

THE FINANCE OF AIR TRANSPORT SERVICES IN IRELAND

By PETER BRENNAN, M.A.

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I begin with a few words by way of definition of the scope of this paper. The finance it is to be concerned with is that of commercial aviation as an Irish industry. Accordingly, no attempt is made to cover the finances of the various foreign airlines which participate in the country's external traffic, except in so far as they have incidentally been a source of local airport turnover. So also with regard to the small amount of private and non-commercial flying that is engaged in: some of the figures we will be reviewing, e.g., for receipts in respect of landing fees at the State airports, will have been influenced slightly by this traffic, but apart from such effects it is not taken into account. Lastly, it did not seem practicable to try to follow out employment and income effects of the aviation industry (including capital outlay on acquisition and construction) on other Irish industries, and the revenue picture will be to that extent incomplete.

Broadly, the finance referred to in the title comprises expenditure on and revenue from two branches of activity which are complementary but distinct, viz. (1) the provision and operation of airports, meteorological and wireless services, etc.—in general, of ground facilities ancillary to the operation of flights—and (2) the operation of commercial flights, including the provision and operation of traffic and executive offices as well as of aircraft. Facilities under head (1) are provided by Government Departments and are at the service of all aircraft whether Irish or foreign. The costs, capital and current, are met out of voted moneys, and there is a revenue (mainly landing and hangarage fees) derivable from parties making use of the various facilities afforded. The services in branch (2) have been from the first the concern of companies wholly or partly owned, capitalised and subsidised by the State. As we have here a ready-made differentiation of activities which corresponds to a differentiation of financial basis, the subject of aviation finance as a whole can be taken by easy stages and these two divisions of it considered in turn, and this is the method I have adopted in what follows. There is a slight apparent overlap in that Aer Rianta, Teoranta, one of the companies, manages Dublin Airport on behalf of the Department of Industry and Commerce on an agency basis, but as the management is separately accounted for at the end of each year and the deficit or surplus ascertained and the amount of it recouped or collected by the

Department, the item can therefore be lifted intact out of the company sphere and brought in under head (1) as if it were a directly discharged departmental function.

GROUND FACILITIES.

The State maintains two airports for commercial aviation purposes, viz., Shannon Airport, comprising a land aerodrome at Rineanna, County Clare, and a flying boat base at Foynes, County Limerick, and Dublin Airport at Collinstown, County Dublin.

Shannon Airport finance goes back to 1936, when the Rineanna site was acquired and work on it begun on foot of an undertaking by the Irish Government to provide at a convenient point on its territory an air base with radio and meteorological facilities for a proposed transatlantic air service. This undertaking was given in consequence of certain discussions that had taken place in Ottawa in November, 1935, with representatives of the Canadian and United Kingdom Governments, each of which entered into similar commitments. With the outbreak of war the whole scheme for a jointly operated transatlantic service, not having been implemented by that time, was shelved, and nothing seems to have been done to revive it since. Development at Shannon went on, however. To cater for foreign airways now requiring terminal facilities there, certain works, including the building of a hotel, were carried through at Foynes to fit it for immediate use as a temporary base until the Rineanna station should be ready to be put into commission. Foynes continued to be so used until late in 1945. At the end of 1945 the traffic was switched to Rineanna, where all Shannon Airport activity has been concentrated since then.

Acquisition and construction at Collinstown, as at Rineanna, dates from 1936. That was also the year in which cross-Channel air services between Dublin and Britain were inaugurated, but these were at first, on the Irish side, based on the military aerodrome at Baldonnel, and the present Dublin Airport was not far enough advanced for the transfer to it to be made until January, 1940.

