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REPORT OF COMMITTEE ON SUPPLY.

(FINAL EDITION)

SECRET.

Committee: NEW ZEALAND

Hon. D.G. Sullivan - Chairman
L.J. Schmitt Esq.
J.R. Middleton Esq.
Colonel O.H. Mead, D.S.O.
Wing-Commander A. de T. Nevill, R.N.Z.A.F.
Commander A.B. Fanshawe, R.N.
Dr. A.R.F. Mackay

UNITED KINGDOM

Captain W.D. McN. Graham, R.A.
N.E. Costar Esq.

AUSTRALIA

Commander J.C.D. Esdaile, R.A.N.

H.G. Nicholls Esq. - Secretary.

1. The Committee has discussed the Agenda as set out in Paper D.C.4 and has pleasure in submitting herewith its observations and recommendations.

Introduction.

2. Any figures for reserves must be based on arbitrary assumptions. Those made in the case of Singapore serve as a useful guide. These figures are set out in C.I.D. Paper No. 460 (C) which was sent to the Prime Ministers of the Commonwealth of Australia and Dominion of New Zealand on the 24th March, 1938.

A "period before re-provisioning" has been calculated for Singapore, amounting to 90 days.

In the case of Australia and New Zealand some additional period should be added to allow for the greater distances involved.

It is for the consideration of the Conference whether this scale of reserves should not be still further increased owing to the possible shortage of shipping available in time of war to bring raw materials and general munitions to Australia and New Zealand. Raw materials are essential for the maintenance of domestic industries.

3. The New Zealand representatives stated that the Dominion is, to a very large extent, lacking in supplies of certain commodities essential for war, which can only be obtained outside the country. The acquirement of these essential stocks is a matter of urgency, and the Committee recommends that all necessary steps to achieve this object be taken without delay by the New Zealand Government.

Exchange of information re Supply Investigations.

4. The methods used in Australia and New Zealand to ascertain the quantities of stores and equipment suitable for service purposes and the existing and potential facilities for local manufacture of munitions and technical equipment were discussed generally. It was agreed that a mutual exchange of information would be of considerable advantage to the various units of the Empire. Information about these subjects, methods and results, has not up to the present been adequately circulated.

5. Sources of supply other than those at present being utilized by the Empire may become of supreme importance in

time of war and considerable trade to mutual advantage may develop in an emergency; e.g. phosphates from French possessions in the Pacific. Information concerning any such sources should be exchanged in time of peace because additional trade may result owing to the fact that commodities normally manufactured locally may have to be imported for reserves.

6. The following recommendations regarding methods of exchanging information relating to potential sources of supply are submitted:-

- (a) Appointment of liaison officers at Defence Department, Melbourne and War Office, London. (The New Zealand Air Department already has a liaison officer at the Air Ministry and his services have proved invaluable. Recent visits to the Defence Department at Melbourne of officers from New Zealand have been of considerable advantage.)
- (b) Exchange of all reports dealing with supply questions.
- (c) Exchange of progress reports on investigations in hand.

Although the reports under (b) and (c) may deal entirely with local resources for local requirements, it is considered that such information would often reveal points worthy of consideration in other parts of the British Commonwealth.

Exchange of Information re Wartime Requirements.

7. Apart from the obvious advantages of knowing each other's wartime requirements of munitions and equipment, it is most advisable that information should be available as to requirements of raw materials and food supplies and the form in which they are desired. For example, it is understood that the United Kingdom may need quantities of tinned meat far exceeding peacetime requirements. New Zealand would no doubt be willing to supply and so relieve the problem of cool storage for meat, but unless adequate stocks of tin plate were either in New Zealand or made available, the output would be seriously restricted. The New Zealand Government has purchased a reserve stock of tin plate sufficient for one year's peace-time output of tinned meat. (12,000 cases = 9,400,000 16-oz. tins). This reserve would tin only a small proportion of the possible output in the first year of war.

8. The requirements of the Imperial Government in time of war may call for a considerable adjustment in the quantities of various classes of meat normally shipped. It may be found that a proportion of the refrigerated space utilised for lamb shipments under normal circumstances, could in time of war be better utilised for other classes of meat. Correspondence is being exchanged with the United Kingdom about this matter.

9. It would be advantageous to know whether the United Kingdom would require in time of war the total wool clip of the Dominions as an increased demand from other countries may be anticipated. So far no indication has been given of the United Kingdom requirements in this connection.

10. So far as the supplies for Fiji are concerned, the Committee would stress the importance of the peacetime exchange of information regarding wartime requirements. It is understood that certain plans have been discussed by the Fijian authorities regarding supply in war and the co-operation of Australia and New Zealand will be greatly facilitated if requirements are made known in peace time.

