

Staff work is divided into three branches, designated "G," "A," and "Q," the "G" Branch being responsible for training and operations, and the "A" and "Q" Branches for all duties formerly carried out by the Adjutant-General and Quartermaster-General respectively, and which are now under the control of the General Officer in Command Administration.

An endeavour is being made to train all Staff officers to be interchangeable between the various branches.

3. GENERAL REMARKS.

The work of the Department during the past year has been chiefly concerned with the demobilization of the Expeditionary Force, a task which has thrown a considerable strain on the administrative services.

All Home Service establishments, which had increased enormously during the war, have been cut down to the lowest possible limit, and further reductions are being made as rapidly as the diminishing war activities of the Department will permit.

Owing to the large numbers of sick and wounded who, on returning to the Dominion, still required further medical treatment, it has been necessary to maintain special hospitals, sanatoria, and other medical establishments under the control of the Defence Department. The Director-General of Medical Services and the Medical and Nursing Staff concerned have done excellent work, and endeavoured to do their utmost to ensure that all those under their care should receive the best possible treatment.

The Staff Corps and the Permanent Staff are the only branches of the Defence Department that have not been reduced. These units during the past year have been augmented in order to fill vacancies caused by deaths and disablements in the war, retirements due to age, sickness, and other causes, and to fill appointments previously held by British Army officers.

The success of any system of training in this Dominion depends very largely upon the efficiency of the Staff Corps and Permanent Staff, who provide the instructors for the Territorial and Cadet Forces; and I am pleased to report that these units were never more efficient than they are at the present time. The actual number of Permanent officers and non-commissioned officers that will ultimately be required to be maintained depends upon the future policy.

All officers and other ranks who served overseas have been exempted from further training, and on demobilization have been posted to the Reserve. It is very desirable that the services of as many as possible of these experienced officers and non-commissioned officers should be utilized for training the Territorial Force and Cadets, but only a small number have so far volunteered to serve on the Active List. The great majority are waiting until a new policy has been decided upon.

Without desiring to influence policy, which is the function of the Government and not that of the Defence Department, I would like to emphasize the following lessons of the war as applied to this Dominion, viz.:—

(a.) *An efficient Army can quickly be organized provided every man has had a limited amount of training, and there is available an ample supply of modern equipment and highly trained officers and non-commissioned officers.*

(b.) *The large percentage of the man-power found by medical examination to be physically unfit for service points to the necessity of a thorough course of physical training for all youths.*

I would urge that the Government should decide the future defence policy as soon as possible, in order that the Department may proceed with any necessary reorganization.

During the recent visit of His Royal Highness the Prince of Wales large numbers of Territorials and Cadets paraded at the various centres for inspection by His Royal Highness, who expressed his appreciation of the thoroughness and efficiency of all the military arrangements, of the smartness and efficiency of the troops and Cadets he inspected, and of the keenness and public spirit which caused many of the men to travel long distances at great personal inconvenience in order to attend the parades.

SECTION II.—DEMOBILIZATION OF THE N.Z.E.F., AND ADMINISTRATION IN CONNECTION THEREWITH.

I. DEMOBILIZATION OF THE N.Z.E.F.

I. Demobilization of the N.Z.E.F. was practically completed by the 30th April last, approximately eighteen months from the signing of the Armistice.

The following shows the disposition of this formation on the 1st June, 1920:—

Actual number embarked (including re-enlistment)	98,080	
Enlisted overseas -	620	
		----- 98,700
Killed	10,245	
Died of wounds	3,958	
Died, other causes	2,351	
Died in New Zealand before discharge	227	
		----- 16,781
Discharged in New Zealand	79,377	
Discharged abroad	2,463	
Awaiting discharge in New Zealand	17	
<i>En route</i> to New Zealand	10	
Still abroad	52	
		----- 81,919
		----- 98,700

During the demobilization period the administrative services of the Defence Department have been working at full pressure in order to cope with the mass of detailed work involved, but the demands made upon these services have been successfully met, and all ranks have done their best to ensure smooth and efficient working of the demobilization scheme.

N.Z.E.F. Headquarters in London has been closed, but a small staff will be retained for a short time at the office of the High Commissioner to deal with war accounts and administration in connection with ex-members of the N.Z.E.F. who took their discharge in England.

2. MEDALS.

The commemorative awards for the present war are—

1914 Star ...	For service on the Western Front between the 5th August and the 22nd October, 1914.
Clasp to 1914 Star ...	For actual service in action and under fire between the 5th August and the 22nd October, 1914.
1914-15 Star ...	British War Medal.
Victory Medal ...	Oak-leaf Emblem.

The Oak-leaf Emblem is to be worn on the riband of the Victory Medal by officers and other ranks who have been mentioned one or more times in the despatches of a Military Commander in the field.

Of these awards the issue of the 1914-15 Star is nearly completed; the British War Medals have been shipped from England, and steps will be taken to issue them as expeditiously as possible.

The work entailed in connection with the issue of medals is very detailed, and includes all questions connected with the awards, investigation of claims, engraving, issue, and despatch of medals. Each medal, before being issued, is engraved by means of a special machine similar to that in use by the British authorities. As a result of the mass of detailed work in connection with the issue of medals a special section of the Record Office, consisting of eighty-two clerks, has been set up. This section will be busily employed for some months to come.

3. PLAQUES AND SCROLLS.

Plaques and scrolls have been authorized by His Majesty the King to be issued to the next-of-kin of deceased soldiers. These are being issued through the War Office authorities, and notification has been received that they will be despatched from England at an early date. On arrival they will at once be distributed from the N.Z.E.F. Record Office.

4. ILLUMINATED CERTIFICATES.

The New Zealand Government having decided to present an illuminated certificate of honourable service to each of its soldiers who served in the Great War, competitive designs were called for, and as a result suitable designs by New Zealand artists have been secured, and are now in the hands of the Government Printer for reproduction.

5. WAR ACCOUNTS.

The War Expenses Branch of the Defence Department has during the past year been placed under the personal direction of Lieut.-Colonel J. Hutchen, C.M.G., C.B.E., whose experience as Chief Paymaster of the New Zealand Expeditionary Force overseas has given him an intimate knowledge of the N.Z.E.F. and of all the financial transactions between the New Zealand and Imperial Governments in connection with the war.

