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Printed for the Cabinet. December 1921.

SECRET.

C.P. 3570

29

INTERIM REPORT

OF

COMMITTEE ON NATIONAL EXPENDITURE.

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SECRET.

INTERIM REPORT

OF

COMMITTEE ON NATIONAL EXPENDITURE.

COMMITTEE ON NATIONAL EXPENDITURE.

CONSTITUTION OF THE COMMITTEE.

The Right Honourable SIR ERIC CAMPBELL GEDDES, G.C.B., G.B.E.,
M.P. (*Chairman*).

The Right Honourable LORD INCHCAPE, G.C.M.G., K.C.S.I., K.C.I.E.

The Right Honourable LORD FARINGDON, C.H.

The Right Honourable SIR JOSEPH PATON MACLAY, Bart.

SIR W. GUY GRANET.

With MR. GERALD A. STEEL, C.B., as *Secretary*.

TERMS OF REFERENCE.

To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the National Expenditure on Supply Services, having regard especially to the present and prospective position of the Revenue. In so far as questions of policy are involved in the expenditure under discussion, these will remain for the exclusive consideration of the Cabinet; but it will be open to the Committee to review the expenditure and to indicate the economies which might be effected if particular policies were either adopted, abandoned or modified.

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SECRET.

Interim Report of Committee on National Expenditure.

To the Right Hon. Sir ROBERT HORNE,
G.B.E., K.C., M.P.,
Chancellor of the Exchequer.

Sir,

THE subject which you have referred to us for investigation is one of such complexity, and the need for effecting immediate retrenchment of public expenditure is so imperative, that we think it best not to delay reporting until we have covered the whole field, but to render our preliminary observations to you in the form of an Interim Report, and we understand that this procedure will be agreeable to you. We have dealt with Departments where great expenditure is involved, as it is in those Departments that substantial economies must be looked for.

We will report subsequently upon the other Departments where the money involved makes it impossible to suggest large reductions.

In May of this year, the Treasury issued a circular to all Departments of Government on the subject of "Restriction of Public Expenditure." In this circular, the vital need of a heavy reduction in the estimates of the ordinary Supply Expenditure for 1922/23 was emphasised, and immediate proposals to that end were called for. It was plainly indicated that the cost of the Ordinary Supply Services, viz., £603,000,000 for 1921/22, *must* be reduced to £490,000,000 for 1922/23.

The situation, as explained to the Departments in May, demanded a reduction of £113,000,000, but you have since asked us to aim at economies which in the total would effect a reduction of expenditure of £175,000,000.

The Government Departments, in response to the Treasury circular of May last, have themselves proposed reductions amounting in all to £75,000,000, so that there remains a sum of £100,000,000 to be secured by further reductions.

In many cases, the reductions proposed by the Departments are automatic, due to the fall of prices and wages, or to windfalls or to the cessation of special expenditure on services arising out of the war. The reductions in estimates shown in response to your circular are therefore by no means fully the result of curtailment of activity, or of economical administration, and this point cannot be too clearly brought out.

In this Interim Report we deal with the following Services :—

Navy.	}	Part I.
Army.		
Air Force.		
Education.	}	Part II.
Health.		
Labour.		
Old Age Pensions.		
War Pensions.		Part III.

The provisional estimates for 1922/23, after making the reductions of £75,000,000 referred to above, amount to £528,000,000 for Ordinary Supply Services. The Services covered by this Interim Report account for £390,000,000 of that total. Ninety-six Votes (excluding Irish Departments) remain for examination, accounting for the balance of £138,000,000.

Our report is the result of close study of the estimates and of consultation with the Treasury and Ministers and officials of the Departments named.

While we will later refer to the very important question of Treasury control of Departmental expenditure, it will, we think, assist you in understanding the form of our recommendations if we explain how we understand Treasury control over the framing of the Estimates of the Fighting Services to have been exercised before the war.

