

1948
NEW ZEALAND

NEW ZEALAND NATIONAL AIRWAYS CORPORATION

(ANNUAL REPORT OF) FOR THE YEAR ENDED 31st MARCH, 1948

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

The Honourable 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 second report and accounts of New Zealand National Airways Corporation, for the year ended 31st March, 1948.

This report reviews the first complete year of operation under the direct jurisdiction of the Board—the preceding year representing a transitional period maintained partly by Union Airways of New Zealand, Limited, and partly by the Corporation.

It is satisfactory to report that, after making normal and adequate provision for depreciation reserves and paying 4 per cent. interest on capital, the Corporation has succeeded in showing a small surplus on the year's operations in respect to the internal services.

In this connection it has been necessary to absorb additional operating-costs arising out of the unexpected transfer during the year from Rongotai to Paraparaumu, and latterly from Mangere to Whenuapai, of the respective terminal points. Nevertheless, it is recognized that both these changes were required in order to conform with international standards of operational efficiency and that it was in the public interest that they should be effected.

With the concurrence of the Government, the Board has approved the principle of the Corporation carrying its own insurance risks. Except with regard to aircraft and motor-vehicles, practically all insurable risks are now being carried, and for the current year a substantial portion of the aircraft risks are also being carried. It is therefore both prudent and necessary that an adequate insurance reserve should be built up.

With regard to aircraft passenger risks, it is relevant to mention that, whereas commercial airlines normally contract themselves out of liability, the Corporation's regulations provide protection to passengers in the provision of a £5,000 maximum per person where negligence on the Corporation's part is established.

During the year under review the Regional (South-west Pacific) services were taken over from the Royal New Zealand Air Force. These services, carried out on behalf of the Government, provide regular and frequent air connections with Norfolk Island, Fiji, Tonga, Samoa, and the Cook Islands, and although the Government is aware that existing conditions prohibit the services from being self-supporting, there can be no question of the worth of the air facilities, directly and indirectly, to the islands concerned and to New Zealand.

The problems associated with the world's post-war period of reconstruction have, of course, had their repercussions on the Corporation's efforts to develop its organization to provide adequately for the expansion of flying services. These repercussions manifest themselves in every direction, but their effect is felt mostly in the building of new workshops or major additions to existing buildings, in the provision of booking-offices in the more important centres, as well as in passenger and freight facilities on the aerodromes. Then there is the all-important work of the construction of hangars and store buildings to house the large quantity of equipment that must be carried to ensure regularity of services.

In commercial aviation, internal expansion and development is dependent on simultaneous action in all essential directions, and if one major step is lagging it retards the whole plan of operations. This is present to a greater degree in commercial aviation than possibly any other industry. These remarks have particular significance to the Dominion's own internal problems, but the Corporation is also dependent for its day-to-day operation and its expansion upon being able to secure essential work, machinery, and spares from Australia, the United States of America, and Great Britain. Difficulties in those countries have far-reaching effects here, as illustrated by the fact that aircraft sent to Australia for conversion to modern passenger standards and promised for delivery about the middle of 1947 were secured only in part toward the end of the year, the remainder being still in process of delivery.

In the face of these obstacles, which are not peculiar to New Zealand, the Corporation has been able to make very considerable progress, as will be observed from the operational statistics. The expansion has been limited only by causes beyond the control of this Corporation.

In this respect it must be emphasized that under its statutes the Corporation is charged with the responsibility of providing full and adequate services as may be necessary to meet the Dominion's requirements. Besides bringing about a material expansion of services with the assistance of aircraft converted mostly from war types, the Board

has had to plan on a scale sufficient to meet adequately the whole of the Dominion's commercial air-service requirements for many years to come. It has already been mentioned that progressive development must go hand in hand with improvement of aerodromes and other facilities, while long-range policy to meet full requirements must involve major works, such as the complete layout and construction of modern workshops fully equipped to ensure prompt maintenance of the highest possible standard. It is only the fulfilment of this objective that will permit the maximum utilization of aircraft, with consequent economy of operation and complete service to the public.

Obviously such a programme is dependent upon the other essential demands on the country's resources.

Care is being taken to endeavour to keep the growth of services on a sound financial basis from year to year. There is, however, a marked difference between a policy based upon the growth of services relating to existing demands and the task imposed upon the Corporation of planning on a much wider scale. The Corporation, in order to discharge its charter under the policy laid down by the Government, must be prepared, as aircraft and related facilities permit, to establish progressively services to areas which financially may not be immediately or ever completely self-supporting but which will be an integral part of "full and adequate" services for the Dominion as a whole.