11. From the foregoing it will be realised there is much to be gained by the free exchange in time of peace of information regarding probable wartime requirements. Although naturally exact information is neither expected nor sought, an estimate will considerably assist in planning wartime arrangements.

The extent to which the productive resources of Great Britain are able to fulfil requisitions from Australia and New Zealand, after providing for United Kingdom requirements.

12. The United Kingdom would, after the outbreak of war, do everything in its power to supply requirements. In the early days of a war, however, it would not be possible at present to supply the majority of items covered by the term "general munitions".

13. No war potential has been set up in the United Kingdom to meet the war requirements of Australian and New Zealand Forces.

14. If the Australian and New Zealand Governments wish to ensure that their munition requirements are met in war from the United Kingdom, without long delays, it would be necessary in peace to form a definite estimate of what these requirements are likely to be. In addition it might be necessary for the Governments of Australia and New Zealand, in co-operation with the United Kingdom Government, to place the necessary educational orders in peace. "Dormant" orders for requirements after the outbreak of war should be placed without delay.

15. Nothing can be done in the United Kingdom without definite concrete demands, so that the sooner firm orders can be placed for immediate requirements the sooner will the material needed be received. In any case the time lag must now be considerable.

16. With regard to immediate and wartime requirements, any arrangements it might be found possible to make for the supply of munitions or other equipment from the United States of America would obviously ease the situation.

17. In Canada, South Africa and India, armament industries are being built up, but it would be unwise for Australia or New Zealand to rely on these sources during the critical period. The capacity for production and the types of equipment available in Canada, South Africa and India are strictly limited, but these sources should not be disregarded as potential sources of supply. In any event, firm demands would have to be placed without delay.

The extent to which the productive resources of Australia, after fulfilling local requirements, may be able to fulfil requisitions made by New Zealand.

18. The capacity of Government factories and civil industry at present being organised in Australia is based on war requirements for Australia only. Therefore to supply New Zealand's

war needs from Australia, it would be necessary to create additional production capacity. The actual provision of such additional capacity does not in itself present any difficulty, but it would take approximately two years.

19. It is impracticable for Australia to arrive at any decision on the question of supplying New Zealand war requirements until the desires of the New Zealand Government are known. If New Zealand intends to rely on Australia for both peace and war requirements, it will be necessary for Australia to have detailed information of such requirements, and for the two countries to decide the manner in which any scheme for the provision of the necessary additional production capacity is to be financed.

20. With regard to immediate requirements, the present Australian production capacity is fully occupied with her own needs, but some improvement can be expected about the middle of 1940, if the annexes now being established are utilised for peacetime production. It will be necessary for Australia to know the details of New Zealand's immediate requirements before any decision can be reached as to what extent it is practicable to meet them, having regard to the position in Australia.

21. Any arrangements which could be made between the Commonwealth of Australia and Dominion of New Zealand for mutual assistance in regard to their respective requirements would be of great value to the United Kingdom.

Methods of co-ordination resources of Australia and New Zealand for the purpose of -

(a) Reducing Shipping Demands on the United Kingdom.

22. In order to make the maximum use of available supplies in the Southern Pacific and to reduce demands on shipping, it is essential to ensure a complete exchange of information on the individual resources of the Dominions and the British possessions in this zone. Any reduction which can be effected will be dependent upon the capacity of each Dominion to produce either

raw material or fabricated articles required by the other Dominion. This necessitates the constant interchange of information in time of peace regarding such production.

(b) Formulating a policy for the manufacture of munitions and equipment.

23. The United Kingdom delegation expresses the view that the better provision that it may be found possible to make for the manufacture of equipment of all kinds in Australia and New Zealand, the more easily will their wartime problems be solved. The New Zealand members pointed out that if any armament production capacity were to be inaugurated in New Zealand its creation must depend upon the provision of basic industries, such as an iron and steel industry. It is considered that the capacity of the Dominion of New Zealand for the manufacture of equipment should be fully explored; the munitions output of the Commonwealth of Australia should be utilized as far as possible for the supply of equipment which it is not practicable to produce in the Dominion. At the same time a survey of the industrial capacity of the Dominion of New Zealand should indicate the possibility of manufacturing certain items of equipment under conditions of war emergency which it may not be reasonably economical to produce in time of peace. This necessitates the preparation of plans, the maintenance of drawings and technical data, and the placing of Educational Orders.

(c) Developing the use of Substitutes.

24. It is considered that the possibilities of developing the use of substitutes will be confined almost entirely to raw materials; it is therefore suggested that investigation and exchange of information might be undertaken by the appropriate Departments in Australia and New Zealand.

25. A certain amount of improvisation appears possible in the provision of the requirements for the Armed Services. The degree to which this can be extended is dependent upon detailed

information in regard to those munitions which could be exchanged between the Armed Services of Australia and New Zealand.