Capital expenditure in connection with the provision of the ground facilities for aviation comprises expenditure on (a) acquisition of land, buildings, etc.; (b) constructional works (e.g., terminal stations, hangars, out-offices, runways, the hotel at Foynes, etc.), including furnishing of buildings; (c) meteorological equipment; (d) wireless equipment. For the figures we turn to the annual Appropriation Accounts. Up to 1944-'45 item (b) was charged on the Public Works and Buildings Vote, but it is now, like (a) and (c), a sub-head of the consolidated Aviation and Meteorological Services Vote. Expenditure on (d) is borne on the "Civil Aviation and Meteorological Wireless Services" section of the Posts and Telegraphs Vote. There is nothing to show what expenditure on services rendered in connection only with shipping, etc., is included in the sums spent on the meteorological and wireless services; as a reasonable hypothesis, I suppose that the proportion of such sums devoted to services primarily incidental to aviation is two-thirds. On this assumption and subject to the minor qualifications to be mentioned, the following figures represent the

accumulated capital expenditure under the four heads to 31st March, 1949 :—

(a) Acquisition	£136,000
(b) Construction —	
Shannon Airport (Rineanna)	£1,592,290
Shannon Airport (Foynes)	143,777
Dublin Airport	861,733

(c) Meteorological Equipment	£2,597,800
(d) Wireless Equipment	33,200

TOTAL	£2,895,414

The figure in respect of land and premises acquired is exact as to £71,522 for acquisitions from 1st April, 1941; as to earlier purchases, £54,500 was stated to have been paid for land, including current rates up to 31st March, 1939 (Dáil Debates, Volume 78, column 1891), and of a total expenditure of some £17,200 on civil airports (apart from constructional work) in the following two years I assume from the estimates that about £10,000 would have been on acquisition of land. As regards the figures for outlay on construction, the segregation by airports has not been shown consistently in the accounts every year, and the figures given above are derived from officially quoted figures for expenditure at each base up to 31st March, 1947 (Dáil Debates, Volume 105, column 1855), to which the sums spent in 1947-'48 and 1948-'49 at Shannon (presumably Rineanna only) and Dublin have been added. These figures include maintenance costs at Shannon Airport for the years up to and including 1945-'46, but no other sums in respect of maintenance. Item (d) should probably be looked on as including a proportion of non-capital expenditure, being two-thirds of the aggregate of the sums spent annually from 1936-'37 on "provision and installation of (wireless) equipment and operating and maintenance charges, rent, etc." It is not known how far item (c), which is made up of sums attributed simply to "equipment", may be swollen by the inclusion of what are properly current outgoings.

So much for capital outlay. With regard to the current accounts, arrangements at the two airports have to be sharply distinguished. The management of Dublin Airport is delegated by the State to Aer Rianta. The account is settled annually, the profit and loss on the management is shown by a single residual figure reproduced in the Appropriation Accounts and in the profit and loss account which the company is required by statute to submit, and except as to the amount of this net balance no information is, in general, available. Apart from settling the reckoning in respect of work done for it by Aer Rianta, the Department exercises only one function in relation to Collinstown, viz., the laying-on and staffing of meteorological and wireless services, which are thought of as being distinct from airport management proper.

Shannon Airport, unlike Dublin, is managed by the Department of Industry and Commerce directly. There is no comprehensive set of expenditure figures expressly relating to Shannon; the Department accounts for its expenditure on aviation and meteorological services, respectively, and the Department of Posts and Telegraphs for its

expenditure on wireless services incidental to those, but while the aviation items may be referable exclusively to Shannon, this is not true of the meteorological and wireless expenses. At a guess, one-third of all current expenditure on these meteorological and radio services may be attributed to Shannon and one-third to Dublin Airport, the remainder being treated, as before, as non-aviational.

As to revenue, Shannon items are specified and brought into account severally among the appropriations-in-aid. Except for small receipts on account of rent for lands let or fees for meteorological information supplied, Collinstown revenue is all reflected in the level of the profit or loss on management.

Airport Revenue Accounts: (a) Dublin.