Although the work has been exceptionally heavy during the past year, it is now rapidly diminishing, and the staff employed, which numbered 480 at the 31st December last, has been reduced to 197 at the present time.

Up to the 30th April, 1919, the total number of officers and other ranks of the Expeditionary Force discharged in New Zealand was 40,081, whilst during the year under review the number discharged was 39,044, being practically equivalent to the total for the whole previous period of the war. The prompt settlement of the pay accounts of those discharged which was aimed at by the Staff necessitated the work being carried on at high pressure.

The payment of the various retrospective allowances approved during the year, as well as gratuities and the difference between Territorial and Expeditionary Force rates of pay for the first month in camp, has thrown a heavy burden on the Staff, especially in view of the enormous number of applications being received almost simultaneously.

These applications having now been dealt with, a thorough search of all soldiers' ledger accounts will be undertaken with a view to getting into touch with those concerned where any allowances or gratuity payable have not been applied for, so as to ensure that each soldier will receive all payments that he is entitled to.

6. SEPARATION AND CHILDREN'S ALLOWANCES.

Originally these were payable from the 1st June, 1915, the rates then approved being 1s. per diem for wives or guardians of motherless children and 6d. per diem for each child. These rates were subsequently increased from time to time, until at the beginning of 1918 the allowance payable to wives or guardians of motherless children of warrant officers, non-commissioned officers, and men of the N.Z.E.F. was 3s. per diem, and the allowance in respect of each child 1s. 6d. per diem; but the various increases took effect only from the dates they were approved of.

During the past year Cabinet approved of the higher rates then in force being made retrospective to the beginning of the war within periods of service with the N.Z.E.F. so far as soldiers who left New Zealand for overseas service are concerned.

It was estimated that the total amount necessary to bring previous payments up to the higher scale would be—Additional separation allowance, £495,000; additional children's allowance, £249,000. Payments actually made to date total—Additional separation allowance, £458,752 7s. 10d.; additional children's allowance, £238,272 19s. 9d.

7. WIDOWED MOTHERS' AND DEPENDANTS' ALLOWANCES.

During the year provision was made to permit of the rate of allowance which was previously in force—*i.e.*, 1s. per diem up to the 31st December, 1917, and 1s. 6d. per diem from the 1st January, 1918—being increased to a maximum of 3s. per diem within periods of service from the beginning of the war for the widowed mothers or other dependants of warrant officers, non-commissioned officers, and men of the N.Z.E.F., where the allowance already paid had not been

sufficient to remove hardship either by reason of an inadequate amount or by being paid for a portion only of the period of military service under limitations imposed by previous orders.

The question of pre-enlistment support is the governing factor in determining eligibility for the increased grant. If the amount received during the soldier's service by the widowed mother or other dependants by way of allotment, and any allowance already paid, is not equal to the amount contributed by the soldier prior to his enlistment, then a further grant is made to bring the amount into line. Where there has been any material change of circumstances during the soldier's service, such as the death of a breadwinner, however, pre-enlistment support is not insisted upon.

It was estimated that the amount required to meet these increased grants would be £65,000, and the amount actually paid to date is £60,572 18s. 2d.

8. OVERSEAS WAR-SERVICE GRATUITY.

The scale governing the payment of overseas war-service gratuity having been prescribed by Order in Council in September last as 1s. 6d. per diem, the payment of the gratuity was immediately proceeded with. Although the rate at which applications for the gratuity were dealt with may at first have been somewhat slow (during October the daily rate of payment averaged 300 cases), the position steadily improved as the staff became more familiar with the work, until during December the daily payments averaged 1,100.

Up to the 20th May 88,932 gratuities, aggregating £5,225,900, including 12,525 payments made to those entitled to receive the gratuity on behalf of deceased soldiers, have been paid here, in addition to which approximately 2,000 claims have been settled by the Staff Paymaster in London.

9. REGIMENTAL FUNDS.

The balance in hand to credit of canteen and regimental funds of units of the N.Z.E.F. to date is £69,534 5s. 4d. This balance has accrued from profits earned by the various canteens established by units overseas, although the primary object in arranging for the establishment of canteens was not to trade for profit, but to enable the soldiers to purchase what they required at the lowest possible price. However, with such a large turnover small fractional profits have resulted in a considerable credit balance accumulating. With a view to administering the balance of funds remaining in hand at the termination of the war a Canteen and Regimental Trust Board was established to deal with the funds in accordance with the wishes of those who contributed towards them. It is hoped that at an early date, the wishes and requirements of those concerned having been ascertained and viewed in their proper perspective, the Board will be enabled to carry out the objects for which it was established.

10. FINANCIAL ASSISTANCE.

The total cost of financial assistance paid up to the 31st March, 1920, was £261,218 6s. 3d.

11. EXPENDITURE.

The total war expenditure to the 31st March, 1920, was £76,953,075 14s. 8d., made up as follows:—

	£	s.	d.
General expenditure (including pay and allowances, £30,476,997 18s. 8d.)	69,800,449	4	4
Relief purposes	268,438	15	8
Repatriation	801,725	0	2
Charges and expenses of raising loans	693,215	2	0
Gratuities, N.Z.E.F.	4,872,485	5	2
„ Imperial and Naval	45,152	17	8
Advances outstanding	471,609	9	8
	<u>£76,953,075</u>	<u>14</u>	<u>8</u>

A claim for £624,087 2s. 11d., representing amount due to New Zealand on account of cost of maintenance (including pay and allowances) of New Zealand troops in the Army of Occupation, has been submitted to the Imperial authorities. A claim amounting to £122,505 11s. 9d. has also been submitted for refund due to New Zealand from the Egyptian Government in respect of cost of maintenance (including pay and allowances) of New Zealand troops detained in Egypt from March to June, 1919, on account of suspension of demobilization in consequence of the Native riots there.

12. AMALGAMATION OF BASE RECORDS AND WAR EXPENSES BRANCH.

In order to effect economy these two offices have been amalgamated, and are now administered as one office, designated "N.Z.E.F. War Accounts and Record Office."

