CIVIL AVIATION.

PROPOSED SUBSIDY TO AERIAL TRANSPORT COMPANIES.

I CIRCULATE to my colleagues copies of a letter and memorandum from Lord Weir of Eastwood and a memorandum by the Controller-General of Civil Aviation on the subject of a subsidy to Aerial Transport Companies.

I particularly draw my colleagues’ attention to the almost universal expression of opinion in the newspapers in favour of some aid being given to civil aviation. The excerpts printed on pp. 5-7 will be found to be very representative.

WINSTON S. CHURCHILL.

November 1920.

I.—Letter and Memorandum from Lord Weir to Mr. Churchill.

Holm Foundry, Cathcart, Glasgow,
September 28, 1920.

My dear Churchill,

I am afraid that I have given very little time to aviation matters recently, and have been remiss in not writing you earlier in regard to the Advisory Committee report. You will remember that I was not prepared to argue the matter before the Cabinet when it came up some time ago. At that time certain information was put before me which I wanted to consider and weigh up in regard to its influence on my opinions.

This I have done and am more convinced than ever that our recommendations are sound. Here in Great Britain we are handicapped by weather and the existence of rapid rail transit on important through routes. The cross-channel routes specified in our recommendations are the most favourable opportunities which offer for purely British routes, and if they are encouraged and supported they will give us data and experience. On this experience we can found our future plans for overseas and foreign enterprises, and derive benefit for our constructional industry.

It is hard to say whether or not the present routes are on a paying basis; certainly they are not remunerative, and when capitalised, with the burden of high cost of new machines, they will pass through a difficult financial period. Accordingly, they should be assisted for two years.

I think capital would be difficult to find, enthusiasm difficult to maintain, and enterprise hard to evoke during this winter. Moreover, I understand that part of the Civil Vote is available, and I am strongly of opinion that it should be utilised in the form we suggested.

I enclose herewith a few general notes I have prepared on the position.

With kindest regards,

Yours faithfully,

WEIR.

The Right Hon. Winston Churchill, P.C.,
War Office, London.

Line of Argument.

I do not think the decision on State support to something so novel as civil aerial transport can be satisfactorily arrived at by any process of calm and logical reasoning. Imagination and intuition must play a part. It is useless speaking of civil aviation unless you have a clear conception of what is embraced by the term.

Aviation as a whole has three forms of activity: firstly, military or service aviation; secondly, the civilian industry of aircraft construction; and thirdly, the
civilian transport industry. The first two are established activities. The first is necessary for imperial defence and will without doubt continuously expand. The second was very large in war time. It is now small and is mainly dependent on the needs of the service form of aviation, and must adjust itself to the conditions imposed in the main by the military needs. The third form, civilian transport industry, is the form we have to consider. It is an industry born after the armistice. It is very small and very weak, and the only reason why it should receive any attention is on account of its possibilities. It is to-day in a position akin to pre-war military aviation, something untried but very hopeful.

My main reason for making this analysis of what is comprehended by civil aviation is to disclose that in Marshal Trenchard's Minority Report he confuses the constructional industry with the civil transport industry and he uses the cliché “the rank growth of war” quite effectively but also quite wrongly. We are dealing with an industry in its pioneer stages of development. The only thing which is clear is its important probabilities in regard to improving transport and communication for certain purposes and certain conditions which are not yet very definite. Its importance was recognised immediately after the armistice, and the Civil Department of the Air Ministry was formed. It was then settled to grant State aid of an indirect character to enable this potential industry to start work.

The use of aeroplanes for commercial purposes in northern latitudes is much circumscribed by weather conditions, by the relative perfection of existing forms of transport, and by the present impracticability of night flying. I believe there is no chance of success for any company operating even with a subsidy on any route within our islands. On the other hand there are great possibilities of success in many other parts of the Empire, but the cost of initiating such services is high, and progress will be very slow until experience is gained on which such schemes could be based.

