

Group IV: Cadets and Boys in Training.

We are of the opinion that the numbers for 1922/23 should be the 1921/22 numbers reduced *pro rata* to the personnel generally. This gives a figure of 4,000 ... 4,000

Total	...	...	...	...	88,400
Numbers asked for	...	...	...	...	121,600
Excess provision if above Estimate adopted					33,200

We wish to make it perfectly clear that in building up this figure of 88,400 men we have allowed the Admiralty the full number of men asked for for the fighting ships of the Navy, including 8,494 men not required afloat in Peace, but required to bring up the ships to their War Complements. We have also allowed 4,347 men in Groups II and III who would be available for other duties on the outbreak of war; so that, in effect, out of the total of 88,400 men we have provided 12,841 personnel who could be employed for crossing reliefs, training in schools, and similar duties.

In addition to the 12,841 referred to above, it must be remembered that there are at all times in barracks the crews of ships refitting in the Dockyards, which will, to a large extent, be available for relief work and training of one kind and another. We look upon it as essential in the interest of the Taxpayer that this additional personnel, held as Active Service Reserve for Mobilisation, should be effectively employed. There are many directions in which this can be done to the saving of large expense under the heading of Civilian Personnel, Harbour Ships, Coastguard, and Metropolitan Police.

Further, we have based our proportionate estimate of the manning of Groups II and III on the 1914 standard. We think that the Admiralty would be able, on investigation, to adopt in these Groups a less immediate state of readiness, now that there is no German threat to fear, with reduction in personnel.

It is pointed out in paragraph 8 that the Officers' Servant class is one which, in our opinion, could be dispensed with in the interests of economy. In these circumstances, and in accordance with the considerations above, we do not think it too severe to recommend that the Personnel, Officers and Men should not exceed 86,600 for 1922/23 instead of the 121,600 asked for, a reduction of 35,000.

In this recommendation we have taken no account of any reduction—

- (a.) In the Fleet which the Government may decide upon as suggested in paragraph 3.
- (b.) In the Fleet and Building Programme which the Government may contemplate as a result of the Washington Conference.
- (c.) In the standard of Manning of Ships, Shore Establishments and Retinues in Groups I, II and III which would, we have little doubt, result from a careful scrutiny. A 5 per cent. reduction would amount to a saving of about £1,000,000.

We propose now to indicate a few other directions in which we consider that the Navy Estimates submitted to us have been cast on too generous a scale; but it must be obvious that these suggestions can only be taken as examples illustrating our view. It has been impossible for us to consider exhaustively every item of expenditure; but from the following considerations we are satisfied that, besides those mentioned, there are many other ways in which striking reductions could be made.

5. *1. Surplus of Officers.*

We were much struck by the increased ratio of officers to men between pre-war and the present time. The following are the figures:—

Fleet—				Officers.	Men.
Pre-war	...	...	...	1 to 13	
Now	...	...	...	1 to 11	

				Officers. - Men.	
Coastguard—					
Pre-war	...	...	...	1 to 10	
Now	...	...	...	1 to 6	
Marines—					
Pre-war	...	...	...	1 to 35	
Now	...	...	...	1 to 29	

The actual increase of officers in the above Services is 417, whereas the men are about 24,000 less than pre-war; so that on the basis of the pre-war ratio there is an excess of 1,900 officers. Part of the increase is explained by the Admiralty as being required as the result of war experience and the increased complexity of modern weapons and machinery. But even so, there is a very serious and costly surplus.

Flag Officers still show the same numbers as pre-war, *with a smaller Fleet*, except that there are three additional Admirals of the Fleet, being "special War Promotions."

As regards "Executive Officers" below Flag rank, the following are the figures:—

		August 1, 1914.	October 1, 1921.
Captains	... ..	290	343
Commanders	... ..	425	555
Lieut.-Commanders	... ..	699	563
Lieutenants	... ..	1,170	1,642
Acting Lieutenants	... ..	—	263
Sub-Lieutenants	... ..	327	354
Midshipmen	... ..	401	517
		3,312	4,237

This table shows an increase—*with a smaller Navy*—of 925 Executive Officers.

A similar surplus applies in the case of the "Engineer" Offices. It is not necessary to elaborate this point, but we do recommend that it should receive immediate treatment. A surplus of officers cannot but lead to increased expenditure in a Service, and the matter should be dealt with even though the remedy may result in a considerable increase of the Non-Effective Vote. We will refer to this point in relation to all three Fighting Services at a later stage. At the same time, we recommend that the Admiralty should not bring back officers temporarily from the unemployed and half-pay lists on to the full pay list, with the result of preventing them from being retired for non-service.

6. 2. High Commands, Staffs and Retinues.