13. MEDICAL SERVICES.

These are under the personal control of Brigadier-General D. J. McGavin, C.M.G., D.S.O., who returned to the Dominion in May, 1919, from the Expeditionary Force abroad, to take up the appointment of Director-General, New Zealand Medical Services. This officer's special ability and long experience in the field has especially fitted him to deal with the many new problems which have arisen in connection with the medical and surgical treatment of disabled soldiers. He has been ably assisted by a highly skilled staff of experienced medical officers and nurses.

The number of "service" patients under treatment on the 1st June, 1919, and the 31st May, 1920, were as follows:—

	In-patients.	Out-patients.	Total.
June 30th, 1919	1,890	2,941	4,831
May 31st, 1920	1,581	1,476	3,057

These figures show that during the year, although in the early part transports were constantly arriving, the total number of patients actually under treatment has diminished by 1,774; they

also show that this reduction has taken place chiefly in out-patients, and that whereas in the early part of the year out-patients were largely in excess of in-patients, at the end of the year the in-patients were actually in excess of out-patients.

The policy of the Department is to take into hospital all patients who require such treatment; as in-patients their treatment is more easily controlled, can be administered in an intensified form, and greater opportunity is given for their constant observation and examination. It is anticipated that the number of out-patients will diminish, and that the number of in-patients will remain fairly constant for some months to come.

As the number of in-patients has diminished it has become possible to concentrate those remaining in fewer institutions. During the year the following hospitals and convalescent homes have been closed :—

Knox Home, Auckland	..	..	..	..	July 31, 1919.
Miramar Convalescent Home, Wellington	..	..	..	..	Sept. 1, 1919.
Epsom Convalescent Home, Auckland	..	..	..	..	Sept. 5, 1919.
Te Waikato Sanatorium	..	..	..	..	Sept. 24, 1919.
Y.M.C.A. Annexe, Christchurch	..	..	..	..	Dec. 3, 1919.
Devonport Convalescent Home, Auckland	..	..	..	..	Dec. 10, 1919.
Featherston Military Hospital	..	..	..	..	Dec. 20, 1919.
Wanganui Convalescent Home	..	..	..	..	Feb. 31, 1920.
Military Annexe, Auckland	..	..	..	..	April, 15, 1920.
Invercargill Convalescent Home	..	..	..	..	May 17, 1920.

The following institutions have been opened :—

Cashmere Military Sanatorium, Christchurch	..	..	..	..	July 20, 1919.
Pukeora Military Sanatorium, Waipukurau	..	..	..	..	Sept. 12, 1919.
Narrow Neck Military Hospital, Auckland	..	..	..	..	Dec. 20, 1919.

Auckland Annex.—The Military Annex at the Auckland Hospital has been recently closed for in-patients. As more accommodation became available at the Rotorua Military Hospital it became possible to transfer these patients there, thus effecting a considerable economy. The Physio-therapeutic Department for out-patients and the shelters for the chronic cases of tuberculosis still remain at the Auckland Annex.

Arrangements are being made to hand over the military sections of the Christchurch, Dunedin, and Napier Hospitals to their respective Hospital Boards. This will leave only purely military hospitals under the control of the Defence Department. Owing to the special nature of the work carried out in such hospitals it is anticipated that they will be required for some time. In order to utilize the accommodation in these hospitals to its fullest extent, arrangements have been made with the Public Health Department by which civilian cases may be admitted as accommodation becomes available.

Hanmer Military Hospital.—The Military Hospital at Hanmer was allocated early in the year for the treatment of shell-shock, neurasthenia, and other functional nervous disorders. This hospital is in charge of a medical officer who received special training in these conditions in England. The climate and surroundings are eminently suited to these cases, which generally improve rapidly. Recently a boardinghouse in the vicinity of the hospital has been leased in order to provide the isolation accommodation necessary to the treatment of some of these patients, and also further accommodation for the female staff.

Pulmonary Tuberculosis.—Cases of pulmonary tuberculosis suitable for sanatorium treatment are admitted to military sanatoria, those in the North Island to Pukeora Military Sanatorium, Waipukurau, and those in the South Island to Cashmere Sanatorium, Christchurch. A few cases still remain in the Pleasant Valley Sanatorium, Palmerston. These will remain there for the present, as it is not considered advisable to move them.

Chronic and other cases unsuitable for treatment in sanatoria are treated at the public hospitals nearest their homes or actually at their homes. In each case, if no suitable accommodation is available, a shelter or tent is provided, or a veranda or suitable room in the patient's home structurally modified to render it suitable for his accommodation. Patients who have been discharged from sanatoria are also provided with similar accommodation, on the recommendation of a medical authority.

Chronic Pulmonary Disease other than Tuberculosis.—The accommodation at Narrow Neck has, with slight alteration, been adapted to the requirements of a hospital, accommodating convalescent or semi-convalescent cases. Cases sent there are chiefly those of chronic pulmonary conditions which are not tuberculosis. It is found that these cases do extremely well at Narrow Neck.

Jaw and Facial Cases.—A hospital for the treatment of cases of jaw and facial disfigurements was established early in the year in the military section of the Dunedin Hospital. An annex to the hospital was provided by the Red Cross Society, in which the patients are treated after operation, so as to render more space available in hospital for patients at the time of their actual operation. These cases will shortly all be dealt with, with the exception of a few operations which, owing to the nature of disability, have to be delayed for a considerable time.

Incurable Cases.—In each district there will ultimately be a residuum of incurable cases that will require, perhaps for many years, constant medical attention and nursing. The numbers of these will average about fifteen in each district. In order to provide for these in the Auckland District, arrangements have been made with the united patriotic bodies of Auckland to provide a suitable home which will be conducted by a committee of these bodies, certain personnel and other provisions being provided by the Defence Department. It is believed that the sympathetic interest of these patriotic bodies will provide conditions eminently suited to these cases. It is clear that the wards of a public hospital, or of regular military hospitals, do not offer the conditions required by patients who may need treatment for many months or even years. It is hoped that similar arrangements may be made in the other districts when the necessity arises.