Now there exist certain routes in the northern latitudes—routes from London to European capitals—where a variety of favourable conditions exist to counterbalance the handicaps of weather and the existing perfection of transport. These are routes of which the possibilities of commercial success are not yet sufficiently explored, but which appear to be very hopeful. Moreover, enterprise has already started on these routes and a little experience has been gained, and it is on these routes we recommend the concentration of effort.

In all pioneer work the initiatory spirit has not been dictated by commercial possibilities alone, but rather by keen technical enthusiasm and, to a certain degree, almost fanaticism. Now, these cross-channel routes are not commercially remunerative. At the best they are only encouraging in a financial sense. Moreover, one of their main lessons has gone to show that they require new types of machine for commercial success. Such new machines are very costly, while the machines they have been using are adapted war machines at a very low capitalisation. Accordingly any expansion in enterprise means considerable new capital expenditure which is not easily obtained on experimental propositions.

My opinion is that these existing services are of very great immediate value to the community and to British aviation progress. They are demonstrational in character and are yielding data as to costs and operation. They are showing what is needed in technical development and in the commercial and traffic problems. To-day they are the best air services which exist in the world. Accordingly I hold that they should be financially encouraged.

The Treasury letter asks for figures on cost of operation and on revenue. One of the main reasons for our recommendation was the necessity of obtaining these figures, because they do not exist yet with an accuracy on which future policy would be based. Our subsidy recommendation differs from the general type of Government subsidy. It is not a dole. The companies must incur their capital expenditure. They must show in a practical form their enterprise and faith. They must carry the passengers and the goods before the State contribution is earned. They must run all the risks. To-day we do not know whether the aeroplane is a commercial proposition or not, and in the national interest a definite answer to the problem should be forthcoming.

The wealthy sportsman pulled the motor car through its early struggles. War pulled the military aeroplane on to a sound foundation and established it for ever as a war weapon. We have neither the wealthy amateur nor war conditions to give the civil transport movement a decent trial. Private enterprise has done a great deal in the last twenty months. It is probably prepared to do still more, but in my view it should have some practical support. It is suggested that private enterprise should take the whole burden and the Government should stand aloof, and that this will cause
private enterprise to work harder than ever to achieve success. I believe that these services working with machines at low capital cost and requiring in the future to build new and expensive machines at a period of acute financial difficulty may stop. I consider the burden of their development should be lightened.

It is of rather extraordinary interest to know that the Treasury objections are not based on definite stringency or the necessity for economy, but that the Treasury turn down the proposal on the grounds of principle. Marshal Trenchard says subsidies should not be granted because subsidies are bad. I agree that in general they are bad, but not invariably so. The prestige—and prestige has a definite commercial value in the world—I say the prestige of the British mercantile marine was substantially enhanced by the advent of the “Lusitania” and the “Mauretania.”

Marshal Trenchard says the necessity for subsidies has not yet been shown. I think it a dangerous thing to wait until a necessity of this kind is absolutely proved because it may then be too late, and enterprise is not cheaply reawakened.

Marshal Trenchard recommends that any money available for subsidies should be applied to the building of experimental machines. In my opinion this is neither justifiable nor wise, because I assume that the Service Air Vote covers a sufficient sum for the building of experimental military machines. If this is not so, then our defence position is weak from the very important technical standpoint, but that must not be confused or complicated by what we are now discussing. If Marshal Trenchard means to build experimental civil machines I fail to see how the building of these can help the transport industry; if there is no transport industry then the design of the experimental machines cannot be dictated by the experience of use which is the only experience of value. No one knows what kind of machine is needed for civil work until experience has been gained by actual running of the service.

There also arises the question of who is to run the experimental civil machines.

The Treasury letter deals with civil aviation in a cold-blooded, unimaginative fashion. It evidently regards the industry as an established one, which it is not. I have seen one enormous world’s industry lost to Great Britain by lack of imagination—the Government were not to blame for this. I refer to the motor industry. I have no illusions about the difficulties of civil aviation, nor do I forget the financial stringency and the consequent difficulty of arguing for a grant of development money. Yet I do consider this expenditure which we recommend to be fully justified. You cannot obtain technical progress unless through the utilisation of material, and the best utilisation is in commercial work. If you achieve a measure of technical progress, it will react in strengthening the service side of aviation and the defence of our country.