In the case of Dublin Airport there has been, except in 1947-'48, a deficit on management account in each of the nine years from the commencement of operations up to the 31st March, 1949. The 1947-'48 surplus was £10,788, and the worst year was 1946-'47 with a deficit of £19,220. Over the period the net loss, which was made good by the Exchequer, came to £57,137, corresponding to an average annual deficit of the order of £6,000. According to information volunteered in recent reports and chairman's speeches, income from landing charges (earned mainly from Aer Lingus) was £11,350 in 1946-'47 and £56,173 in 1947-'48 and dropped by one-third in 1948-49. About 93 per cent. of a total of 175,333 passengers cleared in 1948-49 were carried by Aer Lingus, and about 67,000 members of the public paid £2,351 for admission. Landing fees may be taken to be the largest single item of revenue, but we do not know what proportion of the total they normally yield, nor what is the total revenue or expenditure, nor what are the main expenses. The over-all financial position at the airport is arrived at by adding to the loss on management account the appropriate sum for current expenditure there on meteorological and wireless services, say, an average over the period of 1946-'49 of £28,000 (one-third of the average annual net amount of all such expenditure wherever incurred).

(b) Shannon.

As to Shannon, the current account for 1948-'49 given below is to be regarded as a Shannon Airport account, though unavoidably based in part on estimate and, therefore, inexact. The expenses column embraces, besides a conjectural one-third of the current cost of the meteorological and wireless services, all State expenditure on aviation services as returned in the Appropriation Accounts except (i) the capital outlay already considered; (ii) the payment to Aer Rianta to meet the deficit on Dublin Airport management, already considered; (iii) subsidy in respect of air services (which is not related to the provision of ground facilities now under consideration); (iv) expenses amounting to £30,000 in connection with Ireland's membership of international aviation and meteorological organisations, presumably including the maintenance of the Irish member of the Council of the International Civil Aviation Organisation with an office and staff in Montreal; (v) £30,000-odd paid as remuneration to headquarters staff in the Civil Aviation Branch of the Department of Industry and Commerce. Items 4, 5 and 6 on the expenditure side and

all the income items except 17 and 18 are expressly related to Shannon in the accounts.

EXPENDITURE		INCOME	
	£		£
AVIATION SERVICES			
1. Salaries, Wages and Allowances	161,057	11. Landing fees, etc.	100,286
2. Travelling Expenses, Telegrams and Telephones and Incidentals	10,999	12. Receipts from sale of crops and lettings of land and rooms	49,985
3. Rent and rates on lands ..	9,326	13. Receipts from road services	10,853
4. Maintenance Works, including supplies, renewal of furniture and fittings, etc. (Shannon)	24,309	14. Concession fees	3,978
5. Fuel, Water, Light and Cleaning (Shannon)	12,196	15. Receipts from admission charges to airport	2,398
6. Road Services (Shannon)	20,539	16. Miscellaneous receipts including agency fees, hire of plant and ambulance and services of Airport Medical Officer and Nurse	535
METEOROLOGICAL SERVICES			
7. Salaries, Wages and Allowances (one-third of)	30,356	17. Receipts from British Government for staffing of wireless stations (one-third of)	5,000
8. Travelling Expenses, Telegrams and Telephones and Incidentals (one-third of)	6,612	18. Receipts in respect of the supply of meteorological information (one-third of)	9
WIRELESS SERVICES			
9. Salaries, Wages and Allowances (one-third of)	3,384		
10. Travelling and Miscellaneous Expenses (one-third of)	182		
	£278,960		£173,044
		DEFICIT	£105,916

Rough current accounts similarly constructed for Shannon in respect of the years 1946-'47 and 1947-'48 give the following results for comparison:—

1946-'47: Expenditure, £172,400; Revenue, £60,900; Deficit, £111,500.

1947-'48: Expenditure, £258,400; Revenue, £165,000; Deficit, £93,400. It is too soon to know yet how revenue may be affected by the recent increase in the rate of landing charges. Note that the expenditure figures are exclusive of the amount of any pensions paid within the year in connection with the services in question and of any provision for future pensions.