Personnel.—The following is a list of the personnel employed in this Department, classified according as to whether the individuals have had overseas service or not. Preference is given to men who have had service abroad, and endeavours are being made, as far as possible, to replace orderlies by V.A.D.s:—

	Overseas Service.	No Service overseas.
Medical officers	37	3
Officers (not medical)	8	...
Sisters and masseuses	156	54
Non-commissioned officers and men	211	228
V.A.D.s	12	107
Male civilians	40	18
Female civilians	1	25
	465	435

Artificial-limb Factory.—The artificial-limb factory located in Wellington is now working smoothly and turning out a number of new limbs, in addition to effecting repairs and dispensing accessories. During the year ending 31st March, 1920, sixty-six lower limbs and nine new upper limbs were made, and 496 repairs effected. The number of amputees now on the register is 1,007, of which 930 are remaining in New Zealand, the others having died, proceeded overseas, or have not yet returned to New Zealand. Included in this 930 are twenty-four individuals who have suffered double amputations.

Artificial-limb workshops have been instituted at Christchurch and Dunedin in connection with the splint workshops. At these workshops repairs are effected to artificial limbs, and, as trained men become available, limbs will be completed from the rough.

No amputees whose stumps are ready and in a fit state for fitting remain unprovided with an artificial limb. In addition to the provision of two artificial limbs to each patient, a peg leg is provided to lower-limb amputees whose occupation makes it more suitable than an artificial limb.

Medical Stores.—A supply of drugs, dressings, and equipment for use in the various military hospitals and military wards attached to civil hospitals has been maintained throughout the year, and in addition a quantity of those items, to the value of £9,379 3s. 3d., has been supplied to the Public Health Department, Hospital Boards, returned medical officers, and sisters on repayment. Garrison dispensaries established in different parts of the Dominion have effected an estimated saving in prescriptions of £3,132 6s.

A large quantity of medical equipment, drugs, and dressings has been received from the hospital ships and other military hospitals overseas. Most of this equipment has been issued to military hospitals or to military wards of civil hospitals.

Red Cross Supplies.—Of the shelters for tuberculosis patients received from England, a large proportion were provided by the Red Cross Society. These shelters were renovated in New Zealand after their arrival, and have been issued for cases of pulmonary tuberculosis as already described. This society also provided a number of ambulance-cars, now transferred to New Zealand.

A quantity of medical stores, comforts, and games provided by this society to the hospital ships and to medical units in England became available during the year for use in hospitals and sanatoria in New Zealand.

The services of this society to the Medical Branch of the Defence Department have been of the greatest value. The provision of entertainments, recreation, and occupation which has been so generously provided by the Red Cross Society has materially contributed not only to the happiness, but to the actual recovery of disabled soldiers.

14. DENTAL SERVICES.

All ranks of the N.Z.E.F. overseas were dentally examined, and given treatment if necessary, prior to embarkation. Therefore very little dental work had to be given to returned soldiers on demobilization, and the Dental Staff has been reduced to the minimum number required to treat sick and wounded soldiers in hospitals. It is not proposed to retain a permanent establishment of the Dental Corps, but experience in the war has shown the need for an army to be dentally fit, and the great influence sound teeth in a soldier have in reducing the rates of sickness and invaliding. It is proposed to maintain the Dental Corps as part of the New Zealand Territorial Force, utilizing it in all future camps of training of that Force. A definite establishment will be laid down which will provide for peace requirements and for the expansion of this corps for war purposes if necessary.

15. EDUCATIONAL AND VOCATIONAL TRAINING BRANCH.

This branch has served a very useful purpose, and large numbers of patients in hospitals have benefited thereby. It is being gradually reduced as the hospitals now under the control of the Defence Department are transferred to the Civil authorities.

16. NEW ZEALAND RED CROSS, Y.M.C.A., SALVATION ARMY, NEW ZEALAND WAR CONTINGENT ASSOCIATION, AND PATRIOTIC ORGANIZATIONS.

I desire to bring to your notice the good work done by the New Zealand Red Cross, Y.M.C.A., Salvation Army, New Zealand War Contingent Association, and the various Patriotic Societies and kindred organizations on behalf of the sick and wounded soldiers in hospitals. I cannot speak too highly of the value of these organizations, which have done such good work towards alleviating the condition of the sick and wounded during the war, and which are still continuing their activities for the benefit of the unfortunate men who have been compelled to remain under treatment in hospitals in the Dominion.

17. WAR GRAVES.

While all correspondence in connection with records, inquiries, and registration of graves will continue to be carried out through the N.Z.E.F. War Accounts and Record Office, the work of providing for permanent memorials and the care of graves has been allocated as under:—

- | | |
|---|---|
| (a.) National memorial in New Zealand | } By the National War Memorial Committee. |
| (b.) Six battlefield memorials (four in France and Belgium, one in Palestine, and one in Gallipoli) | |
| (c.) War graves in the various theatres of war. | By the Imperial War Graves Committee. |
| (d.) War graves in New Zealand | Department of Internal Affairs responsible for construction of cemeteries, erection of headstones, and care of graves. The New Zealand War Graves Committee to select design and material for headstones. |
| (e.) War graves abroad other than those in theatres of war | Under arrangements made by the New Zealand War Graves Committee. |

SECTION III.—PERMANENT FORCES AND PERMANENT ADMINISTRATIVE ESTABLISHMENTS.

1. NEW ZEALAND STAFF CORPS AND PERMANENT STAFF.

At the end of the Great War the Staff Corps and Permanent Staff were considerably below establishment owing to the casualties on active service and other causes. During the war these vacancies were not filled because it was thought that such appointments should be offered, at the end of the war, to those members of the Expeditionary Force with distinguished records.

From a large number of applicants from the Expeditionary Force forty-nine were selected by a special committee set up by the late Minister of Defence, and consisting of Major-General Sir A. H. Russell, K.C.B., K.C.M.G., Major-General Sir A. W. Robin, K.C.M.G., C.B. (D), Brigadier-General G. S. Richardson, C.B., C.M.G., C.B.E., Brigadier-General H. Hart, C.B., C.M.G., D.S.O.—a body of officers fully cognizant of the merits of those applying for appointment.

The selected candidates were put through a course at the General Headquarters School, Trentham Camp, where they were required to undergo training and examination and qualify as instructors before receiving appointments in the New Zealand Staff Corps. The same procedure was adopted in making appointments to the Permanent Staff, except that candidates were selected in the first instance by Officers Commanding Districts.

The appointment of these officers and non-commissioned officers filled the majority of the vacancies created by casualties and other causes in the ranks of the Staff Corps and Permanent Staff during the Great War.