We suggest that the Admiralty should consider whether it is not possible to abolish certain High Commands which existed during the war, but which appear to us to have now lost their significance. Such Commands, involving large charges for staff and accommodation, appear only to be justified when a large number of ships or men are located in the area of the Commander-in-Chief. We do not think that any such justification exists in the case of the Commander-in-Chief, Coast of Scotland, which Command, we suggest, might be amalgamated with the Nore Command, as before the war. Further, we recommend that the post of Commander-in-Chief, Western Approaches, should be abolished, being absorbed in the Command of the Commander-in-Chief, Plymouth.

We deal under Vote 8 with the question of reducing Gibraltar Dockyard to a skeleton organisation, and, if that is effected, we think that there would be no need to retain the Rear-Admiral who is now in charge of Gibraltar and who also acts as Admiral Superintendent of the Dockyard.

We are by no means satisfied that for all practical purposes the whole Command ashore in this country could not be exercised by one Commander-in-Chief, and we suggest that there should be a special investigation into this point, especially having regard to the reductions in personnel recommended. We do recognise, however, that the popularity of a Service requires a few positions of dignity, and it may be that three High Commands ashore in this country are called for on that account. Whether one or more, however, is retained, the cost of Staff and Retinues,

and scale of allowances, provision of motor cars and boats, should be drastically reduced. The cost of the five Home Commands, exclusive of free houses, is £214,000, and details are given in Appendix (F), 1, 2 and 3. We invite particular attention to these Appendices. (F) 1 gives details of the Retinues. These appear unjustifiable, and we do not think that the country should be asked to provide them on any such scale. In addition to these Retinues, allowances in lieu of domestic servants are paid varying from £375 to £750 a year. The analysis of cost given in Appendix (F) 2 shows that with a salary of £2,500 over £3,000 is drawn in allowances made in cash and not subject to Income Tax. Roughly, a staff of about 20 officers, costing £17,000 per annum, has a Retinue costing slightly more to wait upon it. We suggest that an economy in such a matter "at the top of the Service" would set an example for similar economies elsewhere.

7. *3. Shore Establishments.*

We have considered the numbers of officers and men borne as the peace complements of shore establishments at Home and abroad, and are impressed with the fact that, with a smaller Navy, the peace complements have grown from 1,102 officers in 1914 to 1,451 officers in 1922/23. The Naval ratings have increased in the same period from 8,557 to 10,423—an increase of 2,215 officers and men, or 23 per cent. Details at each Port are given in Appendix (G). There is a further significant fact in connection with these establishments to which attention should be called. Before the war, large numbers of the shore establishments were earmarked as available for active service on mobilisation, *e.g.*, out of the total of 1,102 officers and 8,557 men in 1914, 507 officers and 4,135 men were shown as available on mobilisation. Now, however, the Admiralty regard these increased numbers as a permanent requirement for these shore establishments either in peace or war, and they do not show any officers or men as available on mobilisation; in spite of the 23 per cent. increase in the establishments and the reduction in the Navy. We consider this as an illustration of the lavish way in which man power is employed.

8. *4. Officers' Stewards and Cooks.*

We also suggest that the Admiralty should give attention to the numbers of Officers' Stewards and Cooks. These men are entered as Naval ratings. We are aware that special posts are assigned to them when the ship is "in action," but we understand that their numbers are not dictated by the requirements "in action," but by what is considered to be a reasonable scale of servants for normal times, and they are in fact professional "domestics." The Admiralty have supplied us with the following details, and we feel that the numbers of Stewards and Cooks allotted to the Ward Room Mess, the Gun Room Mess and the Warrant Officers' Mess on a sliding scale, according to the size of the Mess, are not inappropriate. The following table, however, shows the number of Officers' Stewards and Cooks authorised for Flag Officers, Commodores and Commanding Officers:—

	Admiral.	Vice-Admiral.	Rear Admiral.	Commodore, 1st class.
Officers' chief steward or officers' steward—				
1st class	1	1	1	1
Officers' steward—				
1st class	2	1	1	1
2nd class	5	3	1	1
Officers' chief cook or officers' cook—				
1st class	1	1	1	1
Officers' cook—				
2nd class	1	1	1	1
Total	10	7	5	5

Commanding Officers.

—	Captain.	Commander.	Lieutenant- Commander or Lieutenant.
Officers' steward—			
1st class	1	1	..
2nd class	1	..	1
Officer's cook—			
1st class	1	..	..
2nd class .. .. .	..	1	..
3rd class	1	..	..
Total	4	2	1

It is in the above scales, so far as they relate to Flag Officers, Commodores and Captains, that we think a considerable reduction is desirable, especially in view of the great increase in the cost of such ratings at the present time. In 1914, such servants cost £255,000; in 1921, £733,000 per annum.

In addition to the scale of servants which is allowed, we would also point out that, in any case where an officer is resident on shore and does not enjoy the services, or partial services, of servants provided at the public expense, he receives servants' allowance at rates varying from £750 down to £13 10s. per annum. The total expenditure on these allowances at the present time is at the rate of £70,500 per annum, and the total number of officers in receipt of servants' allowance has risen from 110 in 1914 to 1,500 at the present time.

