205. One method of assistance by Government would be to guarantee to replace, at least in part, the aircraft fleet of the flying clubs, progressively, by more modern aircraft. This would eliminate the need for large provision for reserves, and would thereby reduce fixed charges or maintain them at their present level. In fact, for the reasons which follow, we advocate that part of the assistance to flying clubs should be a capital grant and that it should be given in kind, not in cash. Few if any flying clubs are in a position to choose the best *ab initio* trainer to replace the Tiger Moth; nor is there any reason why *ab initio* training in New Zealand (both in flying clubs and in the Royal New Zealand Air Force) should, in the future any more than in the past, be given on more than one type of aircraft. There are great advantages—first cost of aircraft and spares, availability of spares, and hence maintenance costs—in having one type only. Government is clearly best able to select this type, in consultation, of course, with the flying clubs.

206. Hence we recommend that this should be done and that Government should buy sufficient of these for the Royal New Zealand Air Force and the clubs, with sufficient spares. These trainers should be made available (by gift or loan) to clubs, the number allocated being related to the amount of flying which each club is expected to perform. A proportion of the total spares bought by Government should be earmarked for the clubs and retained for resale by the agent of the aircraft manufacturer in New Zealand, at a price equal to the bulk purchase price.

207. Should a fixed annual grant be given, there appears to be no virtue in allotting it for a particular purpose among the many charges making up the standing charges—*e.g.*, pilot instructor's salary. Some flying clubs are required to pay rent for the use of the aerodrome. It is customary for the State or local authority owning an aerodrome to permit a flying club free use of the aerodrome, thus reducing the need for subsidy. It is recommended that this be done.

208. The other element in a subsidy grant is related to the work done, and therefore to the operating costs, and is customarily in the form of a grant per flying-hour, or the payment of bonus for licences issued and renewed, or a combination of both. There is no particular virtue in a grant on a flying-hour basis, but, without it, the bonuses paid on results need to be higher. In fact, the test of a flying club subsidy is whether it enables the flying clubs selected as worthy of support to cover their standing charges and operating costs, while selling flying at a rate sufficiently low to attract flying members, and to raise the flying-hours to the maximum capacity of the aircraft fleet and instructor personnel. Thus will the overall cost per flying-hour be reduced to the minimum and the commercial revenue raised to the maximum.