The Dominion is to be congratulated upon obtaining for its Permanent Force so many officers and non-commissioned officers with such distinguished records. As proof of this the following list of decorations won by those appointed is given: Victoria Cross, 3; Distinguished Service Order, 8; Military Cross, 21; Distinguished-conduct Medal, 5; Military Medal, 3; Croix de Guerre, 3.

It is hoped that under this small corps of experts, including as it does many New Zealand officers who have held high appointments and have accumulated invaluable experience in the war, the Defences Forces of this Dominion will attain to a high degree of efficiency.

As a result of their war experience and subsequent training at the General Headquarters School the personnel of the Staff Corps and Permanent Staff are now very efficient, and steps will be taken to maintain their efficiency by means of periodical examinations and special courses of instruction at the central school at Trentham. Furthermore, all officers, warrant and non-commissioned officers will be annually reported on and recorded as either (a) fit for promotion, (b) fit to hold their present ranks, or (c) for retirement.

A number of non-commissioned officers in the Permanent Staff received commissions in the N.Z.E.F. during the war. These commissions were temporary and were not intended to be retained on demobilization, as such retention would have entailed an increase in establishment and additional expenditure which could not be justified. The usual procedure is for non-commissioned officers holding temporary ranks as commissioned officers to revert to their substantive ranks on demobilization. It was, however, decided to grant a special commission to those non-commissioned officers who were appointed to temporary commissioned ranks during the war, and who have not been subsequently selected for appointment to the Staff Corps, by appointing them to the rank of Honorary Lieutenant. These honorary officers will be eligible for appointment to the Staff Corps provided they pass the necessary qualifying examination and in other respects fulfil the conditions laid down for admission to the corps.

2. ROYAL NEW ZEALAND ARTILLERY.

The strength of the R.N.Z.A. has been reduced during the year from 358 to 260. Of this number 148 have been on service with the N.Z.E.F. Although the regiment is below establishment, I have stopped recruiting pending a decision as to the future policy of the New Zealand Defence Forces.

3. ENGINEER SERVICES.

The only permanent personnel in connection with Engineer services are those employed in the Works Branch. During the latter part of the war period the construction of hospitals and camps in the Dominion was carried out entirely by this branch of the Defence Department, and independent of the Public Works Department. There may have been good reason for this procedure, but I consider it inadvisable to continue it. It is uneconomical, and results in the duplication of machinery whereby two Departments endeavour to carry out the same functions. In order to remedy this faulty system of administration arrangements have recently been made for the Public Works Department to control all questions of maintenance and construction in future.

Apart from the need for economy, it is realized that at the present time there is an urgent need of labour and material for civilian and commercial buildings, therefore instructions have been issued to the effect that demands for new buildings or rifle ranges, and other works connected with defence, are not to be submitted unless considered to be absolutely essential.

The activities of the Works Branch during the past year have been principally directed towards completion of the construction of the Military Hospital at Rotorua and the Sanatorium at Pukeora. These are now practically completed.

4. ARMY SERVICE CORPS.

(i.) An A.S.C. organization was formed during the war for home service to train drafts for overseas, and to carry out the supply and transport arrangements for camps, hospitals, and general military requirements. This corps was considerably reduced when the training-camps were closed, and it has been further reduced during the past year, but it has not been possible to completely demobilize it. For some time to come there will be a great deal of essential work to be carried out by the A.S.C. in connection with the supply of hospitals and transportation of stores and equipment. For this reason it will be absolutely necessary to retain a small A.S.C.

All the A.S.C. personnel are temporarily employed at present, but it will be in the interests of economy and efficiency to form an A.S.C. as part of the Permanent Forces. Such a corps need be only a very small one, sufficient to carry out the following duties:—

- (a.) Instruction of Territorial A.S.C. units.
- (b.) Provision of trained and efficient officers for the more important positions in the A.S.C. on mobilization.
- (c.) Care and control of A.S.C. vehicles and equipment.
- (d.) Normal peace work of supply and transport duties in camps and in districts.

The formation of a permanent A.S.C. will mean a considerable financial saving each year, avoiding as it will the necessity for considerable expenditure to contractors for transport work. In addition the smooth and efficient working of A.S.C. on mobilization and at the commencement of operations is of vital importance, and this cannot be obtained without a nucleus of permanent and highly trained personnel.

(ii.) Supplies for camps and hospitals have been maintained throughout the year in a highly satisfactory manner.

(iii.) Canteens controlled by the Department have been established during the year at Hanmer, Rotorua, and Narrow Neck Hospitals, supplies being maintained by the A.S.C. The working of the canteens has been satisfactory.

(iv.) Supplies sent from New Zealand to the United Kingdom for the maintenance of New Zealand troops there, and which subsequently became surplus, realized £122,682 11s. 3d., a profit of £25,695 5s. 8d. over cost landed in England.

(v.) The bakery at Featherston Camp was closed down last December. The one at Trentham Camp is still in operation, supplying Trentham Camp and hospital. The quality of the bread is excellent, and has been produced at a saving to the Department.

(vi.) Practically all the carting at Wellington and at the four District Headquarters, and in connection with hospitals and camps, has been carried out during the year by the A.S.C. A certain number of motor-traction vehicles have arrived from England and have been taken into use. The change from horse transport to motor traction has proved most economical and very efficient.

(vii.) There will be certain motor-traction vehicles surplus to requirements at an early date. Arrangements have been made to loan surplus ambulance-cars to Hospital and Charitable Aid Boards under certain conditions, and this is being gradually carried out. As other vehicles become surplus they will be disposed of to best advantage.

5. ORDNANCE SERVICES.

The strength of the Ordnance Corps as at the 1st June, 1919, and the 1st June, 1920, was as follows:—1st June, 1919: Officers, 18; other ranks, 475; total, 486. 1st June, 1920: Officers, 16; other ranks, 346; total, 362. Reduction, 124.

I regret that it has not been possible to reduce the Ordnance Corps to a greater extent owing to the large amount of work still being done in connection with the war. A careful watch is, however, being kept for opportunities to enforce further reductions, and I hope to see the number of employees shrink considerably during the present year.

