

**Housing
expenditure.**

Up to the 31st July, 1939, the total expenditure on housing, purchase of land, provision of services, administration, &c., amounted to £7,106,000; while the total commitments for land purchases and contracts entered into from the inception of the scheme to the present date amounts to approximately £10,000,000.

For the financial year 1938–39, the first year during which the Department can be said to have worked to capacity, the cost of administration was only 2·67 per cent., a low figure for a construction organization.

DEFENCE.**National
defence.**

The alarming manner in which the international situation has deteriorated during the past year has rendered it necessary for the British Commonwealth and other peace-loving nations to accelerate their preparations for defence.

It is of tragic significance that the millions of pounds which the nations of the world are daily expending on uneconomic weapons of defence or aggression, as the case may be, would go a long way towards raising the standard of living and improving the economic security of the peoples concerned. However, so long as peace and our national security continue to be threatened, the Government will not fail in their duty to build up defence Forces adequate to protect our shores and to play a worthy part in the wider field of the general defence of the British Commonwealth of Nations.

**Defence
Conference.**

With a view to ensuring that adequate arrangements and proper co-ordination existed for the defence of British interests in the Pacific—an area in which New Zealand is naturally more vitally interested—it was decided to invite the Governments concerned—namely, the United Kingdom and Australian Governments—to take part in a Defence Conference to be held in New Zealand. The invitation was very readily accepted, and a most successful conference was held in Wellington during May last. A useful exchange of ideas took place, and plans were prepared by the representatives concerned to ensure maximum co-ordination in the unfortunate event of hostilities breaking out. At the close of the Conference the Imperial Government very kindly agreed to allow Major-General Mackesey, one of their delegates, to remain in New Zealand in order that he might prepare a report on New Zealand's land Forces. Thus the Government have before them a clear-cut policy, and are pressing forward steadily towards its completion.

Adequate defence requires co-ordination of effort among the three fighting services—the Navy, the Army, and the Air Force—and behind them an organization to minimize possible interruptions with trade and industry by building up reserve stocks of materials and generally providing for essential supplies for both the armed Forces and the civilian population. In every required direction preparations to meet possible trouble are being pushed forward vigorously.

Navy.

In the case of the Naval Forces, action lies chiefly along the lines of completing the Naval Dockyard, building and stocking a naval armament depot and storehouses, building and equipping workshops, and the provision of adequate training facilities. In regard to the last-named, three small seagoing training-vessels are being built.

Army.

On land the fortifications of the defended ports are being modernized and strengthened. The establishment of the Territorial Army has been raised to 16,000, and recruiting for this Force, and also for the National Reserve, is proceeding satisfactorily. Training facilities in all directions are being increased correspondingly, and every effort is being made to build up stocks of equipment, armament, ammunition, and stores necessary for training and for mobilization. In general, new life has been put into the Army, which is being moulded as rapidly as possible into a force of which the people may be proud.

Air Force.

The Air Force as a fighting unit hardly existed when the Government took office in 1935. The programme announced in 1937 has recently been expanded, and great strides have been made in building up an efficient force. Efforts so far have been concentrated largely on training personnel, constructing fully-equipped military aerodromes, and generally building up an efficient ground organization.