The conclusion from the above seems to be that if our two-thirds is a reasonable proportion of the cost of the meteorological and wireless services to debit to airport account, the airports were being run for some time previously to March, 1949, at a combined annual loss of about £135,000 on average, their respective losses on the basis of their sharing responsibility for meteorological and wireless costs equally between them averaging out at £35,000 (Dublin), and rather over £100,000 (Shannon).

This brings us to the second division of the subject.

FLIGHT OPERATION.

Three companies are involved here, viz., Aer Rianta Teoranta, Aer Lingus Teoranta and Aerlinte Éireann. Some account of the struc-

ture, functions and interrelationship of these is necessary as a preliminary to the review of their finances.

First is Aer Rianta. This, a public company, was registered in April, 1937, at the instance of the Minister for Finance by way of implementation of section 68 of the Air Navigation and Transport Act, 1936, which required the setting up of a national air transport company. No demand by the public for its shares was expected or solicited, and all issues by it to date, apart from qualifying shares, have been subscribed for by the Minister out of moneys advanced out of the Central Fund under the authority of the Act (sections 71, 76) and remain held by him. The objects set out in its Memorandum of Association include the working of air lines either directly or through subsidiary undertakings and the giving of financial assistance to such subsidiaries; in point of fact Aer Rianta has not worked any line directly so far and its only important functions (apart from the delegated management of Dublin Airport, which has been dealt with under the previous head) have been the holding of shares in the operating companies and the administration of subsidies received by it under section 79 of the Act as renewed and extended. (Under the 1949 Air Navigation and Transport Act the Minister for Finance has a blank cheque as regards granting of subsidies up to 1954.) There are five directors. By virtue of his shareholding the Minister for Finance is entitled to nominate three of the directors after consultation with the Minister for Industry and Commerce, besides exercising control in certain other ways.

Of the subsidiary companies the more important is Aer Lingus. Aer Lingus is the only Irish-incorporated company engaged at present in the actual operation of scheduled air transport services. A majority of its shares are held by Aer Rianta, which in this way controls it.

Aer Lingus was incorporated as a private company in May, 1936, in anticipation of the establishment of what was to be the holding company, operations during the interim period being financed by a temporary loan; its first issue of shares (other than the qualifying shares of signatories of the Memorandum and directors) in 1937, and all further issues up to 1946, were taken up exclusively by Aer Rianta. It had five directors, all nominated by the Minister for Industry and Commerce. The first routes opened were cross-Channel, and traffic on them was carried by Aer Lingus not exclusively but conjointly with a British air company, the Blackpool and West Coast Air Services, Ltd., under an arrangement for equal representation on a joint committee of management and pooling of expenses and receipts. This continued to be the case until 1946. During the period there were no Irish lines to the European mainland, and the Aer Lingus system, though the frequency and direction of its services changed somewhat, remained after ten years a system of a few lines between Irish and British airports.

For the last four years there has been British participation in an expanded and reconstituted Aer Lingus operating a wider range of routes. This is the result of an agreement of May, 1946, between Aer Rianta and the British Overseas Airways Corporation as revised by a supplemental agreement of March, 1947, which brought in the British European Airways Corporation as a further party. Pursuant to the terms finally arranged, Aer Lingus amended its Memorandum

and Articles of Association to permit of some drastic changes. Under this new dispensation, issued capital is held as to 60 per cent. by Aer Rianta, as to 30 per cent. by British European Airways and as to 10 per cent. by British Overseas Airways. Four out of a maximum of seven or alternatively three out of five directors are appointed by Aer Rianta and the remainder by the British companies. The Governments of Éire and the United Kingdom agreed in 1946 to give the company in its new form exclusive rights to operate scheduled services between the two States, and it was also granted rights by the Irish Government to operate services between Éire and the Continent. As regards the apportionment of profits and losses on these, under the original inter-company agreement both profits and losses arising on services between Ireland and Britain are divided equally between Aer Rianta and the combined British shareholding companies, and under the *ad hoc* agreements relating to the several continental routes opened so far profits on these routes go according to the shareholding while losses are borne, as on the cross-Channel services, equally. As in the earlier period, Aer Rianta meets its liability in respect of losses of Aer Lingus by transferring the appropriate sum to it out of the Government subsidy received.

