CABINET

BRITISH AIR SERVICES

Memorandum by the Minister of Civil Aviation

I attach a paper which I circulated to the Committee on the Socialization of Industries (GEN 98/7) and a copy of a Draft White Paper as revised following the meeting of the Committee on Tuesday. I ask the approval of my colleagues to the four proposals set out in paragraph 15 of GEN 98/7.

(Initialled) W.

Ariel House, Strand, W.C. 2.
11TH DECEMBER, 1945.
CABINET

SOCIALISATION OF INDUSTRIES

SOCIALISATION ASPECTS OF CIVIL AVIATION POLICY

Memorandum by the Minister of Civil Aviation

1. The purpose of this paper is to seek approval (i) for the issue of the draft White Paper at Appendix C and (ii) for the methods by which I propose to operate air services pending legislation and in preparation for the formation of the new Corporations. The White Paper is self-explanatory.

2. On 25th October the Cabinet agreed to the establishment of three publicly owned Corporations with the following spheres of action (C.M.(45) 46):

   (a) B.O.A.C. between the United Kingdom and the British Commonwealth, the United States and the Far East;

   (b) A European Corporation between the United Kingdom and the Continent, as well as the internal routes within the United Kingdom;

   (c) A South American Corporation to operate between the United Kingdom and South America.

3. Para. 15 of my draft White Paper refers to interim arrangements for running air services, pending the passing of legislation affecting the above three Corporations. In accordance with the White Paper my task is to find the most practicable way of getting services started as soon as possible.

4. No problem arises as regards the B.O.A.C. This is running on the Empire routes and to a limited degree across the Atlantic and will continue to do so.

5. Para. 1(b). European Services. These are at present being run by 110 Wing of Transport Command using Lend/Lease Dakotas. I cannot civilianise these services at the moment, because Lease/Lend Dakotas cannot be used for commercial purposes. The P.O.A.C. is working in close touch with 110 Wing and is arranging to take over gradually general services, such as traffic handling, and as and when suitable aircraft become available, the operation of European routes. It is necessary, therefore, for some time to come that 110 Wing and the B.O.A.C. should work in close harmony in running the existing, although admittedly insufficient, network of services to Continental capitals.
6. **Internal Services.** A network of services is operating in this country under the supervision of the Associated Airways Joint Committee (A.A.J.C.), which is composed of representatives of the small air transport companies controlled by the railways, and in which coastal shipping companies have also an interest. Particulars of the A.A.J.C. are given in Annex A to this paper.

7. I propose to leave A.A.J.C. to run its services as at present, and to appoint two members to the Board of B.O.A.C. who will, during the interim period, concern themselves with all that is involved in the civilisation of 110 Wing. When legislation is passed, the European Corporation will be formed by merging A.A.J.C. and the civilianised 110 Wing under a new Board, of which I shall appoint, and of which the two additional members of B.O.A.C. will be part.

8. **British South American Airways.** The position here is that a registered Company exists, owned by certain shipping lines, under the name of British South American Airways. The Chairman of the Company, Mr. John Booth of the Booth Steamship Line, has severed his effective connection with the Line and has been acting as Chairman of the B.S.A.A. Associated with him is Air Vice-Marshal Bennett, an experienced airline pilot, under whose direction an organisation has been built up of which particulars are given in Annex B.

9. I have examined the composition of this organisation and am satisfied that it can be entrusted with the initiation of a service to South America. My proposal is that the existing directors of B.S.A.A. should resign and that I should appoint a new board of directors. B.O.A.C. will then purchase the undertaking, B.S.A.A. thus becoming a subsidiary of the B.O.A.C., but retaining its own fully responsible Board. When the Air Transport Bill receives the Royal Assent a new Corporation would be formed, consisting of the Board I have mentioned above, with possibly one or two additions, and that Board would be empowered to buy the undertaking back from B.O.A.C.

