

As will be seen, one of the Board's main statutory responsibilities was to establish and operate a national service. Whilst natural prudence has been exercised in the standard and scale of operations, the Board felt it necessary to meet the needs of the people of New Zealand by planning a network that would take some years to achieve fully its objectives and provide in the interim a valuable auxiliary in the sphere of air strength. The present standard and network do in fact fulfil these two paramount objectives and at costs that are comparable with other airline operators in other parts of the world.

The extent to which the N.A.C. has "fostered and encouraged the use of air transportation" is exemplified by the large increase in the passengers carried and the general public satisfaction with the standard of service provided, evident by to-day's high load factors.

The Board has developed the present network of air services under a defined policy. Whatever changes may be made, policy will still be the vital factor in the standard of service and its financial results.

It is doubtful whether the actual value in pounds shillings and pence of services provided by the State to commercial aviation free of charge has ever been assessed. Such services as are established are directly essential to aviation generally, and primarily to support the air defence organization. But nowhere throughout the world does the airline operator meet the cost of providing aerodromes, meteorological services, navigation aids, &c., or the cost of the administration of the Civil Aviation Department. In most countries the airline operator is afforded direct financial assistance, in addition to those free services, in order to enable it to pay dividends to its shareholders.

This aspect of commercial aviation is well expressed by Mr. Peter Masefield, a prominent British authority, in a paper presented to the Royal Aeronautical Society, in which he states:—

We must face the fact that major civil airlines have never yet been operated at a profit if all concealed and unconcealed subsidies are deducted—although certain short-haul services have made both ends meet. The reason for the uneconomic value of long-range operations up to the present has been that the profits from excess of revenue over direct operating costs have never been sufficient to meet the overheads. Two reasons have contributed to this: the fact that the aircraft themselves have not been able to carry sufficient payload to show an adequate margin of revenue over operating costs; and the fact that overheads have tended to be very high because of the pioneering and developing nature of air transport and the relatively small scale of the business hitherto. Subsidies have therefore been necessary.

Subsidies arise in many forms. There is the direct subsidy on operations made in the form of deficiency grants to meet operating losses. There is the indirect subsidy in the form of mail payments at rates that may be greater than the commercial scale. There is the hidden subsidy that may be either in the payment of development costs on new aircraft, or in the form of provision, in greater or lesser degree, of airports and the ground aids necessary for airline operation.

It is clear from the above extract that the developing of air services in this Dominion is going through similar phases to those of other countries. Indeed, a study of other forms of transport discloses that they too have received material assistance by way of concealed and unconcealed subsidies during their development. In fact, the progress of new forms of transport has produced transport utilities far in excess of the capacity of the integral parts to operate at a profit.

Shipping and railways, long past their developmental stage, are in many cases unable to secure sufficient revenue to meet operating-costs. Municipal undertakings in the field of transport are suffering the same fate. It is probable that if a thorough investigation were made into road costs and annual maintenance, concealed subsidies in commercial road transport would be revealed also.

These factors may be the price of progress, but they certainly do indicate that national policy, which controls the development and expansion of all forms of transport by major decisions on the provision of railways, aerodromes, roads, and harbours, is in