The procedure, as explained to us by experienced Treasury officials, was broadly that the estimates of the previous year or years were taken to form a base line, and that the deviations from that line were arrived at by consultation between the Chancellor of the Exchequer and the Minister at the head of the Department. As a result of the consultation, the Minister would know that the Chancellor of the Exchequer was prepared to budget for estimates representing a certain sum of money, and would tell his Department the amount available for the following year's estimates.

The essence of this system was to take the previous year's normal expenditure, from which to measure departure. Whilst not in any way commending this principle as ideal, it is obviously better than the present practice, under which, owing to the dislocation of the war, the Treasury have been driven to criticising in detail, with inadequate data and with insufficient time for the purpose.

During the war, in the case of the Fighting Departments, the Government was obliged to accept the statements of the Naval and Military advisers as to the money required by their Departments.

In our opinion, the time has come when the Government must say to these Departments how much money they can have, and look to them to frame their proposals accordingly.

We have throughout stated in some detail where we think economies can be effected, and have arrived at conclusions as to the limits which should be communicated to the Departments within which their estimates should be framed.

PART I.

INTRODUCTORY REMARKS ON NAVY, ARMY AND AIR FORCE ESTIMATES.

Cost of Defence of the Empire.

We have come to the conclusion that the cost of the defence of the Empire, so far as it falls upon the British taxpayer, must be considered as a whole. The necessity for this is much more apparent now than it was before the war, more especially because of the advent of the Air arm, which has come so much to the front, either as an addition to the older fighting services, or in substitution for them.

1. The following figures show the growth of expenditure under the heading of Defence generally:—

*Fighting Services.**Total Estimates.*

(Figures are net, and exclude terminal war charges* for 1922/23.)

	1914/15.		1922/23.	
	£	£	£	£
(i.) Navy .. .. .	..	51,550,000†	..	81,183,800†
(ii.) Army	28,845,000	} 28,845,000	64,197,800	} 75,197,800
Middle East	Nil		11,000,000	
(iii.) Air	"	} Nil	12,452,400	} 14,173,100
Middle East	"		1,720,700	
Add value of stores consumed from stock ..	..	..	..	5,134,600
Total .. .. .	..	80,395,000	..	175,689,300

These figures show an increase of upwards of £95,000,000 per annum.

The personnel of the Fighting Services has risen from 333,000 in 1914/15 to nearly 362,000 in 1922/23, and it is apparent that whilst increasing in personnel, the Fighting Services have enormously increased in effectiveness by the addition of new arms and improved instruments of war.

Basis of Departmental Estimates, and Government Policy.

2. In order to see how the estimates of money and personnel are framed, it is necessary to consider the principles upon which the three Departments have forecast their activities and expenditure.

We understand that it was an instruction of the Government, given in the year 1919, that the estimates for the three Fighting Services were to be built up "on the assumption that no great war was to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in case of an emergency arising."

We have pursued our investigations in the light of this instruction to the Fighting Services.

The Navy bases its estimates upon the principle of a "One-Power Standard," which has been adopted by the Government, but it is obvious that the translation of that standard into £ s. d. in the Estimates admits of great variation according to the views of the chief naval advisers and specialists.

The Army has no such standard to guide it. It appears that the Army Estimates are framed to provide certain garrisons overseas, together with a system of reliefs for those garrisons, known as the "Cardwell System." This has in the past resulted in a theoretical six Infantry Divisions and one Cavalry Division at home, which, together with certain additional Infantry units, formed the British Expeditionary Force in 1914. The estimates are cast to provide such a force again, only much more powerfully equipped, with additional arms, born of war experience—*e.g.*, Tanks, Signals and Heavy Artillery—and irrespective of the estimates of the Air Ministry. A small provision is also made for Home Guards.

* Figures not available for Navy, but they are negligible. Army total, £2,937,000. Air, £504,900.

† Including new naval construction: 1914/15, £15,628,257; 1922/23, £14,644,000.

