

## What Future for the Aircraft Industry ?

A YEAR ago the Government appointed a Committee, under the Chairmanship of Lord Plowden, to consider what should be the future place and organisation of the British aircraft industry. The findings of this Committee are now being studied by the Government. The majority of the members of the Committee have recommended that the Government itself should take a majority financial interest in the two major U K airframe groups — the British Aircraft Corporation and the Hawker Siddeley Aviation. It also proposes that the two major aeroengine groups — Rolls Royce and Bristol Siddeley — should remain the private sector and should be amalgamated. However, a minority of members are against the Government taking over the two major airframe groups and would favour instead a non-controlling shareholding, while one member (Aubrey Jones, now Chairman of the National Board for Prices and Incomes; is opposed to the Government acquiring any financial holding at all. The general view of the minority is that it would be a great mistake for the Government to acquire the declining assets of the British Aircraft Corporation. They also argue that companies owned by the Government would give shareholders no good reason to remain in these companies.

As is only to be expected, considerable controversy will be aroused by the majority recommendations of the Plowden Committee, which would, in effect, mean that the Government would be invited to take steps which would amount to nationalising another major industry — the first industry to be nationalised since the Labour Government under Attlee nationalised the steel industry. While most people believed that the Plowden Committee would suggest some element of public ownership of the British Aircraft Corporation, which is in financial difficulties, the fact that it has gone as far as to recommend a holding of more than 50 per cent as well as to suggest that the same treatment should be meted out to Hawker Siddeley, has been in the nature of a bombshell. It is perfectly true that the Labour Party in its election campaign suggested, apart from nationalisation, a much closer working between the private and public sectors. Among

the suggestions made were co-operation with private firms who needed support to develop new projects and action to help industries (which were not pulling their weight) to become more efficient.

### Nothing to Do with Socialism

The arguments of the Plowden Committee, however, have nothing to do with socialism. The list of the members of the Committee, including such men as Harran, the Managing Director of Shell International Petroleum, and William Penny, makes it quite clear that none of them are doctrinaire socialists. Their main reason for suggesting a controlling Government interest is that they feel the two companies need help badly and cannot get it from private sources. The gist of the argument is that since the State pays the piper it should call the tune. Well over half the earnings of the two companies comes from Government aviation contracts. Since the Government is the industry's biggest customer, major projects cannot be financed without State backing, and in these circumstances, a majority financial holding seems only reasonable.

In their own defence, the two airframe companies concerned may well point out that it is because the British Government has in the past been a very capricious customer that their future has been jeopardized. B O A C, the Government-owned State airline, has always insisted upon aeroplanes designed to meet their own special needs but aeroplanes which no one else wanted and so could not be sold abroad, thus restricting the market to a very small and not profitable one. Apart from the Canberra and Viscount (which were produced for British European Airways), custom-built British planes have not commanded much favour abroad. They might also point out that the other airframe company in which the Government has already taken an interest, Short Brothers and Harland of Belfast, has not made very great progress.

The fact remains that the main difficulty with the British aircraft industry lies in the fact that the national market is too small for profitable operation. It is for this reason that the Plowden Committee comes out strongly in favour

of co-operation with Continental countries, particularly France, as the basis for all future major aircraft development. This sort of plan would result both in cost saving and a wider market. The fact remains that only on the basis of joint European co-operation could any country in Europe provide suitable competition to the US aircraft industry which at the moment has the field virtually to itself.

The case with regard to the aeroengine groups is much simpler. Both Rolls-Royce and Bristol Siddeley are doing well and require no special help. Bristol Siddeley engines have a good future. Rolls-Royce also has few problems, and since it has been decided that the Phantoms are to be fitted with new Rolls-Royce Spey engines, their order books will give rise to little concern.

The Plowden Committee is bound to face the Labour Government with an awkward decision to make at this particular time. With its parliamentary majority down to two it is unlikely to want to take a major decision on what the Opposition could easily construe as yet another attempt of the Government to appear as the Party for nationalisation. Of course, the Government could get out of this awkward predicament by using the same argument as was used about the steel nationalisation bill, namely, that the programme for the current parliamentary session is already heavily overloaded and that it will, I here fore, not be possible to discuss such matters as the takeover of the two major airframe companies in Britain. It, therefore, appears unlikely that any major decision can be taken until after the General Election when, if the Labour Party is returned with a large majority, it can tackle this controversial subject.

In the meantime, the Government must hammer out some policy with regard to its co-operation with the private sector. When is it right for the Government to assist an industry which is in trouble, and will Government assistance really help to make the industry viable? The question has already arisen with regard to the shipbuilding industry, and the Government is now in the process of providing assistance to the Fairfield, shipbuilding yard on the Clyde which is in difficulties. This could well be the beginning of public ownership