Lastly there is Aerlinte Éireann. This company was incorporated in February, 1947, to operate transatlantic services. Like Aer Lingus it is a subsidiary of Aer Rianta, which subscribed the whole of its issued capital. The directors were nominated by the Minister for Industry and Commerce with the concurrence of the Minister for Finance. As it happened, only the preliminaries of the company's programme—purchase of premises in New York and Boston and of five Constellation aircraft, proving flights, training of personnel, etc.—had been carried out when the present Government finally decided in April, 1948, that the services planned were a bad business risk and should not be proceeded with. Aerlinte Éireann has not been wound up, but it has not functioned as a going concern since its assets were disposed of.

The next stage is to review the actual working experience of the companies in their respective rôles within the general scheme just described. It may as well be made clear at once that nothing like a detailed analysis of results is possible on the basis of the material that is to hand. Except for casual statements reported from time to time in the Press, this material is in the case of each of the three companies concerned, limited to the not very illuminating annual balance sheets and profit and loss accounts that are insisted upon by regulations made by the Minister for Finance under section 81 of the 1936 Air Navigation and Transport Act, supplemented by odd particulars vouchsafed since 1948 in published reports. It does not, for instance, appear from any published information how the different categories of traffic, or services to different termini, have compared from the standpoint of profitability. The accounts do, however, disclose the extent of the aid given by the State to the respective air companies and thus the break-up of the subsidy payments which are indicated only in annual aggregates in the Government accounts.

Since the financial requirements of Aer Rianta (i.e., ultimately, the amounts of Government subscriptions and subsidies towards the operational side of commercial aviation) have in practice been determined and conditioned by the requirements of its subsidiaries rather

than vice versa, I depart from the order followed above and take the subsidiary concerns first and then Aer Rianta.

Aer Lingus.

The balance sheet of Aer Lingus as at the 31st of March, 1949, was as follows:—

ASSETS		£	£
FIXED			
Aircraft and Engines, <i>less</i> depreciation		149,475	
Ground Equipment, <i>less</i> depreciation		51,182	
Premises, <i>less</i> amounts written off		42,085	
Furniture and Fittings, <i>less</i> depreciation		52,085	
		-----	294,827
CURRENT			
Materials in Stock and in Transit		218,137	
Sundry Debtors, payments in advance and Shareholders' contributions receivable		296,710	
Cash at Bank, on deposit and current accounts and in hand		380,547	
		-----	895,394
OTHER BALANCES			
Capital loss on sale of Aircraft and Equipment		102,374	
Expenses of increase in authorised Capital		12,337	
		-----	114,711

			£1,304,932
LIABILITIES			
Capital: <i>Authorised</i> 5,000,000 Shares of £1 each, £5,000,000			952,000
<i>Issued</i> : 952,000 Shares of £1 each fully paid			352,932
Current Liabilities and Provisions			-----
			£1,304,932

The first item of assets would comprise chiefly the company's fleet of thirteen Douglas D.C. 3 26-seater aircraft, passenger machines readily adaptable to the carriage of a part-cargo of freight, and two five-seater Airspeed Consuls. As to premises, it is understood that only the buildings housing the passenger booking office in Dublin and a staff hostel in Limerick are the property of Aer Lingus; the other Aer Lingus premises in Dublin, Limerick, London and Paris, as well as offices at certain airports including Dublin and Shannon, are all rented. The balance sheet does not show what is the valuation basis adopted or at what rate depreciation is allowed for on the premises the company owns outright. The only other item of assets calling for comment is the capital loss of £102,000 on sale of aircraft and equipment; this represents the loss incurred when the five Vikings remaining on hands at 1st April, 1948, out of the seven that were acquired in 1947 and withdrawn from service in January, 1948, were disposed of. Fixed assets had stood in 1946 at about £148,000, almost precisely half the 1949 figure; the increase in the three years was associated with extensive purchases of premises, furniture and fittings, and ground equipment.