The Air Force bases its estimates on different considerations. They provide for the needs of the Navy and Army as adjusted with the services concerned, and for the maintenance of a small independent force as a reserve. They also provide large sums of money for education, training and research in the art of air navigation and fighting, and for civil aviation.

It is from these three different standpoints that the estimates for the Fighting Services are framed.

Improvement of Fighting Material.

3. We select for special mention one outstanding feature which is common to these three estimates. The war created new problems, demonstrated weaknesses and suggested lines of development. The increase in activities coming under the head of Research, Experiment, Inspection and Education in all three services is very striking, as the following figures show:—

	1914/15. £	1922/23. £
Research, Experiment and Inspection	702,580	4,217,795
Educational Services	447,000*	3,717,000*
Total	1,149,580	7,934,795

The importance of this activity, however, is not merely measured by the money involved. It naturally carries in its train much indirect increase of expenditure, and also the substitution of new material for old, and of alterations in the engines of war. It inevitably also creates a tendency in the minds of technical advisers to prescribe an accelerated rate of obsolescence in war material.

Increase in Fighting Power.

4. We must record a very marked impression derived from long conference with the departmental representatives of the three Fighting Services.

The estimates provide that in the year 1923, the fifth year after the Armistice was signed, with a broken and exhausted Europe and with no German menace, we are to have far greater fighting power, with a larger personnel, and greater preparations for war than ever before in our history. Additional services, more deadly weapons, additional systems are added to the old formations or to the old units.

Apart from our detailed proposals for economy we are of opinion that the Estimates for the defence of the Empire lack co-ordination, and we have been forced to the conclusion that until that co-ordination is attained, overlapping and wasteful expenditure is inevitable.

The Question of a Separate Air Force.

5. The Air Force was essentially a war creation, and owed its separate existence mainly to the necessity for preventing competition between the Navy and the Army for men and material in aerial warfare. It was also felt at that time that a definite function of independent air attack was called for, but would not be realised unless the Air Arm was freed from Naval and Military control. No other nation, however, has as yet followed the example of this country in establishing such a separate force.

The Navy and the Army both urge that the most effective and most economical use cannot be made of the Air Arm so long as the personnel is controlled by another service, and they suggest in general terms that it might be possible to effect economies by utilising air forces in place of, say, light cruisers in the Navy or cavalry in the Army, but no concrete proposals on these lines have been furnished to us. The War Office also suggest economies in administration, for example, in supply, transport, education and medical services.

On the other hand, it can be pointed out that by dividing the Air Force between the two Senior Services duplication in experiment, design and supply would be inevitable, and that duplicate flying schools would result. To avoid duplication the two Senior Services admit the need for a certain amount of joint organisation of a

* Include nothing for cost of personnel under training. Exclude Admiralty training establishments, and in the case of the Army the cost of training given in the Units.

subordinate character, but have given no clear appreciation of what this joint organisation should be.

There is the further argument that without a separate existence there is a grave danger that the Air Service would be unable to work out developments which might in the next decade or so entirely revolutionise methods of attack and defence and so render possible very large economies in the cost of the Fighting Services as a whole, by substituting Air for Land or Sea Forces.

We appreciate that it is only on financial grounds that our terms of reference would entitle us to express opinions on the question of a separate Air Force.

We cannot say that we have been convinced that the Air Force is less economically administered than the other Fighting Services, but we are impressed by the fact that public funds are admittedly being spent in both of the older Services because of a certain overlapping with the Air. The question of aerial versus naval or military command in operations in the future will doubtless cause difficulties; but economies to an increasing extent ought to result in the older Arms from the advent of the Air Force. We have in mind not only the substitution of aircraft for certain other arms of the older Services, such as light cruisers or cavalry, but a revolution in the method of carrying out certain operations. We are particularly impressed with the very large savings which we are told can be realised in the Middle East as soon as the transfer of responsibility from the Army to the Air Force can be effected. By the use of aircraft in this region it has been found possible to reduce the estimates in respect of the Middle East from £27,000,000 in 1921/22 to £13,000,000 in 1922/23.