We suggest that the whole question be reconsidered and that the Officers' Servant class should be abolished, the Army practice of one servant per Senior Officer drawn from the fighting personnel of the unit being adopted.

Officers required to mess alone at sea might, in addition, have whole or part-time service of a cook.

We think that allowances in lieu of servants should be restricted to pre-war practice and subject in any case to a maximum as for one servant.

9. *5. Yachts and Special Service Vessels.*

We have considered the expenses incurred in the manning, maintenance and running of the two Royal Yachts, "Victoria and Albert" and "Alexandra," the Admiralty Yacht "Enchantress," and two Yachts termed "Special Service" vessels, viz., "Surprise" and "Alacrity," which are at the disposal of the Commanders-in-Chief, Mediterranean and China respectively. The following table shows the cost of manning, maintenance and running the Royal Yachts and the Admiralty Yacht:—

	1921/22 (Estimate).
	£
"Victoria and Albert"	118,200
"Alexandra"	71,375
"Enchantress"	81,700

We suggest that, in existing financial circumstances, subject, of course, to His Majesty's approval, the Royal Yacht "Victoria and Albert" should be reduced to Care and Maintenance status in the winter months, unless His Majesty desires to use her, and the Royal Yacht "Alexandra" should be disposed of.

We also suggest that the Admiralty Yacht "Enchantress" should be disposed of.

As regards the "Special Service" vessels, "Surprise" and "Alacrity," these are really Yachts and have complements of 107 and 126 officers and men respectively, and we recommend that they should be sold.

10. *6. Hospital Ships.*

We observe that the Admiralty have now two Hospital Ships, "Berbice" and "Maine." The latter was bought early this year and is now being refitted. Before the war, the Admiralty had only one Hospital Ship. We suggest, therefore, that

either "Berbice" or "Maine" should be retained, the decision depending upon whichever is the more economical combined with efficiency, and whichever can best be disposed of.

11.

7. Coastguard.

We find that the increase in Coastguard Officers is particularly high, viz., 68 per cent. This increase includes, of course, Warrant Officers, of whom there is a large surplus on the active list. The officers in the Coastguard Service have increased from 293 in 1914 to 492. This is certainly a method of employing Officers and Warrant Officers, but we are not satisfied that the Coastguard, as proposed, is necessary or economical. Before the war there were 3,130 officers and men in this service, of whom 1,100 joined their ships on mobilisation. Now, of the 3,250, none will join their ships on mobilisation. Here we have an instance in previous practice of what we advocate, namely, that men for Active Service complements on mobilisation should perform other duties in peace, but the Admiralty have reversed the policy, and over 1,000 men extra are provided for.

The following stations are manned by the Coastguard:—

1. Coastguard stations	419
2. War signal stations	158 (of these 45 are closed in peace).
3. W/T stations.. .. .	20
4. Direction-finding stations	6 (2 not manned).
5. Sound-ranging stations	2 (1 " ").

Of the 419 Coastguard stations, 144 are frankly not required by the Admiralty for their own purposes. The Admiralty have recently arranged to close 16 by agreement with the Board of Customs and Excise and the Board of Trade. This still leaves 128 which the Navy say they do not require for their own purposes. We recommend that the Board of Customs, Board of Trade and the Post Office, who are primarily concerned in these stations, should reconsider them and suggest a further reduction. Even so, there will still be 275 Coastguard stations doing heterogeneous duty for the above-mentioned and other Government Departments, Trinity House and Lloyd's, with a small amount of Naval work in the form of reports to the Hydrographer and recruiting for the Navy. We do not consider that these Coastguard stations have sufficient justification from the Naval point of view, and we think that the *onus probandi* must be laid upon the other Departments of the Government, and that they should meantime be strongly pressed to reduce these stations to the barest minimum, unless a serious loss to revenue, due to smuggling, is to be apprehended; and if they require them the cost involved should be noted on their Estimates.

The War Signal Stations maintain communication between the Admiralty and ships at sea, by visual signalling only, and carry out "Intelligence Duties." We are of opinion that there would be very little risk incurred if all these stations were closed in peace time, especially if the 20 W/T Stations and the Direction-finding and Sound-ranging Stations which are now manned are retained.

12.

VOTE 2.—VICTUALLING AND CLOTHING.

	£
1913/14 Audited Expenditure	3,034,246
1921/22 Net Estimate	7,821,000
1922/23 Net Estimate	7,014,400

We recommend that, in view of falling prices, the Admiralty should, for the present, live on their stocks of victualling and clothing stores and should proceed on the basis that stocks of such stores, which can readily be obtained in the commercial market in an emergency, should not exceed three months' war consumption of the Fleet, instead of the six months' stock they are now holding.