The more profitable trunk routes, whilst being partly dependent on the feeder services, must in turn help to bear the deficits which may be associated with their operation. Any system which might prevent this internal balance could hardly be considered consistent with the functions and aims of the Corporation. Confidence and ability to plan on this scale is vital.

Notwithstanding the substantial increase of passenger capacity provided over the period under review, the public demand for air travel continues to tax the resources of the Corporation. My Board feels that night flying and Sunday services should be introduced as soon as circumstances and facilities permit, and thus provide a utility which is freely availed of in other countries.

Throughout the year the Corporation has maintained a service of freighters across Cook Strait under charter to the New Zealand Railways Department. The Corporation's own freighter services are about to be introduced on the trunk route, and will be extended progressively throughout the country as aerodromes and suitable aircraft become available.

A Public Relations Branch has been established during the year and is serving a useful purpose in publicizing the facilities and advantages of air travel. In this connection, offices have been opened at Auckland, Gisborne, Palmerston North, Wellington, Dunedin, and Suva, and others are planned. Airport hostesses have been appointed to the principal airports to assist women and children travelling, and cafeteria facilities and improved passenger-reception buildings at airports have been introduced at Auckland, Wellington, Christchurch, Dunedin, Blenheim, Nelson, and Westport. This work will continue at other points and in other directions.

The Corporation is a member of the International Air Transport Association, usually known as IATA.

In addition to the most efficient ground organization, the selection of aircraft to meet the peculiar requirements of the Dominion is a matter of paramount importance. The Corporation is now faced with the extremely important task of selecting standardized aircraft of proven types to enable it to meet modern demands. With this end in view I am proceeding to Great Britain forthwith to make a special study of British aircraft-production to ascertain what is likely to become available over the next few years. Apart from my long and intimate association with aviation in general, I will be supported with data especially prepared by the Corporation's technical and operational staff concerning operating conditions and traffic requirements in this country. I will also be

representing the interests of other related operating companies in which the Government is interested. The following statistics demonstrate the progress achieved during the year under review :—

STATISTICS

	Year Ended 31st March, 1947.	Year Ended 31st March, 1948.	Increase.	
Route mileage—			Per Cent.	Per Cent.
New Zealand internal	1,918	2,201	14·75	} 289·67
Pacific regional .. ..	..	5,273	..	
Daily scheduled mileage—				
New Zealand internal	7,044	11,509	63·38	} 74·07
Pacific regional .. ..	..	753	..	
Mileage flown—				
New Zealand internal	1,407,583	3,116,124	121·38	} 131·13
Pacific regional .. ..	..	133,046	..	
Passengers carried—				
New Zealand internal	81,340	150,040	84·46	} 86·71
Pacific regional .. ..	..	1,831	..	
Freight and mail (lb.)—				
New Zealand internal	965,265	1,809,118	87·42	} 90·37
Pacific regional .. ..	..	28,463	..	
Passenger miles—				
New Zealand internal	14,764,385	33,808,603	128·98	} 139·14
Pacific regional .. ..	..	1,499,509	..	
Average passenger journey (miles)—				
New Zealand internal	179	225	..	..
Pacific regional .. ..	..	819	..	..

New routes introduced were—

Auckland - Norfolk Island - Fiji-Tonga-Samoa - Cook Islands (Aitutaki and Rarotonga).

Auckland-Suva-Labasa.

Frequencies were increased on many routes.

Operating revenue and expenditure—

Passenger revenue .. ..	..	..	..	..	£ 581,387
Mail and freight revenue	59,863
Miscellaneous income	41,425
					<hr/>
					682,675
Operating expenses	664,918
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Surplus	17,757
Interest on capital advances from New Zealand Government					14,331
					<hr/>
Net surplus .. ..	..	..	..	..	£3,426

In conclusion, I must record the Board's appreciation of the loyal and unsparing efforts of the management and staff. It can be said that a year of considerable progress has been completed in the face of a number of problems unforeseen at the outset of the period. The staff of every division has measured up to these problems in a manner indicative of their determination and good will, which in no small measure has ensured and maintained the progress of the Corporation throughout 1947-48.

LEONARD ISITT, Chairman.

Wellington, 31st August, 1948.