It can no longer be denied that by the intelligent application of air power it is possible to utilise machinery in substitution for and not as a mere addition to Man-power.

MINISTRY OF DEFENCE.

6. In our opinion full economy in the Fighting Services cannot be realised under existing conditions. There is overlapping and duplication throughout. In order to fully realise these economies the three Forces must be brought together by the creation of a Co-ordinating Authority or a Ministry of Defence responsible for seeing that each Force plays its part and is allotted appropriate responsibility for carrying out various functions. The theory of such a Ministry in embryo appears already to exist in the Committee of Imperial Defence. With the creation of a Co-ordinating Authority or Ministry of this description it would be possible to ensure that corresponding reductions in expenditure were realised when either of the older Services was relieved or assisted, and no additional expense or extra Ministerial appointment need, in our opinion, be involved, as the Minister and his staff could all be drawn from existing organisations. All the arguments of an economic character which have been urged for the absorption of the Air Force into the two older Services apply, in our opinion, also to the fusion of all three Services under one Minister. Complete co-ordination in Supply, Transport, Education, Medical and other Services would then be possible.

We attach great importance to a settlement of this question in the interests of economy, and with these remarks we proceed to a consideration of the Estimates of the three Fighting Services individually.

Chapter I.

NAVY ESTIMATES, 1922/23.

The net cash provision for the Navy shows the following comparisons:—

Estimates—					£
1913/14	...	...	...	...	46,309,300
1914/15	...	...	...	...	51,550,000
1921/22	...	...	...	...	82,479,000
1922/23	...	...	...	...	81,183,800

A table, given as Appendix (A), shows, Vote by Vote, the comparison between the Estimates for 1914/15, 1921/22 and the Provisional Estimates for 1922/23.

Preliminary Remarks.

Of the £81,000,000 for which the Admiralty estimate in 1922/23, £11,816,000 is on account of the construction of the four new Capital Ships, the Contracts for which have been let but suspended. We make no comments on this expenditure, and throughout our report we have taken no account of any reductions which may result from the Washington Conference. If any agreement on the lines proposed by the President of the United States of America is arrived at, we could give further estimates of reduction.

In present circumstances, therefore, we confine ourselves to the remaining approximate £70,000,000.

Throughout our review, we have kept constantly in mind the instruction of the Government, given in 1919 to all the Fighting Services, "that in framing their Estimates, they should proceed on the assumption that no great war is to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in the case of an emergency arising."

The Admiralty have clearly given the deepest thought to the production of a thoroughly equipped force to meet immediately any possible Naval contingencies. Their plans seem to us to take too little account of the period of peace which they have been instructed to anticipate, and of the present serious financial condition of this country.

We now proceed to examine the various Votes in detail.

2.—VOTE 1. WAGES AND ALLOWANCES OF OFFICERS, SEAMEN AND BOYS, COASTGUARD AND ROYAL MARINES.

	£
1913/14 audited Expenditure	8,262,203
1921/22 net Estimate	18,314,000
1922/23 net Estimate	17,593,500

This Vote must be considered in conjunction with Vote A, which is not a Vote in terms of money, but in numbers of officers and men.

The numbers borne on Vote A, *i.e.*, the numbers of officers, seamen, boys, coast-guard and Royal Marines, show the following comparison:—

Actual, 1913/14	142,960	} Average throughout the year.
Estimates, 1921/22	122,700	
Estimates, 1922/23	121,600	

The increase in cost from £8,000,000 to £17,000,000 is striking when coupled with a reduction of 21,000 personnel.

In order to appreciate the manning situation which, in turn, directly affects all the other items of expenditure, it is necessary to set out the basis on which—

- (a.) The Admiralty have framed their Peace Fleet and their War Fleet; and
- (b.) The arrangements for manning these Fleets.

