Ferguson on his appointment as Chairman, and wish him and the Board success in the very important work they are called upon to undertake.

Arrangements have been made to provide accommodation and necessary secretaries and office staff.

The Government—

- (1.) Will be pleased to deal without delay with the nominations for "voluntary experts" submitted by the Board:
- (2.) Entirely approve of the Board's recommendation to utilize existing organizations as far as possible, and await further proposals with regard to remuneration of men representing labour organizations:
- (3.) Will give to the Board the powers of Royal Commissions:
- (4.) Will deal with the duties of the Board in the document of appointment which is being prepared by the Hon. the Attorney-General:
- (5.) Are pleased to place at the disposal of the Board whatever information and assistance its various Departments can render which may be of value to the members of the Board:
- (6.) Concur in the opinion that "returned soldiers may drift into occupations far below their true standard of fitness and efficiency," and are anxious to counteract this tendency:
- (7.) Await your proposals with respect to intermittent labour:
- (8.) Propose to take action in the matter of scientific and industrial research, and in so doing will bear in mind your recommendations.

Report of the 16th February, 1917.—Your proposals with respect to Boards of Trustees to be appointed by the Government on the recommendation of the National Efficiency Board are approved, and the Board may proceed at once to act.

The Board should not consider itself bound to appoint one farmer on a Board of Trustees if it believes that two would produce greater efficiency.

Your recommendations for the appointment of Supervisors are approved, and action may be taken by you accordingly.

So soon as your experience will enable you so to do, the Government would be glad to have a further report on the following sentence in your report: "If on investigation it should be found that the financial position of the farmer appears to be unsatisfactory to the National Efficiency Board the management of the firm should be declined."

The Government desire to be informed as early as possible of (1) the difficulties with respect to labour, and of the Board's recommendations thereon; (2) the Board's opinion as to essential, partially essential, and non-essential industries; the labour now employed therein, its better organization, and other possible sources of supply.

Your recommendations concerning the keeping of accounts and the appointment of qualified accountants are approved. As the accountants presumably will be paid, it is desired that the Board should submit some general recommendation as to remuneration which would be applicable generally, thus avoiding the necessity to refer each case for Ministerial approval.

Your recommendations as to investment of accumulated funds and continuation in office are approved.

After duly considering the Board's report of the 16th February, 1917, the Government decided to ask the Board for the "scheme" suggested "under which the farms or, at the option of the Government, farms and stock could be purchased by the State for utilization for settlement purposes."

The Board's report of the 19th February makes definite suggestions: these will be submitted to Cabinet, and a reply will be sent to the Board as soon as possible.

Reverting to the report of the 16th February, the Government appreciate the difficulties with respect to "soldiers' businesses," and approve of the Board's recommendations (1) for appointment of Trustees and Supervisors; (2) for the management of businesses on the lines indicated in your report, subject to satisfactory arrangements made with the soldier. Before any action is taken, and after the Board has made inquiry, the Government would be glad of a further report on this matter.

Your proposals for the winding-up of businesses by the machinery set up by the Board are approved.

Your recommendation that the moratorium legislation should be made to apply to protect estates of soldiers whilst in the hands of Trustees has been referred to the Hon. the Attorney-General.

Yours faithfully,

J. ALLEN,
Acting Prime Minister.

W. Ferguson, Esq., Chairman, National Efficiency Board, Wellington.

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