

1947
NEW ZEALAND

NEW ZEALAND NATIONAL AIRWAYS CORPORATION

(ANNUAL REPORT OF) FOR THE YEAR ENDED 31st MARCH, 1947

*Presented to both Houses of the General Assembly pursuant to Section 29 (3) of the
New Zealand National Airways Act, 1945*

The Hon. the MINISTER IN CHARGE OF THE AIR DEPARTMENT.

SIR,—

In accordance with section 29 (3) of the New Zealand National Airways Act, 1945, the Board of Directors has pleasure in submitting the first report and accounts of New Zealand National Airways Corporation for the year ended 31st March, 1947.

The period under review has been transitional, and for this reason it is difficult to demonstrate by means of comparative statistics the actual progress achieved. It will be observed, however, from the information contained in this report that the Corporation is undergoing a period of active development, the results of which will be reflected largely in the current year's operations and to a lesser degree in the period under review.

The appointment of the Chairman of Directors in May, 1946, followed the introduction of the New Zealand National Airways Act, 1945, and this enabled certain preliminary phases of the administration to be undertaken. It was not until August, 1946, however, consequent upon the appointment of the Board of Directors, that full expression could be given to the purposes of the Act.

One of the initial actions of the Board was to acquire the interests of Union Airways of New Zealand, Limited, as the principal commercial airline operator within the Dominion. It was not desirable for the Corporation, as such, to operate services under the New Zealand National Airways Act, 1945, until its regulations and by-laws were actually gazetted. These were gazetted in March, 1947, and the Corporation first commenced to operate under its own licences on 1st April, 1947. Union Airways of New Zealand, Limited, were, for legal requirements, placed in voluntary liquidation on 31st March, 1947. It will be seen, therefore, that of the twelve months under review the Board of Directors administered during the latter seven months only.

It is not considered necessary or advisable to apportion the year's accounts on the basis of the two periods in question, and presentation is therefore made in regard to the year's operations as a whole.

During the period that the Board directed the actual operation of services close attention was given to planning for the expansion of air services consonant with the existing air fields, with the availability and training of technical and flying staff, and with the adaptation and production of buildings. Much of this planning has come to fruition and is reflected in the increased frequencies and expansion of services already enjoyed by the public. There will be further progressive development during the remainder of 1947. This development has taxed, and is taxing, the capacity of air fields, of buildings, and of maintenance staff to the extreme, and the Directors must be concerned to see that none of these factors is overburdened in order that the very fine record of operational efficiency in commercial air transport within New Zealand is maintained.

The Corporation has been fortunate in acquiring sufficient aircraft to meet the immediate planned development, having regard to the difficulties previously mentioned. These aircraft are in various stages of conversion to modern comfortable passenger standards. It is the aim of the Directors to re-equip with modern British aircraft and it is expected the next few years will see considerable progress in that connection. In view of the geographical situation of this country in relation to the British aircraft production factories, and considering the recurring initial troubles on most new aircraft types, it would be most imprudent of the Corporation to decide upon any particular types until they have been fully proved in commercial service.

The following facts and figures are considered illustrative of the progress made during the year ended 31st March, 1947 :—

Passengers carried increased by 60.65 per cent. for the seven months ended 31st March, 1947 (Corporation control), compared with the seven months ended 31st March, 1946.

Daily scheduled miles increased from 2,932 at 31st March, 1946, to 7,044 at 31st March, 1947, or 240.25 per cent.

Route-miles increased from 1,544 to 2,675 over the same period.

The new routes introduced were—

Auckland—Wellington Direct Service.

Wellington—Gisborne.

Wellington—Auckland via New Plymouth.

Gisborne—Tauranga—Auckland.

Auckland—Whangarei—Kaikohe—Kaitia.

The additional frequencies introduced on existing routes were :—

	Additional Frequencies per Week.
Wellington—Christchurch	12
Auckland—Wellington	6
Wellington—Blenheim	80
Wellington—Nelson	48
Auckland—Gisborne	8
Wellington—Gisborne	6

OPERATIONAL REVENUE AND EXPENDITURE

(Including Union Airways of N.Z. Ltd.)

	£
Passenger revenue	246,770
Freight and mail revenue	42,293
Miscellaneous income	2,153
	<hr/>
	291,216
Operating expenses	262,121
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Surplus	29,095
Less—	£
Taxation provision	17,295
Interest on capital advances from New Zealand Government	5,786
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	23,081
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Net surplus	£6,014
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AIRCRAFT

The flight equipment as at 31st March, 1947, consisted of—

Six De Havilland 89B (Dominies). (These are twin powered aircraft with a passenger capacity of six.)