3. (a.) *The Basis of the Peace Fleet and War Fleet.*

The "One-Power Standard" upon which the Admiralty are working involves "that the Navy should be maintained in sufficient strength to ensure the safety of the British Empire and its sea communications as against any one other Naval Power." For this purpose the Admiralty keep a Peace Fleet which, in case of emergency, can be expanded into a War Fleet. The Fleet at present proposed for 1922/23 is composed as shown in the following table, in which it is divided into two main categories:—

- (i.) With full complement;
- (ii.) In "Reserve" in various states of readiness, with varying "reduced complements." These ships do not go to sea normally until brought up to full crews on mobilisation.

	With Full Complement.	Reserve.		Total, War Fleet.
		With Reduced Complement.	In Care and Maintenance.	
Battleships	13	9	..	22
Battle Cruisers	3	3	1	7*
Cruisers .. .. .	..	2	..	2
Light Cruisers	33	12	..	45
Flotilla Leaders	8	8	..	16
Destroyers	64	113	..	177
Aircraft Carriers	4	2	..	6
Submarines	46	16	27	89
Torpedo-Boats .. .. .	..	2	..	2
Minelayers .. .. .	..	4	..	4
Monitors .. .. .	..	2	..	2
Sloops	20	..	1	21
Gunboats	19	..	2	21
Surveying Ships	9	..	..	9
Hospital Ships	2	..	..	2
Patrol Boats	3	13	..	16
Minesweepers	7	8	46	61
Depot Ships	15	5	..	20
Tugs	5	..	..	5
Trawlers	26	..	1	27
Drifters	2	2	6	10
Whalers .. .. .	..	2	..	2
Special Service Vessels	15	..	..	15
Diving Tenders .. .. .	..	3	..	3
Motor Launches	5	..	..	5
Miscellaneous .. .. .	..	4	..	4
C.M.B's	5	..	..	5

* In addition, there is H.M.A.S. "Australia," a battle-cruiser in Australian waters.

For the purpose of comparison a table is attached (Appendix (B)), giving the numbers proposed for 1922/23 as compared with those of 1914 pre-war.

In the above table the "full complement" ships form the Peace Fleet and the total number form the War Fleet. These numbers have presumably been based on a comparison with other Naval Powers.

In the course of our conference with the Admiralty representatives, we ascertained that the British War Fleet comprises 30 Capital Ships, whereas the United States of America have only 20 Capital Ships of the Dreadnought type, and Japan 10. The Admiralty justify Great Britain's preponderance in a memorandum which they have sent to us and which is contained in Appendix (C).

We would only say that, as we understand Naval opinion, nothing we can do now in the way of keeping obsolescent ships in full commission or in reserve is going to make these latter a match for the post-Jutland ships eight years hence. It may be that, in the future, the political outlook may require that we should concentrate on building more post-Jutland ships, but that contingency is not for us to consider, and on a review of the *present* position, we are not satisfied that such a large Peace Fleet and potential War Fleet, as the Admiralty are planning, are required. A table is attached (Appendix (D)) giving the comparative strengths at the present time of the War Fleets of Great Britain, the United States and Japan, in terms of "Capital Ships," *i.e.*, battleships and battle cruisers. We have no ship launched earlier than 1910 out of our 30 Capital Ships. The United States have 9 out of 24, and Japan has 11 out of 21. If modernity in Capital Ships is the ultimate expression of power, we are maintaining an overpowering Fleet, involving great expense, in full upkeep and personnel.

In view of the instruction of the Government that it may be assumed that no great war is to be anticipated for some years, and in view of the comparative strengths of the great Navies of the world at the present moment (as shown in Appendix (D)), we suggest that the Government should discuss with their Naval advisers the reduction of some of the Capital Ships now in "Full Complement" into "Reserve" and the reduction of a number now in Reserve to the Sale List. We suggest that any reductions of Capital Ships should be accompanied by proportionate reductions of all classes of their ancillary craft, *i.e.*, Light Cruisers, Torpedo Craft and Submarines.

