

It is well known that the cost of operating commercial services is very high. This is due to the standards of operation and maintenance laid down the world over and observed by operating concerns to secure the greatest measure of safety and regularity. Whatever economy may be possible, this margin of safety must not be impaired. It is reasonable to expect, also, that costs of operation in New Zealand would be higher than in the countries where aircraft are manufactured and where greater and more regular payloads are obtainable by reason of larger populations. Countries such as New Zealand, with sparse and widely distributed populations and with limited aerodromes and route facilities, must operate smaller and less economical aircraft. By reason of remoteness from the source of supply, it is also necessary to obtain and hold extensive supplies of spare parts in order to maintain full regularity of services.

The Board has carried out full-scale investigations continuously into all aspects of the Corporation's activities with a view to securing the maximum utilization by the public of the air transport facilities now available, and also into every detail of cost in all sections. An analysis of the saleable ton-miles produced with the staff employed shows a favourable comparison with the more efficient services throughout the world, but, despite this, there will be maintained a rigorous and continuous supervision to ensure that unjustified and uneconomical operation is avoided.

The repercussions of war-created difficulties in the sphere of industrial rehabilitation continue to affect adversely some of the major activities of the Corporation. Housing difficulties seriously restrict the employment of skilled staff in the centres where they would be most economically situated, and the same set of circumstances which curtails housing renders difficult the construction of central maintenance workshops. With the use of many types of aircraft and the enforced distribution of the highly important maintenance of machines, the cost in this sphere of the Corporation's activities must be unduly high.

On the revenue side, therefore, the problem falls into two main categories; a material build-up in passengers carried and a fuller utilization of space available for freight. The increased employment of aircraft on charters—both for passengers and freight—must also continue to receive particular consideration, side by side with the regular service operations.

Public confidence in the reliability and regularity of services, together with the fare structure, are prime factors. Alternatively, cognizance must also be taken of the standard and cost of service provided by surface means of transport. By surface the travelling public is well served, particularly with night services between Auckland and Wellington and inter-Island. Night services by air are not yet possible, but there can be no doubt that travel in off-business hours is a valuable time-saver for both passengers and mail and that night services present an important avenue for development.

A high load factor on all scheduled services is necessary for their economic operation. At the present time this is not being maintained at the required level. If this position still obtains after a reasonable period under normal operating conditions, two courses must be considered, viz.—

- (1) An adjustment of services more in line with demand.
- (2) A State subsidy scheme to bridge the gap between revenue and expenditure.

On the expenditure side steps are being taken to offset the high costs in operating so many types and, where practicable, the diminution in use of others, concentrating upon the operation of the most economical type. This policy will be an interim measure until a post-war British machine is available to meet more universally the all-round requirements of the Corporation, including aerodrome limitations, and to secure also the greatest economies in operation.