Five Lockheed 10A (Electras). (These are twin powered aircraft with a passenger capacity of ten.)

Twelve Lockheed C. 60 (Lodestars). (These are twin powered aircraft with a passenger capacity of fifteen.)

Since the 31st March, 1947, the Corporation has acquired additional Lodestar aircraft which are being converted to passenger standards, and also a number of Douglas C 47B aircraft from the Royal New Zealand Air Force. Several of these aircraft are in progress of conversion, and others will be retained in their present form for air freight purposes.

PERSONNEL

The staff of New Zealand National Airways Corporation at the end of the period under review was 330. This comprised 99 flying staff, 149 maintenance staff, and 82 administrative and traffic staff. Training schools have been introduced for flying staff, and it is hoped to introduce a scheme enabling the training of skilled maintenance staff as soon as it is practicable to do so.

FINANCIAL CONSIDERATIONS

The Board is not unmindful of the responsibilities devolving upon it under provisions of the New Zealand National Airways Act, 1945. It is aware that the primary function of the Corporation is to establish and operate air transport services to meet the needs of the people of New Zealand, and has already demonstrated its ability to do so in the expansion and development which has taken, and is taking, place. The availability of material and labour as well as high costs do not make the task of development an easy one to implement. The activities of the Corporation are, nevertheless, being developed on sound commercial lines, and every endeavour will always be made to ensure a proper relationship between service to the public and a satisfactory financial result.

It is appropriate to mention that the air fares in New Zealand compare more than favourably with other countries where air services are more fully developed. For instance, the air fare in the United States of America is based on 5½ cents per mile, which is equivalent to 3·975d. (N.Z.), whereas the air fare in New Zealand is in practically all cases based on 3·75d. per mile flown.

The extent to which existing passenger-capacity is being availed of clearly indicates that there is a large passenger potential yet untouched. With the introduction of additional aircraft, new routes, and increased frequencies later this year more active steps will be taken to educate the public on the advantages of modern commercial aviation. In this respect the Corporation is devoting considerable attention to additional air freight services. It is not considered prudent, however, to launch out on services which might detract from the efficient development of the passenger services or unduly strain the maintenance and other essential activities of the Corporation. It has to be borne in mind also that commercial air transport, by reason of its present cost of operation, will only attract particular traffic and goods able to bear the cost of air transport. Notwithstanding these considerations, there is no doubt scope for expansion of air freight services, and the Corporation is fully alive to the desirability of providing these facilities to the public just as soon as the necessary organization can be implemented.

The revenue accounts for the year disclose a surplus without making any appropriation to reserve. It is the policy of the Corporation to carry its own insurance, and for the current year a considerable portion of the insurable risks is being already carried.

STAFF

This report would not be complete without placing on record the loyal and efficient service rendered by the management and staff of the Corporation. The transitional stage from which the Corporation is now emerging has been accomplished with the utmost harmony and good will, and full credit is due to all the staff concerned. Without this co-operation the development of the Corporation would undoubtedly have been seriously retarded.

LEONARD ISITT, Chairman.

Wellington C. 1, 24th July, 1947.

NEW ZEALAND NATIONAL AIRWAYS CORPORATION

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 1947

	£	s.	d.	£	s.	d.
Depreciation of—						
Aircraft and engines	8,231		17	11,838		16
Motor-vehicles	25		4	11,767		6
Subscription : International Air Transport Association	1,551		8	5		6
Directors' fees	1,786		3	5		6
Directors' travelling and incidental expenses	169		3	5		6
Audit and legal fees	37		17	6		0
Other expenses	9		2	6		0
Interest on capital advances from New Zealand Government Treasury	5,786		6	6		0
Net profit for year ended 31st March, 1947	6,014		2	1		1
	<u>£23,611</u>		<u>11</u>	<u>£23,611</u>		<u>11</u>
			<u>3</u>	<u>£23,611</u>		<u>11</u>

	£	s.	d.
Dividend accruing from liquidator of Union Airways of New Zealand, Limited, in respect of operations for year ended 31st March, 1947	11,838		16
Hire charge for use of aircraft and engines	11,767		6
Other revenue	5		6
	<u>£23,611</u>		<u>11</u>
			<u>3</u>