(d) Adopting Uniform Standards of Equipment, etc.

26. Subject to the necessity for purchases, made in neutral countries, to fulfil immediate requirements, the policy of maintaining uniform standards of equipment is strongly supported. This can be achieved only by consultation, prior to manufacture, regarding articles of equipment required for use by both Australia and New Zealand, and agreement in respect of type and specifications of such articles.

The practicability of establishing Imperial Reserves of Equipment in the Dominions to meet the requirements of reinforcements despatched to the South Pacific.

27. Neither reserves of equipment nor the capacity for manufacturing munitions are at present available to make the establishment of Imperial reserves of equipment in the South Pacific a practical proposition.

28. Imperial reserves of equipment are held in Singapore for the use of Naval, Military and Air forces stationed there in time of war. Co-operation with Australian and New Zealand forces in the matter of the provision of equipment is of great importance and any action which can be taken by the Governments of Australia and New Zealand to assist the movement of United Kingdom or Dominion Naval, Air and Land forces in the South Pacific would be highly desirable.

29. Any equipment provided for a force intended to protect Fiji or elsewhere must necessarily reduce the mobilisation stocks available in Australia or New Zealand.

30. If it is decided that forces should be prepared in Australia or New Zealand for the defence of Imperial interests in Fiji or other Pacific territories a clear statement as to the size and composition of such forces should be made at an early date in order to permit of the preparation in the

United Kingdom or elsewhere of the necessary equipment for the maintenance of such a force.

The Possibility of securing equipment, munitions, etc., in completed state from neutral countries - chiefly the United States of America.

31. Any arrangements which it might be found possible to make for the supply of munitions or other equipment from the United States of America would obviously ease the situation in regard to immediate requirements. The difficulty at present caused by the Neutrality Act should be appreciated, as also should be the effect on the standardization of Imperial equipment. Considerable assistance can be given by the United Kingdom and Australian Governments as to the possibilities of purchase in the United States and this advice would be given gladly by both Governments.

Methods of securing supplies of raw materials and non-military stores from neutral countries.

32. This would appear to concern all portions of the British Commonwealth and envisages the employment of an organisation to avoid competition in buying for Empire, and, may be, Allied, requirements from neutral countries. This may mean two buying organisations, one in the United States of America and one in London, the latter to deal with purchases from neutral countries in Europe. It would appear that in peace, preparations for such a scheme could be made by the various Dominions listing those commodities, the supply of which in war may be interrupted or, if normally obtained from enemy countries, stopped altogether.

33. This proposal would entail a survey by each Dominion of importations from potential enemy countries, and where local or Empire supplies could not be substituted, requirements should be submitted to the suggested central organisation. Having ascertained the available supplies from neutral countries, the suggested organisation would indicate the quantities allocated to each Dominion. While this may appear a formidable task, if, as is suggested, the preparatory work were undertaken in peace time,

it would considerably facilitate supply in war and obviate confusion and uneconomic competition between members of the British Commonwealth. (It is understood that there is already a buying organisation in the United Kingdom which might be extended to cover the requirements of the Dominions.)

Methods of Securing supplies of raw materials
and non-military stores within the Empire.

34. It is presumed that the Dominions in making supply preparations for war can rely on the normal peacetime supplies from Empire sources to Empire markets being continued in war, subject of course, to dislocation of shipping. Should any part of the Empire have cause to consider shutting off such supplies in war the earliest advice should be given. It is desirable that proposals by any unit of the Empire for a change of source of supply on the outbreak of war from parts of the Empire to neutral countries or the extensive use of substitutes (such as margarine for butter) should be fully discussed with the Dominions concerned.

35. In order to overcome any serious dislocation of shipping, very heavy capital outlay on increased cool and other storage facilities will be necessary but if there were any doubt as to the necessity for the continuation of supplies, there would be some diffidence in making preparations to ensure the export in war of produce to Dominions and the United Kingdom.

36. It would also appear essential for the Dominions to be kept informed regarding the proposals of the Admiralty for the requisitioning of shipping insofar as these proposals may affect each part of the Commonwealth. The requisitioning of ships in the Australia-New Zealand trade and the New Zealand inter-Island Ferry Service -- because they are registered outside the Dominion -- would have an important bearing on the shipping facilities of New Zealand in time of war, and the

fullest information would appear to be desirable to enable the necessary allocation of ships to be made.

Comment on the Economic Aspect.

37. It cannot be too strongly stressed that the maintenance of overseas trade is vital to Australia and New Zealand and equally important to the United Kingdom. Any prolonged interruption of shipping must have serious repercussions and would, in particular, materially reduce New Zealand's defensive powers.

D. J. Sullivan
Chairman.