10. Under the arrangements I have outlined above, I can undertake to start a service to South America almost at once, with a wholly publicly owned company. I can ensure that the internal services in this country will continue to function efficiently and be expanded under the Associated Airways Joint Committee, whilst the European services will carry on as at present on a militarised basis, being civilianised as soon as equipment and competent staff allow. They will also ensure a smooth transfer, when the Air Transport Bill has been passed, from the interim organisation to the two new Corporations.
11. The only alternative to the above arrangement would be to ask the B.O.A.C. to take over all operations in the interim period. Apart from the fact that the B.O.A.C. cannot legally operate the internal services, it would be politically objectionable to entrust everything to the B.O.A.C. To do so would deny us the advantage of making use of the excellent people employed by and organisations built up by the other bodies, which can continue or at once begin operating. It would create difficulties in forming the new Corporations when legislation is passed, and would indelibly impress the new bodies with the B.O.A.C. stamp. In short, the alternative means delay and decreased efficiency.

12. If I am authorised to proceed on the basis I propose, I would propose to issue the attached White Paper (Annex C) which has been promised to Parliament, in clarification and amplification of the statements made in both Houses.

13. As regards the formation of the Boards, I wish at once to (a) re-constitute the Board of the B.O.A.C., (b) appoint a new Board of the B.S.A.A. which will eventually become the Board of the new S. American Corporation, (c) appoint members to the Board of the B.O.A.C. to pave the way for the creation of the Board of the New European Corporation.

14. My sole criterion in making these appointments would be experience and ability. No particular interest would be allowed to predominate. I should regard it as in the interests of Civil Aviation that if otherwise qualified on the score of experience and ability, one at least, but not more than two members with shipping and railway experience should serve on the Boards of the South American and European Corporations respectively. Mr. Booth, who as I have mentioned, has severed his direct connection with the Booth Line and who has build up the organisation referred to in para. 8 would, I consider, be a valuable Chairman for the S. American Corporation, and Sir Harold Hartley, who has directed the operations of the A.A.J.C. with great success, for the European Corporation, if he would be willing to serve. My view is that the Boards of the Corporations should be 9 to 11 strong as experience dictates. I should not propose to fill up to this number immediately as undoubtedly talent will come to light for which I should wish to have vacancies in hand.

15. I therefore ask approval to:

(a) instruct the B.O.A.C. to purchase B.S.A.A.

(b) nominate a new Board for B.S.A.A. with Mr. Booth as Chairman.

(c) designate Sir Harold Hartley (if willing) as Chairman of the new European Corporation.

(d) issue the attached White Paper.

W.

Ariel House
6th December, 1945
ANNEX A
ASSOCIATED AIRWAYS JOINT COMMITTEE

OPERATING COMPANIES:

The following companies are controlled by the A.A.J.C.:-

Air Commerce Ltd.
Isle of Man Air Services Ltd.
Scottish Airways Ltd.
Great Western and Southern Air Lines Ltd.
Olley Air Services Ltd.
Railway Air Services Ltd.
West Coast Air Services Ltd.
Western Isles Airways Ltd. (subsidiary of Scottish Airways Ltd.).

In addition, Channel Island Airways Ltd., although not a member of A.A.J.C., is operating under agreement with A.A.J.C. as the agents of Railway Air Services Ltd.

SERVICES:

The following services are operated by the above companies:-

London - Liverpool - Glasgow
London - Liverpool - Belfast
London - Belfast
London - Dublin
London - Guernsey
London - Jersey
Liverpool - Dublin
Liverpool - Isle of Man
Glasgow - Campbeltown
Glasgow - Islay
Glasgow - Tiree - Benbecula - Stornoway
Glasgow - Belfast
Inverness - Kirkwall - Sumburgh
Inverness - Kirkwall
Inverness - Stornoway
Lands' End - Scilly Isles
Southampton - Guernsey
Southampton - Jersey
Southampton - Guernsey - Jersey
Guernsey - Jersey.