Of the issued share capital of £952,000, £571,200 held by Aer Rianta represented the Irish investment. What is the make-up of the £352,932 for current liabilities and provisions does not appear.

Next as regards the results of Aer Lingus operations: the position here is that a loss has arisen to be made up by subsidy transferred

by Aer Rianta in every year except 1945-'46, and the record of subsidy payments so applied is the best measure of the over-all deficits of the company. The subsidy in respect of each year represents the year's operating losses (or, since 1946, the Irish share in them) with usually slight adjustments, i.e., as diminished by interest on bank deposits, investment income after deduction of tax, etc.

IRISH SUBSIDY PAYMENTS ABSORBED BY AER LINGUS

Year	Amount £
1938-'39	*26,500
1939-'40	24,062
1940-'41	32,115
1941-'42	28,853
1942-'43	27,817
1943-'44	22,283
1944-'45	28,474
1945-'46	nil
1946-'47	†70,869
1947-'48	311,051
1948-'49	82,819
TOTAL	£654,843

* Covers losses from 27 May 1936 to 31 March 1939.

† Irish liability in respect of deficit of £134,156 remaining after deducting from the year's total deficit the £8,566 profit brought forward from 1945-'46.

The amounts shown in respect of each of the last three years represent in each case approximately (not exactly) half of the total Aer Lingus deficit met by Irish and British contributions combined. The following table summarises information that has been made public regarding the comparative figures for total revenue and total expenditure in those years and the resultant deficit :

Year	Expenditure	Revenue	Net Credits	Deficit
	£	£	£	£
1946-'47	516,821	377,345	5,320	134,156
1947-'48	1,504,746	892,314	4,010	608,422
1948-'49	?	1,078,154	?	162,850

As regards the contributions made by the different sources of revenue to the total, figures for the year 1948-'49 are given in the latest Aer Lingus report. It emerges, from these that 91·9 per cent. of gross revenue (comparing with 85·5 per cent. for 1947-'48) was drawn from passenger traffic, 3·6 per cent. from freight (3·8 per cent. in 1947-'48), 1·5 per cent. from excess baggage (1·1 per cent.), 0·6 per cent. from mail (0·3 per cent.) and the residue of 2·4 per cent. from traffic handling (7·5 per cent. in 1947-'48) and other incidentals. The chief features this brings out are, firstly, the very high proportion that passenger revenue forms of the whole and, secondly, the very poor contribution made by air mail which accounts for up to 15 per cent. of the gross takings of many air companies elsewhere and for an average of 6 per cent. for all scheduled airlines. Gross commercial revenue as a proportion of expenditure fell from 73 per cent. in 1946-'47 to 59 per cent. in 1947-'48 and rose to 86 per cent in

1948-'49, the complementary percentages representing the part played by subsidy.

Regarding the expenditure no detailed particulars are given in the annual accounts or report. Outlay on petrol and oil as a proportion of the total is likely to have increased lately in consequence of the devaluation of the pound. The chairman stated at the last general meeting (August, 1949) that £11,600 was spent in 1948-'49 on providing continuation and refresher training for crews, but it can be seen that relatively speaking this is an insignificant item. Dublin Airport statistics already quoted suggest that Aer Rianta received about £35,000 in landing fees from Aer Lingus, which would, however, have had landing fees to pay to other airport authorities also. As to wages and salaries, the report for 1948-'49 does disclose that the numbers of staff fell during the year from 1,545 to 1,323; if the average number employed were taken as 1,450 and the amount of the average wage or salary for the year as, say, £400, the bill for remuneration of staff would work out at £580,000 or almost 50 per cent. of the year's total expenditure. The report does not say what, if any, provision for pension liability the expenditure includes. In connection with the employment figures it is worth reverting to the fact, mentioned above, that apart from the two small and little-used Airspeed Consuls thirteen aircraft made up the whole Aer Lingus fleet—this means that for each aircraft in regular service the company was employing over 100 persons in all departments.