Before you decide, I wish to make a suggestion. Go out to Croydon, which is the first complete terminal aerodrome in the world, and watch it at work for a couple of hours. See the machines with their passengers, goods and mails arriving and departing to Paris, Brussels, Amsterdam. Speak to the passengers, go into the custom-house, examine the character of the goods. The whole thing is full of romance and of practical possibilities. The service may be irregular, many of the arrangements very crude, but quite definitely the work is started and is being done. The possibilities are being disclosed and a new era in communication is being opened up. This has all been done in eighteen months. Think what might be done with some help in the next two years! Great Britain has many assets, the best pilots, the best designers and builders. It holds the highest technical position. It possesses the most practical authorities. It has gone all the great pioneer flights of the world, and in the British Empire there exists the most hopeful fields of utilisation of the air transport.

II.—Memorandum by Controller-General of Civil Aviation.

On the 13th October the Air Conference unanimously adopted the following resolution, moved by Major-General Sir R. M. Ruck, K.C.B., C.M.G., and seconded by Mr. G. Holt Thomas:

"The Air Conference, 1920, desires to record its emphatic opinion that the rapid development of civil aerial transport is vital to the interests of the Empire, not only as a means of developing its communications, but also as an essential element in its defence, and endorses the recommendations of Lord Weir's Advisory Committee on Civil Aviation and urges their adoption by His Majesty's Government."
Convinced of the great importance of civil aviation, as indicated in this resolution, I would recapitulate the urgent reasons for the adoption by His Majesty's Government of the recommendations envisaged in the Report of Lord Weir's Advisory Committee.

I would first emphasis the fact that there are considerations of a military, Imperial and commercial character which should compel us to ensure the existence and future expansion of civil aviation. It may be regarded as certain that in future wars supremacy in the air will be as vital as supremacy on land or sea, but no nation can afford to maintain a standing air force sufficiently large to meet all requirements in emergency, and therefore a reserve must be available. I submit that such a reserve can only be provided through the skilled pilots, the experience, the research, design and construction, and, above all, the widespread spirit of airmanship fostered by a flourishing commercial air transport and construction industry.

From the point of view of commerce, a very rapid method of transport and intercommunication has been discovered, and history shows that such discoveries have always eventually resulted in the wide adoption of the new motive power in the interests of business and social intercourse. The number of letters and passengers and the weight of goods carried by aircraft during the first fifteen months of civil aviation has shown a steady, though slow, progress, and there is every reason to assume that, with continued improvement in the regularity of services, this number will increase in geometric progression because speed saves time, time saves money, and business firms using air transport will enter into successful competition with those who do not, thus gradually forcing the majority of the business world to enter the field.

France, the United States, and especially Germany, are concentrating considerable effort on the promotion of air services, and are not likely to relax these efforts. The first country which achieves success, i.e., places commercial aviation on a paying basis, will establish a lead which, if we lag behind, we may not be able to reduce.

The strategic importance of linking up the component parts of the Empire by the fastest method of transport is obvious, and its commercial importance will develop, especially as the Empire offers the long distances which bring out the full advantages of aircraft. Development will probably take the form of gradually co-ordinating local enterprise, and this cannot be done by service aviation. The failure of the mail service carried out by the Royal Air Force between Karachi and Bombay is significant in this respect. Development must be left to commercial aviation, and there is evidence to show that the Dominions and Colonies are looking to the Mother Country for a lead and fixing their attention on the results achieved by the air services we have inaugurated. I am therefore of opinion that, unless these services are ultimately successful, Imperial commercial aviation will suffer a serious setback.