AIRCRAFT FLEET:

Avro XIX ... ... 4
D.H.84 ... ... 1
D.H.86 ... ... 4
D.H.89 ... ... 28
TOTAL 37

Others are on order.
HEAD OFFICE:

Full facilities are in existence and functioning. The Personnel Department has all details worked out of salaries, pension schemes, and insurance. A Medical Officer has been appointed. The Insurance Department is functioning, and cover has been arranged for all property, spares, training aircraft, and preliminary arrangements have been made for cover of passenger, mail, and freight services.

OPERATIONS DEPARTMENT:

This Department under Captain A.G. Store, a very experienced airline pilot, has completed its accumulation of route data, etc., and has a total of 10 crews. These 10 crews are sufficient to run a twice weekly service to South America, are all experienced on Lancasters and have all necessary certificates.

AIRCRAFT:

Six Lancastrian aircraft to B.S.A.A. layout are progressing. The first has been delivered and others will follow shortly. In addition, six Lancasters for training and freight services have been allocated and the first is to be delivered on 7th December.

TECHNICAL DEPARTMENT:

The Maintenance Superintendent has a nucleus of engineering staff and has completed a list of applicants to be appointed as soon as practical operations are authorised. Inspection schedules and procedure have been drafted and spares list completed. The selected applicant for the position is Chief Inspector is available at short notice.

STORES DEPARTMENT:

The Supply Officer has created a stores system which is now functioning satisfactorily. Requirements for all major components of spares have already been submitted to the Ministry of Aircraft Production. Arrangements for the disposition of spares have been made.

COMMERCIAL DEPARTMENT:

The Commercial Department is headed by Mr. L.E. Hough who has many years of airline commercial experience. Documentation and instructions are complete and Head Office organisation is functioning. Junior staff can be appointed as soon as required.

SURVEY FLIGHT:

The conclusion reached by the Survey Party is that the existing facilities along the route are adequate for the immediate start of a landplane service.
Principles and Objectives

1. His Majesty's Government wish to secure the universal acceptance of conditions which would ensure the orderly expansion of air transport. The nations, however, are not yet prepared to place their air services under the control of a single international owning and operating body and there is insufficient support to make possible the formation of such bodies on a regional basis.

2. Attempts at the Chicago Conference to achieve a plan of orderly development in the air were not successful. Accordingly, the plan which His Majesty's Government now present to Parliament is necessarily a national plan, but it has been so framed that it can be readily fitted into any future scheme of international organisation.

3. It is the policy of His Majesty's Government to endeavour to negotiate agreements with other countries in conformity with their ultimate objective of securing well-ordered development on a full international basis and so facilitate the later establishment of a multilateral Convention based on order in the air.

4. Commonwealth Co-operation. Arrangements for Commonwealth co-operation have been made. By agreement with the Governments concerned, services on Commonwealth air routes will be operated in parallel by independent national air lines under partnership arrangements which will provide for pooling of traffic receipts, avoidance of duplication.
duplication, and common user of facilities required by operators and for equitable division of receipts and expenditure. If and when Dominion Governments so desire, these arrangements lend themselves readily to transformation into joint organisations for particular routes or into a Commonwealth Corporation to operate all Commonwealth trunk services. Majesty's Government are prepared to negotiate with foreign Governments similar arrangements for the formation of joint undertakings to operate services on routes of mutual interest.

Corporate Structure of United Kingdom Air Transport Services

5. General Principles of Organisation. - In consonance with these general objectives His Majesty's Government have decided that air transport services of the United Kingdom, as a public service, should be placed under national ownership and control. This policy offers the best guarantee to the public of disinterested expansion of the nation's air services with economy and efficiency. It will make it possible as costs of operation are progressively reduced for the taxpayer to receive some benefit in return for the assistance he is required to provide during the initial period of State aided operation and, where this is essential, to develop uneconomic as well as profitable services.