In addition to the ordinary ordnance work in connection with the Territorial Force, the Ordnance Corps is required to maintain extra personnel for handling, storage, and accounting for hospital equipment for the hospitals now under the Defence Department, and for the educational and vocational establishments, as well as for the military equipment arriving from overseas. Until the hospitals have been transferred to civil control, and the Vocational Training Branch taken over by the Repatriation Department, and the military equipment for the Military Force distributed in accordance with future requirements, the Ordnance personnel cannot be further reduced to any great extent without serious risk of incurring inefficiency and loss of stores.

The lack of accommodation for ordnance stores is referred to in Section V, paragraph 1.

Every care is taken by the administrative officers of this Department to ensure economy and efficiency.

The revenue from the Ordnance Department for the year ending 31st May, 1920, was £49,013 17s. 4d., while approximately £90,000 was saved by the renovation of part-worn uniforms.

6. NEW ZEALAND MILITARY SUPPLIES PURCHASE OFFICE.

The work of this branch has resulted in a considerable saving over the previous practice of local buying by the various branches of the Department. For the financial year ended 31st March the total value of orders placed for the purchase of materials, &c., for defence purposes amounted to £176,843, in which sum is included purchases on behalf of the Public Health Department amounting to £2,520. Owing to the shortage of special lines manufactured in New Zealand, due to war conditions, heavy purchases have had to be effected in the United Kingdom and elsewhere through the agency of this branch. Such purchases have so far met emergency conditions as they arose.

7. CIVIL STAFF.

The Civil staff, which during the war has necessarily increased to very large numbers, has been reduced in conformity with the reduced amount of administrative work consequent on demobilization. The Public Service Commissioner has greatly assisted the Defence Department during the past year by arranging for frequent inspections of the various offices where civil employees are engaged. His reports have enabled reductions in personnel to be made, the abolition of uneconomical methods in office routine, and the employment of not more clerks than are absolutely necessary.

8. STAFF COLLEGE.

Captain D. E. Bremner, N.Z.S.C., graduated at the Staff College, Camberley, for the 1919 course, and has since been appointed to the Staff at General Headquarters.

No officers were sent to the Staff College for the course being held this year, but Licut.-Colonel H. E. Avery, C.M.G., D.S.O., has been nominated for the 1921 course.

While it costs a considerable sum of money to send officers to Imperial Staff Colleges, the expenditure is fully justified, as it enables our own officers to gain the highest qualifications. Only officers with distinguished war service or those who have graduated at the Staff College should, in the future, be selected to fill higher appointments in the New Zealand Military Forces.

9. CENTRAL SCHOOL OF INSTRUCTION

One of the most important lessons of the late war was the vital necessity for schools of instruction where officers and non-commissioned officers could receive training in general and specialist military subjects, and thereby ensure uniformity and up-to-date methods being carried out throughout the Army. Such a school has now been established at Trentham, and it is proposed that all members of the Permanent Forces shall in future go through an annual course at this school in order to ensure the maintenance of efficiency and uniformity of training throughout the Dominion. In addition, courses will be held for Territorial and Cadet officers and non-commissioned officers and for the training of instructors.

10. ROYAL MILITARY COLLEGE OF AUSTRALIA.

There are at present twenty-two New Zealand Staff Officers at the Royal Military College of Australia. Eight candidates sat for the entrance examination in December, 1919, and four qualified. The ten Cadets who graduated in December, 1919, have now been posted to districts in the Dominion. Ten Staff Cadets will complete their course in December of this year. The other Cadets, who graduated in December, 1918, are at present in India, where they are attached to British regiments for instruction and experience. Certain of these officers are already on active service in Indian frontier operations, and all are gaining valuable experience.

Under the existing arrangements provision is made for ten New Zealand Cadets to be sent to Duntroon every year, but owing to the Staff Corps establishment having been nearly completed by the appointment of N.Z.E.F. officers it is estimated that the future requirements will not be more than five Cadets per annum. It is therefore proposed that not more than this number of Cadets shall be sent to Duntroon in future.

11. SUPERANNUATION.

Under the Superannuation Act, 1907, all permanently employed officials of the Defence Department are compelled to contribute to the Superannuation Fund. The military personnel are at a great disadvantage in this respect owing to the fact that, in accordance with the New Zealand Military Regulations, they are compulsorily retired on reaching the age of fifty-five years irrespective of whether they have the minimum service to qualify them for superannuation. When the Staff Corps was formed in 1911 some officers and non-commissioned officers were taken into the Staff Corps and Permanent Staff who, on account of age, will not be able to qualify for superannuation, although they have been compelled to contribute to the fund. In addition, any member of the Permanent Force who becomes unfit for general service is liable to be retired, but, unless reported by the Medical Adviser of the Superannuation Board as unfit for any service, he will not be granted a superannuation allowance. To meet such cases a special grant of one month's pay for each year's service has been authorized, but this will not purchase an annuity of anything like an equal amount to the retiring-allowance.

It is most important that all members of the Permanent Force should be fit in all respects to perform their duty in the field should the necessity arise, and I therefore recommend that provision be made to allow of any who become unfit for general service being retired without undue hardship.

SECTION IV.—CITIZEN FORCES: TERRITORIAL FORCE, CADETS, AND RIFLE CLUBS.

1. STRENGTH OF FORCES.

The strength of the New Zealand Citizen Forces on the 1st June, 1920, was as under:—

	Officers.	Other Ranks.	Totals.
Territorial Force	1,240	30,402	31,642
Senior Cadets	364	31,565	31,929
Rifle Clubs ... ..	...	5,523	5,523
General Training Section ... ..	...	328	328
Totals	1,604	67,818	69,422

2. TERRITORIAL FORCE.

During the Great War the training scheme of 1911 remained in force and proved suitable to feed the reinforcement camps with supplies of partially trained Territorials. The test of time, however, made it increasingly obvious that this scheme, which endeavoured to carry the instruction to the man instead of bringing the man to the instruction, could not produce the

efficient and disciplined Defence Force which would alone be of value in the event of an attack. This was recognized by both the civilian and the soldier, especially in the case of those units whose members resided in country areas remote from drill centres. To carry instruction to such men proved a very costly operation without the possibility of correspondingly efficient results, while the employer of labour complained that his employees, in order to attend a parade of one hour and a half, were required to be absent from their employment for three or four hours in order to get to the place of parade and to return. For these reasons, and also on account of the shortage of competent instructors, the Defence Department has, for the last three years, practically suspended the training in country districts. In addition to this, no Territorial camps have been held for the past two training-years. Although of only one week's duration, valuable results were obtained from these camps, and their loss is much to be regretted.

