

5. It is satisfactory to state that the volume of varied business, representing an expenditure of over £1,000,000 for 1918, has so far been conducted without litigation. Throughout the period a close and careful inspection over all deliveries made to the military authorities has been exercised, and such differences as arose have, under my control, been promptly adjusted on a business basis satisfactory to the Department and reasonable to the supplier.

6. At the time of writing the military authorities have just completed estimates of their stores and supplies required for the calendar year 1919. As far as they can be costed at the moment, they will, if purchased, equal in value a total expenditure of £950,000, against estimates of £1,300,000 for 1918, £1,400,000 for 1917, and £1,548,000 for 1916. The purchases estimated for 1919 comprise—

	£
Stores	200,761
Supplies	581,034
Forage and fuel	70,718
Drugs	18,000
Contingencies	79,487

making a total of £950,000, which, as indicated in the general remarks above, shows a reduction on the operations of previous years.

7. In accordance with the desire of the Hon. Minister of Defence, my Department has made purchases for the military dry canteen at Featherston since it was taken over from the contractors. The purchases so made have been arranged for on the same lines as for official purchases—namely, the Canteen Committee is in a position to stipulate what class and quantity of goods it prefers, and to requisition my Department to purchase accordingly. Under this arrangement orders to the value of £61,000 have been placed through my Department, the total expenditure by the canteen for supplies being £74,275, according to a report which the committee has been good enough to furnish me. At the time of writing arrangements are being made for a military dry canteen to be run at Trentham on the same lines as at Featherston, and I trust with equal success.

8. The Defence Expenditure Commission terminated its report by a statement reflecting favourably on my Department as well as to the military establishment. The Commission stated—

(1.) £40,000,000 spent and no frauds.

(2.) An Army of 100,000 men *excellently and fully equipped*, and carried to the other end of the world.

(3.) *Supplies have been purchased well*, and, although the actual purchasing has been done outside the Defence Department, military officers have been responsible that quantities have been sufficient and not excessive.

The only remark made by the Commission by way of suggesting improvement was referred to my Department by Defence Headquarters on the 7th August last for my comments. The remark of the Commission was—

“At present the name of the successful tenderer is published only if he consents. It would seem almost wiser to encourage competition—that in all cases names of successful tenderers, with prices and conditions of supply, should be published. The question is now under consideration of having a business man representative of this Supplies Board acting with each of the four District Headquarters of the Defence Department.”

I accordingly requested my advisers to again review the policy I have pursued in these matters, and after consideration my chief executive officer was directed to forward the following reply:—

“In replying to your memorandum of the 7th instant (73/10/A.G.) I have to advise that action has been taken to appoint local representatives of the Minister at Dunedin, Christchurch, and Auckland. The gentlemen appointed are as follows: G. J. Miller, Esq., commercial broker, Auckland; W. R. Gordon, Esq., care of Messrs. Neill and Co., Dunedin; and J. I. Royds, Esq., care of Messrs. Royds Bros. and Kirk, Christchurch; and they as occasion arises confer with District Headquarters, particularly with the Assistant Directors of Supplies and Transport.

“As regards the question of publishing the names of tenderers, &c., the Minister in Charge made an announcement to Parliament in his report dated 16th June, 1917, as follows:—

“During the currency of the business under review I have frequently been requested to give information to unsuccessful tenderers; and in this connection I have to report that my advisers, at my request, went fully into this matter, with the result that I decided—(a) To give the price only, quoted by successful tenderers, to any unsuccessful tenderers for the same supply; (b) not to disclose the price quoted by an unsuccessful tenderer; (c) not to disclose the name of any successful tenderer without his consent.

“The reason for acting as indicated in (a) above is to satisfy unsuccessful tenderers that their quotations were not the lowest. It has apparently been the practice of the Government Departments for some years past to give this information, although it is not the practice of mercantile houses to do so.

“The reason for (b) above—namely, not giving the prices quoted by unsuccessful tenderers—is that such information would possibly reveal to successful tenderers opportunities for quoting higher prices the next time they were invited to tender for similar supplies.