We would point out that if the reduction of active service officers and men, as suggested in the previous paragraphs, are effected, a great saving on this Vote should be possible, combining reduced consumption with absorption of stock. We think that in all three Fighting Services, the clothing allowances should be reduced by one-third, so that the uniformed forces should, like civilians, economise in their clothes, but it should be definitely understood that the standard of repair of uniform is correspondingly lowered, so that the men do not suffer. In the case of the Navy this would mean £500,000 per annum. All allowances have, we understand, been revised to meet current prices, and subsequent revisions should give effect not only to falling prices, but to the extended life suggested.

13. VOTE 3.—MEDICAL ESTABLISHMENTS.

			£
1913/14 Audited Expenditure	...	...	281,382
1921/22 Net Estimate	...	...	720,500
1922/23 Net Estimate	...	...	625,000

This Vote, which does not include the Naval Medical Personnel borne on Vote 1, is more than double pre-war in amount, but it is significant that medical and dental services for the Navy, which must necessarily be composed of men of a high standard of physical efficiency, cost, when the salaries of personnel on Vote 1 are included, roughly £12 per head. This appears to us to be an unduly high figure, but we have no individual items to comment on. We would, however, point out that in view of the present high costs, everything possible should be done to combine the medical facilities on shore of the three Fighting Services, a matter in which very little has been effected hitherto. The reduced numbers of Naval personnel which we have suggested would affect this Vote. We will, however, deal with the cost of medical services generally under the Army Estimates.

14. VOTE 4.—CIVILIANS EMPLOYED ON FLEET SERVICES.

			£
1914/15 Audited Expenditure	...	...	176,977
1921/22 Net Estimate	...	...	389,000
1922/23 Net Estimate	...	...	300,000

We observe under sub-heads (A) and (B) of this Vote, a number of salaried and wage-earning civilians engaged on duties which we think might be undertaken by Naval ratings or Marines, who have to be retained in any case for manning the Fleet on mobilisation. We note that civilians are employed in the Naval Barracks, on rifle ranges, in Training Establishments, at the Submarine Depot and in Detention Quarters in various capacities, such as signallers, telephone operators, postmen, markers, caretakers, messengers, porters, sports groundsmen and mess attendants. As we have already suggested, these functions and those of the civilian crews on Naval ferry steamers, yard craft, Fleet service tugs, and, indeed, on all craft employed by the Navy to-day, manned by civilians, might be undertaken by active service ratings who are on shore waiting to fill up "complements" on mobilisation, or to supply new drafts for ships re-commissioning. We think that by a system of rotation these men could undertake these duties in the intervals between courses of instruction. On mobilisation they would, of course, require to be replaced.

15. VOTE 5.—EDUCATIONAL SERVICES.

			£
1913/14 Audited Expenditure	...	...	156,468
1921/22 Net Estimate	...	...	465,500
1922/23 Net Estimate	...	...	415,500

The cost of educating Cadets at Dartmouth has much impressed us, and we understand that the Admiralty are about to hold a special enquiry into the matter. We find that, without making any allowance for capital expenditure on the college buildings, the annual cost of a Cadet at Dartmouth, including the cost of nautical training, is £462. We consider that this figure is much too high in comparison with Public Schools, and should be reduced by £150. We think this should be possible having regard to the fact that for 445 Cadets there is a total staff of 529, which includes 41 teachers and 43 officers. The scale of fees at present charged to parents is incommensurate even with such reduced cost. The ordinary scale is £75 a year, with a reduced scale of £40 in favour of the sons of Naval and Military Officers or civilians serving at the Admiralty. The fees average £66 a year. If the fees were doubled there would be a saving to the State of £29,370 per annum. The Admiralty are, we understand, considering whether they should raise the fees to £112 10s. a year, but we think even that amount unreasonably low. In our opinion, the ordinary scale of fees should be more in keeping with the cost to the State and should be £150 a year, on the assumption that the cost is brought down to £312, with a reduced scale for the sons of officers of the Fighting Services. We suggest that there should be a limited number of scholarships or bursaries for boys whose parents are of slender means and who show marked ability by some prescribed test.

16.

VOTE 6.—SCIENTIFIC SERVICES.

	£
1913/14 Audited Expenditure	53,375
1921/22 Net Estimate	449,000
1922/23 Net Estimate	400,000

We observe that there is a decrease of £49,000, but would point out that in 1913/14 the total expenditure was only £53,000.

We have learned from the First Lord the very great value which he attaches to this branch of Naval expenditure, and we are duly appreciative of its importance. We feel that, if the country could afford it, probably the whole of the expenditure in this connection would be justified, but we are of opinion that in present circumstances some reduction must be made, and we suggest that the sum of £400,000 net should be reduced to £200,000 net, which is four times what it was in 1913/14.