We also suggest that the Government should consider whether the advantages gained from having a number of Light Cruisers "showing the Flag" in various parts of the world justify the large expenditure entailed. It is estimated that each light cruiser reduced to "Reserve" would mean a saving of £100,000 per annum in personnel, upkeep and running expenses, and that each light cruiser placed on the sale list would mean a further large saving.

4. (b.) *Manning Arrangements.*

The following is an extract from the Admiralty's explanation of the basis on which the Peace and War Fleets are manned (the full details are given in Appendix (E)) :—

"The dominating factor in settling the numbers of officers and men required to be borne is the size of the War Fleet which is the list of actual ships allocated for carrying out the responsibilities of the Admiralty in the event of war.

"The Fleet is actually maintained in peace on a different basis from what is required in war. In war, all the ships must be completed to full crews—either by active service ratings or with a proportion of Naval Reserves entered on mobilisation, according to the purpose for which, and the urgency with which the particular vessel would be required in case of emergency. In peace, only a certain proportion of the total War Fleet is kept in full commission, and the remainder are on reduced bases differing in status according to their position in the War Fleet.

"The following table shows the difference of status which exists in peace in relation to the War Fleets :—

<i>Status in Peace.</i>	<i>Status in War.</i>
"(i.) Full crews active service.	"(i.) Full crews active service.
"(ii.) Half crews active service.	"(ii.) " "
"(iii.) In reserve, crews varying from one-fifth to one-tenth of full numbers.	"(iii.) Two-fifths crews active service, balance naval reserves, entered on mobilisation.
"(iv.) Harbour establishments, schools, barracks, &c., permanent complements, instructors, experimental parties, and care of establishments.	"(iv.) Harbour establishments reduced in varying degrees on account of certain duties which lapse in war.

"It is obvious that the difference between peace and war for (ii) and (iii) above and the whole of (iv) in peace will be in harbour or on shore in peace time, yet none could be dispensed with without prejudicing their ultimate disposal in war time.

"The difference between peace and war for (ii) and (iii) provides a working margin for the Fleet during peace. Men must be passed through training schools, travel to and from foreign stations and have leave, and there must always be a margin for sickness."

We venture to invite your very careful study of this statement of the principles upon which the man power of the Navy is cast. It is of the utmost importance. On examination we have come to the conclusion that these principles have not been accurately interpreted and that there has been excessive provision of men.

The following table shows the personnel of the Navy, analysed under various heads, in 1914 and in 1921/2, and we invite your detailed consideration of these tables, pointing out that these are not estimates, but actuals, supplied by the Admiralty (see Appendix (E) 2) :—

NAVY Personnel.

	1914 (Pre-War). Two-Power Standard.		1921-22. One-Power Standard.	
GROUP I.				
Fighting Ships, viz., Battleships, Battle Cruisers, Cruisers, Light Cruisers, Torpedo Craft, Submarines and Aircraft Carriers—				
<i>In Peace—</i>				
Fully Commissioned ..	66,180		49,650	
Second Fleet ..	17,850		3,650	
Reserve Ships ..	5,070		8,200	
		89,100		61,500
<i>In War—</i>				
Additional Personnel required		20,400		9,670
Total Group I Personnel required in War		109,500		71,170
GROUP II.				
Depot Ships, Mine-layers, Minesweepers, Sloops and Gunboats—				
Peace Complements retained in War	7,350		9,040	
Additional Personnel required in War	1,100		1,180	
		8,450		10,220
Special Service, Surveying, Auxiliary and Miscellaneous Vessels—				
Peace Complements retained in War	3,950		5,800	
Additional Personnel required in War	5,600		4,600	
		9,550		10,400
Total Group II Personnel required in War		18,000		20,620
GROUP III.				
Coastguard, Harbour Ships and Retinues—				
<i>Peace Complements retained in war—</i>				
Coastguard ..	2,000		3,100	
Harbour Ships at—				
Home ..	2,400		9,700	
Abroad ..	1,600		1,900	
Retinues ..	500		1,050	
		6,500		15,750
<i>Additional Personnel required in War—</i>				
Harbour Ships Abroad ..			140	
Retinues ..	200	200	170	310
Total Group III, Personnel required in War		6,700		16,060
GROUP IV.				
Cadets and Boys in training ..		8,800		5,800
Not otherwise accounted for ..		7,200		9,050
New Zealanders ..		100		
Total Personnel ..		150,300		122,700