OPERATING ACCOUNT (NEW ZEALAND INTERNAL SERVICES), YEAR ENDED 31ST MARCH,
1948

Operating revenues—					£	s.	d.
Passenger	..	..	..	..	577,017	6	3
Excess baggage	..	..	..	..	4,369	15	8
Freight	..	..	..	..	20,605	16	3
Mail-money	..	..	..	..	39,257	10	1
Charters	..	..	..	..	33,062	12	4
Incidental revenue	..	..	..	..	3,866	2	11
					<hr/>		
					£678,179	3	6
					<hr/>		
Operating-expenses—					£	s.	d.
Flying operations	..	..	..	..	199,207	7	8
Direct maintenance : Flight equipment	..	..	..	..	94,985	14	10
Depreciation : Flight equipment	..	..	..	..	62,028	16	4
Indirect maintenance	..	..	..	..	74,098	15	9
Ground operations	..	..	..	..	72,006	5	3
Passenger services	..	..	..	..	56,004	13	6
Traffic and sales	..	..	..	..	39,373	11	3
Advertising and publicity	..	..	..	..	5,242	2	4
Administration	..	..	..	..	46,531	13	2
Depreciation : Ground equipment and buildings	..	..	..	..	6,961	18	11
Acquired assets value adjustment	..	..	..	..	2,225	11	0
Preliminary development and deferred training expenses	..	..	..	..	6,251	14	7
					<hr/>		
					£664,918	4	7
					<hr/>		
Profit and Loss Account—					£	s.	d.
Surplus on operating accounts	..	..	..	..	13,260	18	11
Add non-operating revenue, interest, discounts, and sundry receipts	..	..	..	..	4,496	3	9
					<hr/>		
Less interest on capital advances at 4 per cent. per annum, year ended 31st March, 1948	..	..	..	..	17,757	2	8
					£	s.	d.
					15,075	1	4
Less proportion charged to Nadi (Fiji) establishment	744	5	9
					<hr/>		
					14,330	15	7
					<hr/>		
Net surplus for year ended 31st March, 1948					£3,426	7	1
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NEW ZEALAND NATIONAL AIRWAYS CORPORATION
BALANCE-SHEET AS AT 31ST MARCH, 1948

Capital and Liabilities	£	s. d.	Assets	£	s. d.
Capital: Advances from New Zealand Government under section 25 of New Zealand National Airways Act, 1946	540,000	0 0	Aircraft and flight equipment (see provision for obsolescence, £50,363 15s. 6d.)	424,833	17 7
Profit and Loss Account	3,426	7 1	Land and buildings at cost	111,736	6 11
Reserve for insurance	13,860	9 10	Less depreciation	3,124	3 11
Creditors—	£	s. d.	Plant, equipment, and tools	42,004	3 0
Sundry creditors	302,210	4 2	Less depreciation	3,069	16 1
Accrued liabilities	56,631	8 6	Motor-vehicles	18,100	15 7
Deferred credits	49,010	15 1	Less depreciation	2,100	8 10
Provision for obsolescence—	407,852	7 9	Office furniture, fittings, &c.	17,437	0 5
On aircraft engines and propellers	50,363	15 6	Less depreciation	718	8 2
On spare parts	23,156	0 0	Spare parts and stores (see provision for obsolescence of spare parts, £23,156)	221,096	17 6
	73,519	15 6	Debtors—	£	s. d.
	50,363	15 6	Sundry debtors	62,281	0 10
	23,156	0 0	Agents' balances receivable	31,977	19 1
	49,010	15 1	Accrued assets	8,349	8 4
	302,210	4 2	Deposits and prepayments	8,475	5 10
	56,631	8 6	Pacific services: Recoverable balances	35,180	7 10
	49,010	15 1		146,264	1 11
	407,852	7 9			

(Contingent Liability.—Customs bond, 6th March, 1947 = £1,500).

Cash on hand and in bank	.. ..	28,145 11 9
Acquired Assets Value Adjustment Account	.. ..	11,127 14 11
Less written off, year ended 31st March, 1948..	.. ..	2,225 11 0
Preliminary development and deferred expenses	.. ..	36,449 19 5
Less written off, year ended 31st March, 1948	.. ..	7,299 0 10
		<u>29,150 18 7</u>
		<u>£1,038,659 0 2</u>

L. M. ISITT, Chairman.
D. E. FOLEY, Chief Accountant.

Wellington, 18th November, 1948.

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.—C. J. M. GAIR, Deputy Controller and Auditor-General.

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