17. VOTE 8.—SHIPBUILDING, REPAIRS, MAINTENANCE, &C.

	1913/14. Actual.	1921/22. Estimate.	1922/23. Estimate.
	£	£	£
Section 1.—Personnel	4,128,108	11,618,600	9,171,800
.. 2.—Material	6,746,714	11,896,500	9,555,000
.. 3.—Contract work	13,217,129	6,270,200	13,461,000
Total	24,091,951	29,785,300	32,187,800

The increase is due to the large item of contract work in 1922/23, which includes £10,557,800 in instalments on account of the four new Capital Ships. This is exclusive of items amounting to £1,300,000 charged to other Votes. The other items which have chiefly struck us are—

- (a.) The numbers of dockyards at home and abroad.
- (b.) The numbers of men employed in the dockyards.
- (c.) The high ratio of the wages bill to the material consumed.
- (d.) The numbers of yard craft and men employed in manning them.
- (e.) Dockyard police.

The following are our comments and recommendations:—

(a.) *Numbers of Dockyards.*

The number of dockyards is admittedly excessive, and we recommend that the reduction should not be confined to the present proposals of the Admiralty that Haulbowline should be closed and Pembroke gradually reduced. We suggest that Pembroke also should be closed, and that Gibraltar should be reduced, retaining only a skeleton organisation, capable of expansion in the event of war. The present cost of Gibraltar Dockyard is £355,000 per annum, and we suggest that it should be put on a Care and Maintenance basis with a consequent large saving.

We are further of opinion that Naval exigencies do not now require both Rosyth and Chatham at their present size, and we consider that their combined capacity should be reduced in the most economical way, since the strategic position which dictated their full retention no longer obtains.

We also suggest that the Admiralty should reconsider the question whether the naval establishment at Wei-hai Wei is sufficiently useful to justify the annual cost of £25,450. We understand that its present use is for the purposes of recreation and of minor repairs to ships and targets, and it requires a certain number of British or Indian troops for its protection.

(b.) *Number of Men.*

The number of men employed in the Royal Dockyards before the war, at home and abroad, was 50,350; now it is 59,341, an increase of 9,000.

We see difficulty in accepting numbers which are in excess of the year 1914, and having regard to the greatly decreased number of fighting ships in all states of readiness, compared with pre-war (viz., a decrease of 194), we cannot believe that it

is necessary for the Royal Navy to maintain these men in the dockyards. To have a surplus of men with a deficiency of work must lead to high costs.

(c.) *High Ratio of Wages Bill to Material Used.*

We are much impressed by a comparison of the high cost of labour in the dockyards in proportion to the value of material consumed. An average of all the home dockyards shows us that £3 is paid in wages for every pound's worth of material consumed, whereas in private shipyards and repair yards doing Naval repair and construction work, the comparable figures on such work are only £1 10s. in wages for every £1 of material. This basis of comparison, though rough and ready, is generally accepted as a sound one. This confirms what is so often stated—that the Royal Dockyards are uneconomical.

The country cannot afford to have its Admiralty work carried out at these rates, and, in our opinion, it should be clearly intimated that unless costs can be brought down by economical output and management, Admiralty work will have to be sent elsewhere.

We understand that in the Royal Dockyards no piece-work rates are in operation, although they are common practice in private yards.

(d.) *Numbers of Yard Craft and Men.*

The numbers of yard craft and the wages of yard-craft men show a very striking increase. In the year 1914/15, these wages amounted to £67,530; for the year 1921/22 they are £325,800, or an increase of 382 per cent. Whereas in 1914/15 there were 574 yard-craft men for the home yards, there are now 1,070. The increase is mainly due to additional craft, and we think it is unjustifiable. In view of the reduction of ships since 1914, we think that the number of yard craft should be brought down to the 1914 basis adjusted to the numbers and size of the Fleet as compared with pre-war; and, as we have already pointed out, we suggest that these craft should be manned in peace time, save in so far as specialists are required, by active service ratings in the Depots, who will be required for the War Fleet on mobilisation.

(e.) *Dockyard Police.*

The system of guarding Naval establishments undertaking Fire Brigade duties, &c., by means of the Metropolitan Police seems to us to be entirely wrong, and the cost excessive. In wages and uniform alone, the cost is now £539,693 compared with £173,380 pre-war. The numbers are now 1,665 as compared with 1,347 before the war. The present total cost to the State for each policeman may be put at £400 per annum. From information which we have received, we are satisfied that these men are employed by the Admiralty in numbers largely in excess of what is required for purely police duties, and we recommend that the whole question should be gone into by the Admiralty with the Commissioner of Metropolitan Police, with a view to arranging that Metropolitan Police be employed only in such numbers as the Commissioner considers necessary for detection of crime, and that all duties of watching, gate guarding, fire brigade work and sentry duty, including conducting visitors round the dockyards, should be carried out by active service Marines or Naval ratings retained for mobilisation of the War Fleet. We have evidence of wasteful employment of Metropolitan Police which will be entirely checked if the above suggestions are adopted. Since we interviewed the Admiralty representatives and the Commissioner of Metropolitan Police, we have learnt that at Chatham alone it has been found possible to dispense with 2 Chief Inspectors, 1 Inspector, 3 Sergeants, and 56 Police Constables.