Aerlínte Éireann.

This company had an issued share capital of £1,425,000, all held by Aer Rianta. All its assets had been sold by the 31st of March, 1949, and after a sum of £1,000,000 had been advanced to the Minister for Finance its cash balances at that date were transferred to Aer Rianta, which has been attending to any outstanding matters since. I have reconstructed from the published accounts the following profit and loss account for the period from the date of incorporation (26th February, 1947) to 31st March, 1949 :

ARLINTE EIRFANN--PROFIT AND LOSS ACCOUNT

EXPENDITURE		REVENUE	
	£		£
Development, realisation and aircraft hire expenses	577,077	Hire of aircraft to Aer Lingus	188,499
Preliminary and formation expenses	12,566	Subsidies received or receivable	401,144
Subsidies repaid or repayable	401,144	Capital profit on sale of assets	457,005
Balance	55,861		
	<hr/>		<hr/>
	£1,046,648		£1,046,648

The realisation profits of £457,005 arose mainly out of the sale of the company's five Constellation aircraft to the British Overseas Airways Corporation for £396,000 above purchase price. The account shows that Aerlínte Éireann following this windfall was in a position as a result of its total activities to return to Aer Rianta a clear capital profit of approximately £56,000 after repayment of all subsidy.

Aer Rianta.

The following was the balance sheet of the holding company, Aer Rianta, as at the 31st March, 1949 :—

ASSETS		£	£
FIXED			
Premises, Furniture, Aircraft and Equipment at cost, less Depreciation			51,536
SUBSIDIARY COMPANIES			
Investments at cost :			
Aer Lingus Tta.		571,195	
Aerlinte Éireann Tta.		1,425,000	
		-----	1,996,195
CURRENT			
Stocks, Debtors and Cash at Bank and in hand ..		564,124	
Amounts receivable from the Department of Industry and Commerce in respect of this Company's and Aer Lingus Tta. deficits		202,699	
		-----	766,823
PRELIMINARY EXPENSES			1,343

			£2,817,897
LIABILITIES			
Capital			2,000,000
Reserve Account			48,736
Repayable to the Department of Industry and Commerce on Dublin Airport Management Account			3,311
Amounts due to Subsidiary Companies			754,419
Sundry creditors and charges accrued			11,432

			£2,817,897

The current items on the two sides of this balance sheet approximately offset each other and the Reserve item of £48,736 (resulting mainly from writing up of assets of Aer Lingus at the reorganisation of 1946) nearly covers the asset of £51,536 for premises, etc. The net capital position of Aer Rianta is, therefore, fully represented in the results of its investments of £571,195 in Aer Lingus and £1,425,000 in Aerlinte which are to be traced in the balance sheets of those two companies

The overall capital position taking the three companies together is, therefore, that against the entire State investment in them of £2,000,000 the amount of £1,425,000 stands intact in liquid form to the credit of Aerlinte and the status of the residue depends on one's estimation of the balance sheet position of Aer Lingus.

As to the current administrative business carried on by Aer Rianta on its own account, the routine expenses of the company mean a deficit to be covered by subsidy. The accumulated total of such subsidies paid in respect of the period up to 31st March, 1949, was £53,668, the sums attributable to the last three years of it being £21,724, £10,249 and £3,871 respectively. The staff employed by the company numbered 202 at 31st March, 1949.