6. In the present stage of development they do not propose to entrust the operation of all services to a single Corporation. In reaching this conclusion they are influenced by the following considerations:

(i) The need for flexibility in meeting current conditions of international competition;

(ii) the encouragement of different methods of approach to the techniques of the various aspects of airline operation;

(iii) the avoidance during the initial stages of starting up a new service of placing into the hands of one managerial group the responsibility for matters having great and decisive national importance and the desirability, again in the initial stages of offering alternative opportunities of employment to individuals desiring to make air transport their career.

GIV.327.
(iv) the creation of a pool of knowledge and experience to meet the needs of the rapid expansion of air travel which is to be anticipated;

7. **Number of Air Transport Organisation.** - The number of air transport undertakings ultimately desirable in the national interest can be decided only in the light of experience. Initially, His Majesty's Government propose to establish three separate statutory Corporations with the following spheres of responsibility:

(a) Routes between the United Kingdom and other Commonwealth countries, the United States and the Far East (the existing B.O.A.C).
(b) Routes between the United Kingdom and the Continent and internal routes in the United Kingdom;
(c) Routes between the United Kingdom and South America.

8. The Corporations will not compete with each other on the same route or in the same area, and the desirability of creating additional operating units will be considered as expansion of services or the needs of particular services appear to justify. Each of the proposed Corporations will be managed by its own Board and its capital will be provided entirely by the Government.

9. **Constitution of the Boards.** - The size of the Boards must be determined by experience in the light of practical requirements but they must not be unwieldy. They will include members who can contribute expert knowledge of the major aspects of airline operation. Provision will also be made for members with experience of surface transport and others aware of the needs of users in general. This will facilitate co-operation in such matters as interchangeability of air and surface transport services, co-ordination of time-tables and joint use of traffic booking agencies and other suitable facilities, and co-operation in the various aspects of common interest in the side-by-side operation of the different forms of transport.
10. Training of aircrew and ground staff. - The Corporations will be expected to maintain the highest degree of operational efficiency and safety; consequently they must have responsibility for the final training of their aircrews and ground staffs. Unnecessary duplication of training facilities must, however, be avoided and the possibility of combined arrangements for basic training is being examined.

11. Maintenance and Overhaul of Aircraft. - Whilst day-to-day maintenance cannot be dissociated from the operations of the individual Corporations, some saving in the provision of facilities for overhaul of aircraft and engines may be possible by the adoption of centralised arrangements and this possibility is being examined.

12. Staff recruitment and welfare. - Under arrangements made with the Air Council and Board of Admiralty, opportunities will be provided to officers and men of the R.A.F. and Fleet Air Arm to enter civil aviation. It must be borne in mind, however, that even the most flourishing civil aviation which can be developed in the immediate future can provide only relatively few openings for the large numbers of officers and men becoming available for release from the Services.

13. The Corporations will be required to ensure satisfactory standards in the conditions of service and welfare of all employees, and to establish machinery for the negotiation of remuneration and conditions of service with representative bodies of all classes of employee. The promotion of schemes to facilitate staff co-operation in the management of the Corporations will be encouraged.
14. Interim arrangements - The policy set out in this White Paper will be put into effect at the earliest possible moment, but will require legislation. No delay in starting British air services, however, will be countenanced. Interim arrangements have been made to this end but supply of aircraft is the governing factor.

Relations between the Minister and the Corporations.

15. The major policy of air transport development and the broad range of the activities of the Corporations will be vested in the Minister of Civil Aviation. He will make all appointments to the Boards. His Majesty's Government, however, regard it as important that, subject to the requirements of their general policy, the Corporations should have the maximum freedom in the operation and management of the air services assigned to them. In deciding to set up three Corporations, for the purpose of securing the advantages of flexibility and initiative in the approach to the problems of airline operation, His Majesty's Government do not desire to stultify this policy by imposing unnecessary limitations on freedom of management.

