

THE CASE FOR THE INDUSTRY . . .

cannot hope to overcome it. Thus by making at least some purchases abroad, Britain should be able to buy significantly more equipment within a given defence budget. This was the logic behind the recent purchases of aircraft from the US.

The Committee consider that there may still be a case on defence grounds for some domestic capacity to produce military aircraft and guided weapons, but there is no longer a case for providing all our defence requirements at home.

To take this further, we sought evidence from the Ministry of Defence. While they may have to qualify their views in the light of the defence review which is now in progress, they indicated fairly clearly the role they expect the industry to fulfil.

So far ahead as can be foreseen the Services will continue to need up-to-date aircraft for strike, interception, reconnaissance, and transport roles. The Ministry of Defence consider that, while it would be sensible for budgetary reasons to "shop in the cheapest market," on wider defence ground it would be undesirable to adopt this as an exclusive policy and make Britain wholly dependent on America, or any other country, for military aircraft and weapons. They therefore judge it essential that Britain should retain a competence in the main fields of defence research and development, including aircraft and guided weapons. They conclude that the best means of meeting future requirements is a "mix" in purchasing, to include independent developments, co-operative projects, and "buying foreign" . . .

The Ministry are convinced that defence funds will not be sufficient to sustain a military aircraft industry of the present size. They consider that should British requirements arise in future for aircraft of the largest and most complex types, there will be no alternative but to meet them by purchase from the United States. They are thinking of types such as an equivalent in the next generation to the TSR.2 for which British costs, even if reduced by collaboration with partners in Europe, could not be competitive with American costs, and where combined development and production costs for a relatively small number of aircraft would pre-empt a disproportionate share of a limited defence budget.

They consider that the British aircraft industry should be maintained at a level which, on the military side, would enable Britain to develop one medium-sized combat aircraft at any one time in the 1970s, or share with other countries in developing two such aircraft. The industry would be engaged mainly on collaborative projects with firms in other countries, because future military aircraft needs will rarely be met by projects launched by this country alone.

The Ministry of Defence believe that this policy of "mixed" procurement would guarantee Britain a worthwhile measure of political and military independence.

The research and development competence proposed would enable British manufacturers to retain a foothold in the new techniques of airframe, aero-engine, electronics, and aircraft equipment development. They would not be taking part in the development of the largest and most complex weapon systems. Although in theory they could embark again on such a project, this would take so long and cost so much as to be unlikely except in dire necessity.

There is one supplementary foreign policy argument. The aircraft industry is one in which governments can readily promote co-operative international ventures, because they take the major share of the industry's products. At the present stage of United Kingdom foreign policy the aircraft industry has a role to play for which few other industries are so well fitted.

To sum up, the defence benefit offered by the industry in affording an extra measure of national independence is worth something at the present time. But the Ministry of Defence consider that it costs too much and they contemplate a policy of buying abroad and co-operative development which will, they hope, reduce the cost by more than it reduces the value of the benefit. The Ministry cannot predict what the position will be in long term, say by the 1980s, nor what their views will then be. The policies contemplated by the Ministry of Defence should give relief from rising defence costs for a

time. Further ahead there might conceivably be shifts in world strategy to cause unforeseen changes in the value of the industry to the defence of Britain. But from the evidence available at present the Committee would judge that the trends in foreign policy and the steady increase of aircraft costs point in the long term to a decrease in the value of the benefit and an increase in its cost.

CHAPTER 13

Social Contribution

It is sometimes urged that particular industries should be supported to provide employment. This argument would seem no longer to have any force as applied to the United Kingdom as a whole. Experience has shown that general fiscal policies can maintain employment at a high average level. Indeed for the kind of workers employed in the aircraft industry it is not jobs but men that are scarce. We have heard evidence on the redundancies after the cancellation of the TSR.2. This leads us to believe that, in general, new jobs would fairly quickly be found for aircraft labour if it were released.

Many of the most highly trained and highly skilled people might find it hard to get work that interested or paid them as much as their previous work, or that fully used their aptitudes and skills. Such down-grading of skills might involve much personal hardship; but it would seem a totally wrong order of national priorities to maintain the industry at a level any higher than it would otherwise be, and encourage young people to develop these skills, in order to allow certain people to continue to do what they are particularly good at. Of course, if there were further large reductions in the industry, some able and highly trained people might emigrate. This would clearly represent a loss to the nation; but it is a rather different point and is taken into account in Chapter 14 on Technology.

Our general conclusion is that no case can be made out for the industry in terms of employment.

The employment argument can still be relevant in areas of chronic unemployment. We shall be considering this argument in relation to the future of Short Brothers and Harland in Chapter 34.

There is another aspect of the aircraft industry which might be considered to fall within the heading of a social contribution. It is difficult to know how much importance to attach to it. One tends to underrate or overrate it, according to one's preconceptions and prejudices. We refer to the part played by the aircraft industry in the nation's view of itself. The traditions of the industry, especially its role in the last war; the penetration of scientific frontiers that it involves; the tangible way in which it spreads the nation's name across the world; and, quite simply, the inherent glamour of aeroplanes: all these combine to make the industry a symbol of Britain's aspirations. In a period when she has lost many such symbols, this fact cannot be dismissed out of hand.

To fulfil this role, the industry must be successful. If it continually fails by aiming too high, it will, by virtue of the symbolic role, simply exacerbate the nation's discontent and self-distrust. A successful industry can, we believe, make a genuine contribution to the nation's wellbeing. Credit for this might be taken in determining whether an aircraft industry should be retained at all in this country. But unless the very survival of the industry were in question, we would not regard the argument as validating the case for any particular level of support.

CHAPTER 14

Technology

The British aircraft industry uses a large share of some scarce and productive resources: scientific and technological inventiveness and skills. There are some 8,600 qualified scientists and technologists involved in the industry's activities. In the industry itself there are 7,000, or 27 per 1,000 workers, compared with an average of only 12 per 1,000 in British industry as a whole. In the Ministry of Aviation and its research establishments, another 1,600 are engaged in aeronautical research and development, or in administrative work directly connected with this. The aircraft produced in Britain are not the only benefit to the economy from the work of these people. There are indirect benefits. They develop new