Motor Transport.

The total stock of Mechanical Transport Vehicles held by the Admiralty is 481, compared with 11 in 1914. Details are given in Appendix (H). Included in this total are 75 passenger motor cars, compared with none in 1914.

The Admiralty explain that the practice as to transport has been completely changed, and they claim that economy and efficiency has resulted. They are not in a position, however, to show figures proving the case.

In view of the reduction in the size of the Navy and the consequent falling off in Dockyard work, we feel that the additional expenditure now proposed, viz., £35,400, on new vehicles and £20,500 on reconditioning should not be spent, and further that careful cost figures should be worked up and the stock of vehicles reviewed by the Treasury in the light of that information.

We cannot see any case for the retention of 75 cars as against none in 1914, and suggest that the cars be sold, unless in any case, such as the 13 Naval cars in Berlin, the Admiralty can convince the Treasury that it is more economical than hiring or travelling by rail.

Fuel for the Fleet.

We have considered the programme contemplated by the Admiralty for accumulating reserves of oil fuel and have come to the conclusion that, having regard to the Cabinet's pronouncement, considerable savings under this head might be possible; but, as obviously the question of the fuel reserves of the Navy is a matter of high policy, we refrain from discussing it in this report.

Naval Stores.

Finally, there is an important item, viz., Naval Stores. We understand that, except in the case of those articles, like hemp and timber, which require lengthy seasoning, the Admiralty policy is to maintain a stock equal to six months' consumption of the War Fleet. We recommend that, as in the case of the Clothing and Victualling Stores, apart from the special articles mentioned above, the stock of all stores which can be readily obtained in the commercial market in an emergency, should be reduced to a three months' war consumption supply.

18.

VOTE 9.—ARMAMENTS.

1913/14 Audited Expenditure ...	...	£	4,747,829
1921/22 Net Estimate ...	...	...	6,726,000
1922/23 Net Estimate ...	...	...	6,683,000

This Vote will be much affected if the construction of the four new Capital Ships is abandoned.

The details are given in Appendix (J). It is not possible to sub-divide each item according to the main description of the stores, owing to the fact that the items for wages are not allocated, but reviewing the totals as a whole, we are much impressed with some of the items of expenditure proposed. These items are not only very large in themselves, but have to be increased by a proportion of the salaries, allowances and wages of the workpeople employed on them and by the indirect cost which they involve in the form of inspection, proof and storage.

(i.) As regards guns, the cost of manufacture alone is estimated at £1,148,550. The major part of this expenditure is a sum of £810,000 for guns for the new Capital Ships. Further, there is an item of £60,000 for reconditioning reserves of 2,000 guns and mountings for the defensive armament of merchant ships, with an annual charge of £6,000 for maintenance and storage. We suggest that this item should be carefully reconsidered, as in our opinion no disadvantage would ensue if this work were retarded.

(ii.) As regards projectiles and ammunition (estimated to cost £1,800,000), the largest item is for the manufacture of shell for the larger guns of Capital Ships. The expenditure under this head alone accounts for some £800,000. It is admitted that of this type of shell the ships already hold one complete "outfit" on board, and there is half an "outfit" ashore. This means that half an "outfit" is still required to complete the authorised reserve. The Admiralty propose practically to complete this reserve during the coming financial year, but having regard to the existing stock of this particular ammunition we are of opinion that the completion of the full establishment could be spread over a longer period.

Apart from this new type of shell, it is proposed to spend £1,000,000 on other ammunition, and we think that this is susceptible of great reduction in view of the large surplus stocks of ammunition which are held in excess of the authorised reserves. We are informed that in the four years of the war, the Navy fired only half an outfit out of the three outfits which were then authorised. At this rate of expenditure, the two and a half outfits which remain are equivalent to 20 years

consumption on the basis of the late War, and yet it is proposed next year to spend close on £2,000,000 on ammunition alone.

(iii.) The Admiralty propose in 1922/23 to spend the sum of £284,000 on the manufacture and repair of torpedoes. This work will be done at the Royal Naval Torpedo Factory, Greenock, which employs 850 men. The proposed output of new torpedoes, viz., one a week, is about equal to the annual wastage due to loss. We desire to point out, however, that the stock of 21-in. torpedoes held by the Admiralty is 5,449, valued at approximately £10,000,000, and they have also a stock of 3,058 torpedoes of an older type, which they are keeping in a state of preservation, and which represent a cost of, say, £4,500,000.