Under Group I, for both years, we get the actual numbers of men required in accordance with the views of the Admiralty for manning the actual ships which they maintain in various states of readiness, and here there is a reduction in personnel from 109,500 to 71,170 or 38,330 men.

But when we come to Group II, which is composed entirely of auxiliaries, we find that there the personnel has increased from 18,000 to 20,620 or 2,620 men.

When we come to Group III, which is shore establishments, there is an increase from 6,700 to 16,060, or 9,360 men.

Cadets and boys show a decrease from 8,800 to 5,800, but 1914 was, we understand, an abnormally high year for entries for this class.

It is clear, therefore, that while the Fighting Fleet under Group I has dropped in numbers, the auxiliaries and the shore establishments have increased in numbers very greatly. But that is not all. Although in the principles laid down by the Admiralty which we have detailed above, no mention is made of a margin over and above the necessary complements to bring ships and establishments up to their war crews of active service ratings, we find from this disintegration that in 1914 there was a margin not otherwise accounted for of 7,200 men, which has now, with a *reduced* Fleet and with *increased* provision in all establishments ashore, increased to 9,050, not accounted for or justified in any way whatsoever.

With a reduction of 38,000 men in the year 1921/22 in Group I, which consists of the fighting ships of the Navy, it would not have been unreasonable to expect—having regard to the great need for economies, and the fact that the menace of the German Fleet across the North Sea no longer existed—that a decrease could have been made in the shore establishments and in the ancillary craft compared with the numbers of personnel employed in 1914. On the contrary, however, there is an increase of 11,980 men, and on top of that, we have the further margin of the above-mentioned 9,050 men.

We have considered what would be a reasonable allowance for the active service personnel of the Navy in all the circumstances existing to-day, and we make the following suggestions:—

Group I: Fighting Ships.

The Active Service strength required in war by the Admiralty to man all the ships retained in the 1922/23 Estimates is 68,600* men, and we have adopted this figure 68,600

Group II and Group III: Depot Ships, Minelayers, Special Service Vessels, Harbour Ships at Home and Abroad, &c. (exclusive of the Coastguard).

It will be seen that with a fighting Fleet reduced to the one-Power standard nominally, and personnel for this Fleet reduced by 37 per cent., the Admiralty are providing increased numbers throughout in these Groups.

We particularly draw attention to the increase in Harbour Ships at Home, Abroad, and in Retinues, and the very large increase which is shown in the table of ships below Submarines in Appendix (B), both in full complement and in reduced complement.

It is clear that provision on a far more generous scale than was contemplated in 1914 is made for these ships, and in view of the imminence of war at that time, and of the remote possibility of war at the present time, we are of opinion that great reductions should be possible in these auxiliary and ancillary classes and establishments.

We suggest that a 50 per cent. reduction on the 1914 full war complements would not be excessive, but we have adopted for the basis of this estimate the same percentage reduction in personnel as the Admiralty have themselves applied to the personnel of the fighting Fleet. If, in the opinion of the Government, this is too small a reduction, it could easily be increased, but a reduction of 37 per cent. gives an allowance of 14,300 men, which provides 4,347 active service ratings required in peace, but whose places could be filled in war by Reservists, or men from Mercantile Marine, &c. 14,300

Coastguard.

In view of our recommendations in para. 11, we are of the opinion that the peace complement retained in war of 2,000 should be reduced by 25 per cent., leaving 1,500 men 1,500

* This figure is less than the 71,170 shown on previous page, because the Admiralty propose to man fewer ships in 1922/23 than in 1921/22.