Since the Armistice the training and general efficiency of the Forces has been further handicapped by unavoidable conditions, the chief of these being the shortage of the instructional staff, which, besides being reduced in strength by casualties during the war, was also called upon to perform duties connected with demobilization, and the general loss of interest in Territorial training which followed the cessation of hostilities.

Now that the Staff Corps and the Permanent Staff have again been brought to full strength it is possible to improve the training of those units whose members are able to attend parades, and it is hoped that an adequate supply of rifles and equipment will shortly be available. Reports from all parts of the Dominion show that the Territorials are now showing much greater interest in their training. It is not, however, proposed to revert to the old system of sending instructors through back-country areas to try to train individuals, as this system has proved to be both expensive and unproductive of efficiency.

Never in the history of the Dominion has there been such a large number of highly trained officers, non-commissioned officers, and men having long actual war experience as is now available for service if required. Their experience, if used for the training of the Citizen Army, will be of inestimable benefit, but unfortunately only a few are offering to continue their service in the Territorial Force under present conditions, the majority preferring to wait pending a scheme of reorganization.

3. THE CADET FORCE.

In 1919 a new syllabus of Cadet training was issued by General Headquarters, reducing the amount of military instruction and adding other subjects making for the mental, moral, and physical improvement of those undergoing instruction. Reports have been received from all parts of the Dominion testifying to the excellence of this new system of Cadet training, which, by stimulating the Cadet interest and creating a spirit of competition between individuals and units, is having a marked effect on the efficiency of the Cadet Force.

The new system aims at developing and strengthening the qualities of citizenship in every respect, recognizing that the primary requirement for good citizenship is a healthy physique and close attention to hygienic principles, particularly during those important and impressionable years of a youth's life between fourteen and eighteen.

Several courses of military instruction (barracks) for Cadets were held in various schools throughout the Dominion with most beneficial results. These courses familiarize all ranks with the routine and duties of military life at a minimum of inconvenience and expense, while stimulating that spirit of competition between secondary-school units without which satisfactory results are unobtainable. Their value cannot be too strongly emphasized.

At the parades held during the visit of His Royal Highness the Prince of Wales some of the Cadet companies showed a very high standard of training and discipline, and attracted very favourable comment.

Unquestionably the outstanding feature of Defence training in New Zealand at present is its Cadet system.

4. RIFLE CLUBS.

Many Rifle Clubs throughout the Dominion have maintained their strength and enthusiasm, but they have been handicapped through the increased cost of ammunition and the inability of the Defence Department to provide them with new long rifle-barrels.

Owing to the Rifle Clubs not using service rifles for rifle-shooting competitions, arrangements have had to be made to import specially manufactured rifle-barrels. Shipping difficulties prevented these from arriving in time for the Dominion Rifle Association meeting, but adequate supplies are now available.

Great credit is due to Rifle Club members who have retained their keenness for musketry, and at the Dominion Rifle Meeting at Trentham in March, 1920, the Rifle Clubs showed that they had succeeded in maintaining and developing many fine shots.

These clubs, while serving a useful purpose by creating an interest in rifle shooting, cannot be used in war as an integral part of the Military Forces. The expenditure on their behalf should therefore be considered separately from the Defence vote. I recommend that a special item to cover the whole cost of Rifle Clubs should be provided for, and that this amount be administered by a council consisting of Rifle Club representatives and not by the Defence Department.

5. POSTINGS.

Postings for the year 1919-20 were carried out on the same lines as for the preceding year, except that authority was given to transfer to the Reserve all members of the Territorial Force who had service overseas during the war of 1914-19, whether they were eligible to be so transferred on account of their age or not. Those who were desirous of continuing their service in the Territorial Force, however, have been permitted to do so.

It will be necessary this year to transfer to the Reserve a number of Territorials, over and above the number due for such transfer on account of age, in order that room may be found for those who have completed their service in the Senior Cadets, and also to avoid the strength of the Territorial Force exceeding the authorized establishment. Selections under this category will be made from the most efficient of those with the longest service.

From the 1st April, 1919, to the 31st March, 1920, the total number of registrations throughout the Dominion was 10,260.

The following table shows the numbers posted in each district for the year ended 31st May, 1920:—

District.	To Senior Cadets.	To Territorial Force.	General Training Section.	Totals.
Auckland	2,789	1,672	410	4,871
Canterbury	2,334	1,740	..	4,074
Otago	1,538	1,386	..	2,924
Wellington	2,953	2,617	13	5,583
Totals	9,614	7,415	423	17,452

6. PROSECUTIONS.

During the past twelve months the percentage of convictions to prosecutions was—Territorials, 93·77; Senior Cadets, 93·67. These percentages show a marked improvement on those for the preceding year, and the total number of prosecutions shows a decrease of 120 as compared with those for the period from 1st May, 1918, to 31st March, 1919.

SECTION V.—MISCELLANEOUS.

1. MOBILIZATION STORES.

The war revealed to us the great need for maintaining an adequate supply of war material to ensure the possibility of properly equipping the whole of our trained man-power in case of need. The deficiency of war material in the Dominion in 1914 necessitated our original Expeditionary Force being sent overseas incompletely equipped, while the shortage of military stores in the Dominion during the war has been a serious handicap to the training of both the Territorial Force and the drafts for the Expeditionary Force.

The military equipment which was used by the N.Z.E.F. abroad has been handed back to the Imperial authorities, and a supply of new or serviceable equipment has been issued in lieu, and is now being gradually shipped to the Dominion. The need for storage accommodation for this equipment is very great, and although temporary arrangements are being made to store it in wooden hutments at Trentham and Featherston Camps these buildings are not suitable for storage of valuable equipment, nor are they conveniently situated for mobilization. I therefore recommend that district mobilization stores be constructed, in order that this valuable equipment may not deteriorate and that each district may be self-contained.