Having regard to the large stocks held and the expense in storage, we consider that the rate of manufacture of new torpedoes could for the present be reduced.

(iv.) In the case of cordite, as of torpedoes, the Admiralty are manufacturing at the rate of 1,500 tons a year, which covers their practice expenditure and wastage for age. The present stock is about 11,000 tons and the Admiralty propose to increase this stock to 13,000 tons. In view of the present circumstances and the short life of cordite, we think the stock should be reduced.

19.

VOTE 10.—WORKS AND BUILDINGS.

	£
1913/14 Audited Expenditure	3,520,026
1921/22 Net Estimate	5,836,600
1922/23 Net Estimate	4,756,000

The Estimates for 1922/23 show a reduction of 18·5 per cent. on the current year. In the total figure of £4,756,000, there is a sum of £1,344,000 for the annuity under Naval Works Acts, which is incapable of reduction. This leaves about £3,400,000 to be otherwise accounted for. Of this sum, £1,000,000 is for the provision of oil storage; £2,000,000 is for the continuation of works already started, repairs, maintenance and dredging, &c.; and £340,000 is in respect of new works, other than oil fuel storage, not yet commenced.

The provision of oil storage is a matter of high policy with which we have refrained from dealing throughout our Report, and we have no doubt that the Government may wish to reconsider whether this expenditure, in whole or in part, cannot be deferred.

As regards the remainder, we think that the £2,000,000 which is allocated for continuation works, maintenance and dredging (this latter item amounts to nearly £300,000) should be cut down to £1,000,000, and that the £340,000 for new works should be entirely deferred. We are of opinion that the amount proposed for dredging could be very much reduced if the number of craft is curtailed and if Naval personnel were used to the fullest possible extent in manning the dredgers.

20.

VOTE 11.—MISCELLANEOUS EFFECTIVE SERVICES.

	£
1913/14 Audited Expenditure	734,491
1921/22 Net Estimate	2,725,000
1922/23 Net Estimate	2,038,500

There are only two items to which we call attention:—

1. Travelling concessions involving payment by the Admiralty to the Railway Companies of £390,000, in respect of the concession by which officers and men receive a return ticket at single fare. There seems to us to be no sufficient reason why the Government should give this concession which they did not give before the war.
2. Cost of the Water Police, viz., £30,750. Pre-war the cost was £9,644. The numbers now employed are 2 Inspectors, 16 Sergeants and 81 Constables, an increase of 23 over 1914, due to the establishment of Rosyth (20) and an increase at Portsmouth (3). We have already suggested that this work should be done by active service ratings who are necessarily retained for mobilisation, and the Metropolitan Water Police should all be released.

21. VOTE 12.—ADMIRALTY OFFICE.

	£
1913/14 Audited Expenditure	460,221
1921/22 Net Estimate	1,752,800*
1922/23 Net Estimate	1,487,000*

The Admiralty staff, before the war, was 2,072. At the present moment it is 4,500. The Secretary of the Admiralty hopes to reduce to 4,300 by the 1st April, 1922, and to 2,800 by the 1st April, 1923. We do not consider that the reduction should be so long delayed, and we are not satisfied that the present reduction in numbers is sufficiently reflected in the reduction of cost. We suggest that by a continuous process of reduction the staff should come down during next year to the pre-war number, any new branch of work since 1914 being offset by the smaller numbers of Naval personnel and ships. We also suggest that the overtaking of arrears on less important matters should, if necessary, be slowed down and that the Vote, including officers borne on Vote 1, should be reduced to not more than £1,000,000. We are convinced that a large staff at the Admiralty itself tends to create high cost and big establishments elsewhere.

22. VOTE 13.—HALF PAY AND RETIRED PAY.

	£
1913/14 Audited Expenditure	990,233
1921/22 Net Estimate	2,093,500
1922/23 Net Estimate	2,148,500

A reduction of the number of active service officers, such as we have suggested, necessarily means an increase of the "Non-Effective" Vote for Retired Pay. This subject is one which also affects the Army and the Royal Air Force, and we refer to it separately at the conclusion of our reports on the Fighting Services.

23. SUMMARY OF CONCLUSIONS.

As a result of our consideration, we are of the opinion:—

- (1.) That the Estimates for 1922/23 provide for man-power on a lavish scale, and that without in any way interfering either with the manning of the fighting ships of the Navy, from Capital Ships to Submarines, as laid down by the Admiralty, there is an excess of over 33,000 officers and men in the Navy which, having regard to our recommendations in paragraph 8 respecting officers' servants class, would justify a reduction of 35,000 officers and men.
- (2.) That the Admiralty, with a smaller Navy, are maintaining far larger shore establishments, both Naval and Civilian, than they did before the War, and we think that there are many ways in which economies could be effected by employing the Naval Ratings and Marines held for mobilisation on the work now done for the Admiralty by civilians and Metropolitan Police.
- (3.) That the great increase in expenditure and activity in educational establishments, in Research and Experiment, and in training of all kinds, should be brought more within the limits of our reduced resources, and that the Royal Dockyards are so expensive that unless their costs can be brought more nearly to a commercial level, the work sent there should be greatly reduced.
- (4.) That the Naval Estimates for 1922/23 should be reduced from £81,000,000 to £60,000,000 for that year, and that in the subsequent year still lower Estimates should suffice.
- (5.) That a judicious substitution of air-power ought to result in a further reduction of the Navy Estimates.