BALANCE-SHEET AS AT 31ST MARCH, 1947

	£	s.	d.
<i>Capital and Liabilities</i>			
Capital : Advances from New Zealand Government under section 25 of New Zealand National Airways Act, 1945	300,000		0
Profit and Loss Account	6,014		2
Current liabilities—			
Sundry creditors	97,927		2
Accrued liabilities	41,635		15
Unearned fares and deposits	28,269		17
Sundry deferred credits	834		18
Provision for obsolescence	168,667		13
	8,231		17
	<u>£482,913</u>		<u>13</u>
			<u>1</u>

	£	s.	d.
Aircraft and flight equipment (see obsolescence, £8,231 17s. 4d.)	122,022		1
Acquired assets value adjustment	12,541		11
Land and buildings	45,931		0
Plant and equipment	16,044		6
Motor-vehicles	2,578		0
Office furniture and fittings, &c.	4,231		14
Spare parts and stores	63,815		17
Debtors—			
Sundry debtors	86,551		12
Agents' balances receivable	12,129		10
Accrued assets	543		15
Deposits and prepayments	5,741		15
Cash on hand and in bank	104,966		13
Preliminary expenditure	106,044		9
	4,737		18
	<u>£482,913</u>		<u>13</u>
			<u>1</u>

I hereby certify that the Profit and Loss Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—J. P. RUTHERFORD, Controller and Auditor-General.

LEONARD ISITT, Chairman.
D. E. FOLEY, Chief Accountant.

TABLE OF COMPARATIVE ANNUAL FIGURES

—			Miles flown.	Passengers carried.	Freight and Mail carried.
					lb.
1936	..	..	360,140	7,187	50,612
1941	..	..	574,415	37,200	284,702
1946	..	..	1,407,583	81,340	965,265

PROGRESS REPORT

Progress has been made in all departments during the year under review.

8,616 hours and 1,129,944 miles were flown, compared with 6,327 hours and 881,421 miles completed in the preceding year. 1939 was the only previous year in which more than one million miles of flight were attained, when the mileage was 1,011,855. 98.73 per cent. of all scheduled operations were commenced, and 98.47 per cent. were completed. The unduplicated route mileage on the 31st March, 1947, was 4,131.

The Corporation is a member of the International Air Transport Association, generally known as I.A.T.A.

An increased passenger service was provided, by which 67,436 passengers were carried, an excess over the previous year of 12,123.

All services catered for air freight, which attained a total uplift of 418,354 lb., a substantial increase over the previous year, in which 261,080 lb. were carried.

A considerable quantity of air-mail was carried on all services, a part of which originated from Great Britain, Australia, the U.S.A., and other overseas countries.

A number of charter flights were undertaken.

Property and equipment have shown exceptional increase. In this connection a policy has been rigidly followed of obtaining aircraft, spares, plants, and tools from the R.N.Z.A.F. before purchasing overseas. In the forthcoming year development will entail considerable expenditure on premises, storage facilities, all types of equipment, and additional staff, in accordance with the necessities of an expanding organization. This development will enable the Corporation to provide increased services on existing routes to an extent that should meet the expanding traffic requirements of New Zealand, while extending beyond the Commonwealth to encompass regional services to the islands in the South Pacific, at present served by the R.N.Z.A.F. The inauguration of additional domestic services is likewise under consideration. The increased staff necessary to maintain these extensive operations is drawn largely from R.N.Z.A.F. personnel, while the existing staff consists of approximately 50 per cent. ex Air Force personnel.

The Corporation is keenly aware of the great services that aviation can render the Dominion, and intends to satisfy the needs of commerce, industry, and the individual.

In the early development period of aviation in New Zealand considerable expenditure beyond the initial revenue was experienced. In the post-war era this development period must necessarily re-appear, as has been so amply illustrated in Great Britain, the U.S.A., and other countries. The Corporation is basing its activities on sound commercial lines, and will certainly and effectively meet the air-transport requirements of the Commonwealth with every prospect of maintaining its operations on a sound financial basis. This policy should assure the provision of adequate reserves to meet all contingencies, including expansion and aircraft replacements.

It is the Corporation's policy to strive for stability during the period of economic adjustment ; to intensify promotional activity that will stimulate public understanding and acceptance of aviation ; and to develop new revenue resources, particularly in the carriage of air freight, throughout its system.

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