16. Fares and adequacy of services. Machinery will be established whereby, as regards internal services, the public will be enabled to make representations concerning fares, rates and adequacy of services. As regards fares and rates on external services, it is hoped that these will be settled by international agreement, full account being taken of the recommendations of the International Air Transport Association, a recently-formed Association of the international airline operators of the world.

Subsidies.

17. (a) Policy. It is the view of His Majesty's Government that air services should be made self-supporting as soon as possible. They will seek by international agreement to eliminate all forms of subsidy. H.M.G. recognise, however, that if air transport is to fulfil its function of providing services in the public interest, some measure of State aid may be necessary to support essential but unremunerative services.

/(b)
(b) Basis of payment. As the capital required for the nation's air transport services will be provided from public funds, profits will enure to, and deficits will be borne by, the Exchequer. During an initial period, until experience has been gained of commercial operations with untried types of aircraft, any direct subsidy assistance which may be required will take the form of deficiency grants. During this initial period there will be closer control over estimates and expenditure than will be necessary when stability has been achieved. When experience has been gained under stable conditions, it is proposed to base any direct assistance from the Exchequer on a system of estimates of target costs and revenues which would be subject to annual review. To provide an incentive to economy, provision will be made to enable a Corporation to retain in the undertaking a proportion of any savings on estimated grants, to be expended on general purposes to be approved by the Minister with the agreement of the Treasury.

Aerodromes.

18. It is proposed that all transport aerodromes required for scheduled air services shall be acquired and managed by the Ministry of Civil Aviation. Present and projected types of aircraft involve heavy capital and maintenance expenditure on long concrete runways and ancillary facilities. The revenue from landing fees would, in most cases, be insufficient to meet outgoings and State aid would be necessary towards meeting any deficit. Moreover, many privately owned and municipal aerodromes, which have been requisitioned during the war have been developed at the expense of public funds and acquisition of these airfields by the State would be an economical and simpler solution of the problems of de-requisitioning. The State has, for many years, undertaken the provision of meteorological, radio and control services and, in the changed circumstances, it is a natural development of this policy that the State should own the aerodromes. It is not proposed that the State should acquire non-transport aerodromes such as those used by clubs or for training and private flying.
19. The international standards and procedures to be adopted in respect of airports, air traffic control, communications systems, air navigation aids and related questions are already the subject of investigation by a Committee on Air Navigation which is sitting at Montreal as part of the provisional International Civil Aviation Organisation, which was set up at Chicago, and His Majesty's Government are anxious to cooperate to the fullest degree in the expansion of international agreement on these important particulars.

20. His Majesty's Government, as an adherent of the Interim and International Air Services Transit Agreements concluded at Chicago, have accepted an obligation to provide the airports and ancillary facilities (including customs and immigration requirements) required for international air services. Under these Agreements each country reserves to itself the right to declare the particular airports which are to be opened to international air services, without discrimination to nationality or rates charged for landing fees. They will be equipped to internationally agreed standards. Such airports, which are technically known as "designated" airports, should be selected with due regard to the line of the direct route on which the services operate. Until Heathrow is ready Hurn, near Bournemouth, Prestwick, in Scotland, and possibly one other airport will be designated as trans-oceanic airports. Heathrow will be designated as the long-distance airport for London and will be developed to the highest international standards required for trans-oceanic aircraft. Croydon will be used as the London airport for internal and European traffic in the period immediately ahead. It will be necessary to provide alternative airports for use when bad weather or emergency prevents landing at the airports designated for normal use. These emergency alternatives will be selected from among suitable available R.A.F. airfields.

21. It has already been stated that Prestwick will be designated as an airport available for international use. Plans have been made for certain
of our trans-Atlantic services to be operated via Prestwick, the number to be dependent on traffic demands. This decision is part of the policy to ensure that Scotland will be able to play its full part in civil aviation with regard both to services and to airports, by the opportunities provided for internal services, services between Scotland and the rest of the United Kingdom and direct services between Scotland and overseas countries.