Now to sum up: State capitalisation of the aviation industry has involved the outlay of a sum calculated at £2,895,000 odd to 31st March, 1949, on the provision of ground facilities and of a further £2,000,000 subscribed for shares of Aer Rianta as the basis of the

financing of the air companies. In addition the Government has been making annual payments towards the current cost of civil aviation. These comprise (a) net expenses incurred at the airports, calculated above at £135,000 on the average of the years 1946-'49, (b) net subsidisation of air company activity, which for 1949-'50 will probably not have to be very much, but over the previous three years involved annual payments of average amount £167,000 (£155,000 for Aer Lingus and the balance for Aer Rianta), (c) payment of £30,000 odd in salaries to headquarters staff in the Civil Aviation Branch, (d) payment of a further £30,000 in subscriptions to international aviation and meteorological organisations. The total of net current payments, including with those just listed certain minor expenses, (e.g., about £3,000 paid out of the Stationery and Printing Vote), may be taken to have averaged a round £370,000 per annum in the last three years accounted for. The average masks a reduction achieved in the last year, 1948-'49, the figure for that year being about £305,000, and there may have been further saving since by reason of improved Aer Lingus results.

It remains only to point out that the foregoing is, of course, no more than an interim report on an activity that is still going ahead. This is true in relation to capital development as well as provision for current services; the estimates for 1949-'50 budgeted for £625,000 for capital purposes of the four categories distinguished above, including principally £439,000 for more constructional works at Shannon and Dublin Airports, and a further £411,000 (constructional works, £240,000) is sought for 1950-'51. Any decision to develop Collinstown into a transatlantic base in response to pressure from American concerns wishing to overfly Rineanna would call for investment on a higher scale again, to say nothing of the amount by which the capital already sunk in Rineanna would have to be written down. At the same time, revenue of airports and air companies combined, far from allowing payment of a dividend equal to what the capital might earn in other uses, shows no sign yet of covering current expenditure. The conclusion is that unless there are big secondary and indirect returns the aviation business in Ireland has been conducted consistently at a heavy loss to date and looks like so continuing.

Since this paper was completed, the air companies have published their accounts for the year 1949-50. These show that the Aer Lingus deficit on operating account was down to the comparatively low figure of £29,000 for the year, as against £163,000 for 1948-49. They also show that at the 31st of March, 1950, the Minister for Finance held an advance of £1,882,010 from Airlínte Éireann, this representing the combined amounts of the Company's capital and realisation profits, which are therefore not to be regarded any longer as capital invested in aviation. The Appropriation Accounts showing expenditure on ground facilities in 1949-50 are not yet to hand.

DISCUSSION

Mr. McCarron said that Ireland's policy in regard to the development of air transport had been settled fifteen years ago, and as a result Shannon had become an important air junction for trans-

atlantic operations, a junction which it was necessary to maintain for safe transatlantic operation, and which we must be prepared to maintain ourselves if we did not want someone else to step in with the demand that they should maintain it for us. He gave it as his opinion that Shannon was a natural and nearer base to them than Dublin, and that conditions of safety and pay-load would, for a very long time, keep it so.

Commenting on the necessity for flexibility in the way of aircraft being able to operate in and out of as many kinds of airports as possible, Mr. McCarron pointed out that recent developments in construction have not taken this flexibility sufficiently into account, with the result that some big operating companies have now very expensive aircraft which can be used only at a very limited number of airports.

The constant changes in design and improvement of the speed factor are making efficient fleets obsolete long before they have run their useful life, and unless some way is found to eliminate the constant necessity for scrapping good equipment, then the chances of running air lines on a profitable basis are very remote.

Mr. McCarron gave it as his opinion that the continuing tendency for costs to rise and for fares to decrease would make it difficult for Aer Lingus to earn substantial profits, but that taken over a long period it should be possible to more or less make the company pay its way. Any return, therefore, on the capital invested in airports and aircraft must be rather in the nature of an indirect return, the value of which would be very difficult to assess. Such indirect returns were, quick and adequate transport for mail and freight, employment given directly and indirectly through development, and the increased possibilities of national revenue being earned from the tourist industry.