2. SMALL-ARMS AMMUNITION.

Under the existing contract with the Colonial Ammunition Company the expenditure from the Defence vote annually is approximately £100,000. The ammunition supplied by the Colonial Ammunition Company is of good quality, and equal to that manufactured by ordnance factories in England. It is regrettable that this ammunition is not completely manufactured in the Dominion, so that in time of war the country would be independent of overseas supplies of explosives, metals, and other materials required for the manufacture of small-arms ammunition cartridges. The need for this Dominion to be self-contained in regard to the manufacture of ammunition is obvious, and I strongly recommend that steps be taken to ensure this by authorizing a graduated subsidy to be paid for ammunition partly or completely manufactured in this country.

3. LEGISLATION.

No defence legislation has been made since the last annual report was furnished, but during the year the following Acts, which are more or less of interest to the Department or to discharged members of the N.Z.E.F., were passed into law:—

- (a.) The Discharged Soldiers Settlement Amendment Act, 1919.
- (b.) The Treaties of Peace Act, 1919.
- (c.) The Police Offences Amendment Act, 1919 (under section 7 of which it is an offence, punishable on summary conviction, for any unauthorized person to wear any military decoration, medal, clasp, badge, riband, &c.).

4. MILITARY SERVICE ACT.

The continued enforcement of the punitive provisions of the Military Service Act, and the revision of the Military Defaulters List, have involved much work and a large volume of correspondence. Seventy-eight Courts-martial were held during the year, seventy-one convictions being recorded.

The following shows the present position of defaulters and deserters: Defaulters, 2,067; defaulters at present serving sentences, 13; defaulters not yet arrested, 281; deserters at present serving sentence, 20.

I strongly urge that all administration in connection with offences under the Military Service Act be carried out by the Department of Justice, which has a staff and machinery necessary, whereas the Defence Department is now required to incur additional expenditure in order to retain a special personnel to carry on activities which in my opinion are the normal functions of the Civil police.

5. DRESS.

In the interests of economy instructions have been issued to discontinue the wearing of the pre-war pattern of full dress, which was very costly, and is now considered to be quite unnecessary. Officers will in future be required to provide themselves with khaki uniforms only, which, with the addition of the medals, will be the recognized full dress.

6. ARMY LIST.

The New Zealand Army List has not been published since November, 1918. Its discontinuance has been due to various causes, including the need for economy in the use of paper and the various extensive changes in this list rendered necessary by the demobilization of the N.Z.E.F. As a temporary measure an abridged list is now periodically issued, and a complete list will not be published until the end of the present year.

7. AVIATION.

The sum of £25,000 was voted last year for aviation. Of this amount only £8,368 has been expended.

No definite policy having yet been laid down in regard to aviation, nothing has been done by this Department beyond—

- (a.) Registering the qualified pilots who are in New Zealand:
- (b.) Arranging for the care and maintenance of the four Government aeroplanes and stores now stored at the Sockburn Flying School:
- (c.) Arranging for the transportation from England of the following machines which have been given by the British Government: Twenty avros, nine D.H. 9's, two Bristol fighters, two D.H. 4's:
- (d.) The building of two hangars (not yet completed) for Government machines in the Sockburn aerodrome:
- (e.) Giving financial assistance to the Kohimaramara Flying School pending a definite Government policy in regard to civil aviation.

I consider that for some time to come aviation should in this country be developed on civil rather than on military lines, and that provision be made for its expansion for military requirements in a national emergency. With this object an Air Board, which comprises representatives of various State Departments concerned, has been set up to consider all questions of aviation and advise the Minister.

8. COMMITTEE OF DEFENCE.

Hitherto the Defence Department has been concerned only with the problem of land defence, involving questions concerning the organization, training, and employment in war of the Land Forces. With the introduction of a New Zealand Navy and the probable future development of aviation, the problem of defence now involves the use of sea, land, and air Forces; therefore, in order to ensure effective co-ordination of these services, and of the New Zealand defence scheme with those of the other parts of the Empire, a Defence Committee has been formed.

9. EXPENDITURE.

Previous to the war the annual expenditure on defence was approximately £490,000, or under 10s. per head of the population. This amount represents approximately 6.44 per cent. of the total expenditure of all Departments of the State, whilst that for financial year ending 31st March, 1920, represents only 4.05 per cent. It should be borne in mind that the Defence Department, in common with all other Departments, is affected by the decreased purchasing-power of money and the rise in wages. Consequently the pre-war system of training cannot now be carried out without incurring proportionately increased expenditure.

As an illustration of the increased cost of materials, small-arms ammunition which in 1914 cost £6 3s. per 1,000 rounds now costs £9 10s., and a further increased price has been asked for—viz., £10 5s. per 1,000. The annual expenditure for small-arms ammunition in 1914 was £30,000, whereas the present annual expenditure is £100,000, or nearly one-fifth of the total vote.

Estimates for the current year totalling £550,893 have been prepared for Parliament. These estimates do not provide for annual camps, otherwise an additional expenditure of £150,000 would be necessary.

The expenditure from the Consolidated Fund for defence purposes for the past year was £502,465, being £26,260 under the amount appropriated by Parliament.

10. REORGANIZATION.

The experience gained in carrying out the present system of training shows that—

- (a.) The attempt to carry out training in sparsely populated districts has been expensive, unproductive of efficiency, and very burdensome to the trainee and to his employer.
- (b.) The limitation of training to a Territorial Force having a maximum establishment of 30,000 has resulted in over 50 per cent. of those who are liable under the Act receiving no training, which has caused great dissatisfaction, while the physically unfit who would benefit most by a course of physical training have been exempted.

The experience during the war shows that—

- (a.) The average New-Zealander, if physically fit, can soon be trained sufficiently to enable him to take his place in the ranks of a unit that has well-trained officers and non-commissioned officers, but that officers and non-commissioned officers require a much longer training.
- (b.) A very large proportion of the young men are not physically fit for active service, but that a large proportion of these can be made fit and almost all much improved by a few weeks' course of physical training.
- (c.) Well trained and disciplined units always show a lower sick-rate and casualty list than poorly trained and disciplined units operating under similar conditions.
- (d.) Delay in mobilizing an adequate force results in possible loss of success and in certain extra expense and loss of life by prolonging the war.

It is for the Government to decide on the future policy of the Defence Force, but I would urge that when considering the immediate need for economy the vital necessity for efficiency should not be overlooked. Men of the type of our New Zealand soldier, even when partly trained and poorly equipped, can be trusted to do well and to succeed if possible, but in actual war deficiencies in training and equipment must always be paid for with men's lives.

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