* A sum of £136,000 should be added for Naval officers borne on Vote 1 and employed at the Admiralty.

In these recommendations no account is taken of large savings which might result from the proposals arising out of the Washington Conference, such as the discontinuance of the construction of the four new Capital Ships, for which the Estimates for 1922/23 include £11,800,000; nor of a possible reduction of the number of Capital and other ships in full or partial commission; nor of any consequential savings in connection with the provision of Oil Storage and accumulation of Oil Stocks.

No account has been taken of any reduction in pay and allowances which the Government may decide to make, and no account is taken of any abnormal increase in the Non-Effective Vote, caused by a reduction of the personnel transferred to the Retired List, with both of which items we deal separately in a later Report.

COMPARISON OF NAVY ESTIMATES.

APPENDIX (A).

Vote.	1914/15.			1921/22.			1922/23.			Comparison of 1922/23 with 1921/22.	
	Gross.	Appropriations in Aid.	Net.	Gross.	Appropriations in Aid.	Net.	Gross.	Appropriations in Aid.	Net.	Increase.	Decrease.
	£	£	£	£	£	£	£	£	£	£	£
1. Wages, &c., of officers, seamen and boys, coastguard and Royal Marines	8,926,000	126,000	8,800,000	18,390,800	76,800	18,314,000	17,670,300	76,800	17,593,500	..	720,500
2. Victualling and clothing	3,863,662	771,662	3,092,000	9,980,685	2,159,685	7,821,000	8,935,100	1,920,700	7,014,400	..	806,600
3. Medical establishments	309,773	17,673	292,100	733,392	12,892	720,500	636,925	11,925	625,000	..	95,500
4. Civilians employed on fleet services	115,500	200	115,300	394,050	5,050	389,000	305,071	5,071	300,000	..	89,000
5. Educational services	243,857	67,857	175,000	508,355	42,855	465,500	449,862	34,362	415,500	..	50,000
6. Scientific services	99,648	34,948	64,700	533,477	84,477	449,000	481,530	81,530	400,000	..	49,000
7. Royal Naval Reserves	493,108	3,208	489,900	581,765	1,165	580,600	573,450	1,150	572,300	..	8,300
8. Shipbuilding, repairs and maintenance, &c.—											
Section 1. Personal	4,016,200	26,400	3,989,800	11,648,969	30,369	11,618,600	9,202,122	30,322	9,171,800	..	2,446,800
Section 2. Material—											
Stores	7,736,800	649,400	7,087,400	5,405,500	3,550,000	1,855,500	4,340,000	1,860,000	2,480,000	624,500	..
Fuel				12,541,000	2,500,000	10,041,000	7,967,500	892,000	7,075,500	..	2,965,500
Section 3. Contract work	14,380,760	92,960	14,287,400	6,310,775	40,575	6,270,200*	13,501,643	40,643	13,461,000	7,190,800	..
9. Naval armaments	5,667,550	123,250	5,544,300	6,769,317	43,317	6,726,000	6,727,450	44,450	6,683,000	..	43,000
10. Works, buildings and repairs	3,632,000	36,500	3,595,500	5,896,600	60,000	5,836,600	4,816,000	60,000	4,756,000	..	1,080,600
11. Miscellaneous effective services	532,034	8,334	523,700	2,777,090	52,090	2,725,000	2,068,950	30,450	2,038,500	..	686,500
12. Admiralty office	492,642	9,142	483,500	1,756,737	3,937	1,752,800	1,491,737	3,937	1,487,800	..	265,000
13. Half-pay and retired pay	1,027,816	24,116	1,003,700	2,122,848	29,348	2,093,500	2,177,848	29,348	2,148,500	55,000	..
14. Naval and Marine pensions	1,637,151	31,251	1,605,900	4,018,408	14,908	4,003,500	4,110,168	33,368	4,076,800	73,300	..
15. Civil superannuation	339,760	360	339,400	817,101	401	816,700	884,601	401	884,200	67,500	..
Total	53,573,261	2,023,261	51,550,000	91,186,869	8,707,869	82,479,000	86,340,257	5,156,457	81,183,800	8,011,100	9,306,300
										Net Decrease, 1,295,200	

* The £2,500,000 for new ships is not distributed in the above figures for 1921/22, but remains in Vote 8 (iii).

25