22. Airports will also be provided in Northern Ireland, Wales and other parts of the United Kingdom to standards suitable for flying direct to the Continent as well as to other parts of the U.K.

23. The policy will be to locate airports to serve the needs of the public. But this small island cannot afford to have a multiplicity of airfields, and if the needs of civil and military aviation were kept quite separate there would be great waste. The R.A.F. will, therefore, be invited to share the use of airports whose primary purpose is to serve civil aviation, and, in return, civil aircraft will share airfields primarily used by the R.A.F., in cases where a balance of convenience and economy will result.

Compensation.

24. (a) Airline Operators. Payment will be made for physical assets taken over from airlines operating 1st November, 1945, the date of announcement of Government policy. His Majesty's Government do not consider that there is any case for payment of compensation for goodwill. No compensation will be allowed in respect of any air line operations which might be commenced hereafter and would have to be discontinued as a result of legislation to give effect to the policy of the Government.

(b) Aerodromes. Compensation equitable to both parties will be paid for airfields to be taken over from municipalities and private owners.

Aircraft.

25. It will be the general policy of His Majesty's Government to require the Corporations to use British aircraft types. As a result of wartime
policies agreed with our Allies, transport aircraft were not produced in this country during the war, and the development of British civil aircraft has been interrupted since 1938. At the moment we are, on this account, placed at a grave disadvantage. Civil air services in the immediate future must, therefore, be built up on aircraft which have been developed from basic military types. These will be followed by aircraft mainly based on types recommended by the Brabazon Committee. His Majesty’s Government are taking all possible steps to accelerate the production of civil aircraft both for the equipment of British air lines and for the export trade.

26. Research and Development and Design of Aircraft. - Air line operation depends for its advancement on technical progress, for success or failure is more dependent on the type of equipment used than on any other factor. Creative research and development, therefore, is indispensable to advancement in an industry of which technical progress is the life blood. An air line, equipped with outmoded aircraft, no matter how efficiently its operations and business are conducted, will soon be outdistanced by another using aircraft of superior and more economical performance. The fullest emphasis will therefore be laid on research and development connected with air line operation. It is not proposed to set up a separate research department for Civil Aviation, but Civil Aviation will receive equal status with other claimants in aeronautical research fostered by the State. Arrangements have already been made for representatives of the Ministry of Civil Aviation to join on an equal footing with representatives of the Services in the M.A.P. Committees which determine the allocation of design resources and the priority of development projects.

27. The characteristics required in civil aircraft can best be discovered or proved by experience in operation. There must therefore be collaboration between user, designer and producer of the aircraft. Arrangements have been made to ensure close and continuing collaboration between the air transport corporations, the aircraft producers and the responsible Government Departments. These arrangements will ensure that every facility is provided for the individual corporations to obtain aircraft incorporating...
the features they consider necessary to successful operation of their air services.

Other Flying Activities.

28. Charter and Taxi Flying. - Whilst it will be the primary function of the proposed Corporations and their subsidiaries to undertake regular air line operation to fixed schedules, they will also be empowered to undertake charter and taxi flying. It is not proposed, however, to reserve this latter field to the Corporations and it will be open to private operators to engage in charter and taxi operations, but they will be required to satisfy the safety regulations and to maintain satisfactory conditions of employment.

29. Private and Club Flying. - It is the policy of His Majesty's Government to encourage private and club flying and gliding, subject only to such restrictions as are necessary in the interests of safety. Notice has already been given that, by arrangement with the Secretary of State for Air, the Air Navigation (Restriction in Time of War) Order will be rescinded on the 31st December, 1945.

30. In presenting the foregoing outline of their policy, His Majesty's Government believe that their proposals offer the surest means of laying the foundations of our civil aviation to ensure its progressive, efficient and economical expansion in the public interest. It is their aim to bring this form of travel within the reach of all, so that opportunities may be afforded to forge closer understanding and association among nations. They consider that to place the nation's civil air transport under public ownership and control offers the best prospects of securing a flourishing civil air transport industry.
