

No. 14.

New Zealand, Dominions No. 118.

MY LORD,—

Downing Street, 25th February, 1919.

I have the honour to transmit to Your Excellency, for the information of your Ministers, the accompanying copies of a memorandum prepared by the Crown Agents for the Colonies, and of a circular issued by the Lords Commissioners of the Treasury, relative to the question of giving preference to products of the Empire in respect of Government contracts.

2. I would invite reference in this connection to the discussion at the Imperial War Conference, 1918, printed on pages 169–173 of the Parliamentary Paper Cd. 9177, containing extracts from the proceedings at the Conference.

I have, &c.,

MILNER.

Governor-General His Excellency the Right Hon. the Earl of Liverpool,
P.C., G.C.M.G., G.B.E., M.V.O., &c.

Enclosures.

MEMORANDUM ON THE PRACTICE OF THE CROWN AGENTS FOR THE COLONIES IN REGARD TO THE PLACING OF ORDERS ABROAD.

It has always been the endeavour of the Crown Agents for the Colonies, in purchasing stores for the Governments of the Crown colonies and protectorates, to give preference to British over foreign products.

2. Classified lists are kept of British firms manufacturing the different classes of goods, and any British firm that may apply is placed on the appropriate list or lists, if it can give satisfactory references to other Government Departments, public bodies, railway companies, &c., for whom it has already executed orders, and if inspection of its works by the Crown Agents' inspectors, in cases where such inspection is considered necessary, proves satisfactory. A few foreign firms are noted in separate lists, in case it might become necessary to invite them to tender, but the practice in all except special cases is to invite tenders from selected British firms only. Sufficient grounds for this practice in the usual cases are given by purely business considerations. Correspondence with foreign countries involves delay and cabling-expenses proportionate to their distance; and, as a certain amount of time is necessarily lost in transmitting indents from the colonies to the Crown Agents, the colonial Governments attach great importance as a rule to early supply. Difference in standards, designs, and specifications, and in engineering and business practice generally, and questions as to the difficulty of enforcing remedies for breach of contract, may sometimes be of importance. Shipping facilities and rates of freight have also to be taken into account. Above all, it is very frequently necessary to have articles inspected and tested, both during and after manufacture, by inspectors on the staff of or appointed by the Crown Agents, and sometimes also by responsible colonial officials at Home on leave of absence; whereas, if an order is placed in a foreign country, inspection may be impossible to arrange, and must in any case be costly and troublesome. It is, moreover, more difficult to arrange for modification of contracts or contract drawings which may be necessary during the course of execution.

3. The colonial Governments, however, sometimes ask for special articles of foreign manufacture which are not obtainable elsewhere, such as certain surgical requisites and drugs, or for articles which, being required for the renewal or extension of existing works or systems, must correspond to the existing types and must therefore be obtained abroad. Telephone apparatus may be mentioned as an instance of the latter. In such cases the Crown Agents supply what is asked for.

4. In other cases Continental or American firms may be invited to tender simultaneously with British firms. This, however, is only done if there are special grounds—*e.g.*, because the colonial Government requiring the goods has suggested that this is desirable; or because the class of goods is not produced to the same advantage in this country; or because there may be special delays here due to strikes or other causes; or because there is reason to think that British manufacturers may be making a ring and quoting monopoly prices.

5. Tenders, again, are sometimes (but not frequently) invited by advertisement in the public Press, when replies received from foreign as well as British firms are considered. Copies of all such advertisements, it may be added, are sent to the *Board of Trade Journal* for publication.

6. In the comparison of foreign with British tenders the instructions of the Secretary of State are that, when it is clear that a very distinct advantage will accrue to a colony from the acceptance of a foreign tender, that tender should be accepted; but that when there is any doubt on the point the benefit of the doubt should be given to the Home market, in view of the advantage of the facilities for inspection which it offers.

7. The foregoing paragraphs indicate the practice of the Crown Agents in buying the products of the United Kingdom rather than those of foreign countries. Products of the British Empire overseas must, in regard to some of the business considerations enumerated above, be ranked with those of foreign countries. Thus, as regards facilities of communication and inspection,