If it is accepted, as it must be, that the promotion of civil aviation is necessary from the point of view of national security and of commercial, social and Imperial intercommunication, the question arises as to whether it can be kept alive by private enterprise, and the answer must be given that it cannot. A large number of firms concerned with aircraft design and construction have already closed this branch of their activities, and all the evidence at my disposal tends to prove that the position of the firms still in existence and of the companies operating the few air services we possess is precarious in spite of the indirect assistance, such as the provision of aerodromes, meteorological and wireless facilities, research, &c., at present afforded by the State. The reasons for this failure may be summarised as follows:

1. The public has not as a whole learned to benefit by the increased speed provided. For instance, though the number of letters carried by the air mail services is steadily growing, it is still infinitesimal compared to that of ordinary mails.
2. Though air travel is not yet so safe as other means of transport, its danger is greatly magnified in the popular imagination.
3. In Great Britain, air services must enter into competition with a network of night mail-train services, and therefore, until night flying is a practical proposition, they are confined to continental traffic.
4. In spite of the improved regularity of air services, fog and mist are still deterrent factors.
5. Sufficient capital is not available for companies to cover the cost of depreciation and the purchase of new machines more suitable to commercial work.

These symptoms are neither chronic nor incurable. Given the same rate of progress as has been achieved during the past two years, many of the difficulties militating against remunerative financial returns will be overcome, but a modus vivendi must be
discovered to tide over the experimental period, and it is for this reason that I urge the temporary grant of direct Government assistance as the only method of preventing complete stagnation and the consequent grave risk to our military and commercial supremacy.

To my mind the only debatable point is the form this assistance should take.

There is a considerable section of opinion which believes that a subsidy should take the form of the surrender of all mails to certified air services on specified routes. This development is, in my opinion, bound to come, but there is the objection that at present air services cannot carry mails by night. Further, the Post Office would have to accede to this suggestion. In the words of the Advisory Committee's Report, "the distance between London and Paris is too short and the saving in time insufficient to induce the Post Office to dispense with existing mail services in favour of transport by air," and "the development of air transport has scarcely attained such perfection as to make it possible to rely on the regularity in present conditions of such a service."

I am therefore forced to the conclusion that, if commercial aviation is to tide over the difficult period of experiment which lies ahead, the following scheme of temporary State assistance outlined in the report must be adopted: Direct assistance should be given, limited to a maximum sum of 250,000L, within two financial years, and payments to companies operating on approved routes should be calculated on the basis of 25 per cent. of the certified gross revenue of each company (exclusive of the Government grant) earned by the carriage of passengers, mails or goods. Certain additional safeguards are provided for.

This scheme has the advantages of making the amount of the individual grants to air transport companies conditional on the regularity of the service and proportional to the actual amount of income received from the public using the service, i.e., to the actual work done and useful experience gained, and of placing the relationship between transport companies and the Post Office on a purely commercial basis, when seeking mail contracts.

I would emphasise once more that the assistance required is only of a temporary character, as I am convinced that once the initial difficulties are overcome and the results of experience and research, unharnpered by financial stringency, bear fruit, commercial aviation will become a purely business proposition.

I may add that the opportunity afforded by the Air Conference was taken by the press to give considerable space to the discussion of State aid, all the newspapers emphasising the importance of commercial aviation, and the majority advocating direct State assistance. Though there was some divergence of opinion as to the form this should take, it will be seen from the extracts appended that an influential section favoured a direct subsidy.


Annex.

Newspaper Extracts.


There was a consensus of opinion among the various speakers that, failing the organisation of a gigantic fighting service, the country would have to depend to a large extent in the event of another great conflict upon the services that commercial aviation would be able to render. The organisation of mail services with the Continent has been entrusted to air transport companies, but it is the general opinion of experts that if these, and similar services, are to be developed to their fullest usefulness, a form of subsidy, such as is granted in the case of ocean liners will be necessary. It is for the Government to decide what can be done with due regard to the heavy commitments to which the country is already bound, but the Conference has at least made clearer the need for the careful consideration of policy in the light of the requirements of national defence.

"Pall Mall Gazette" October 12.

France, Germany and the United States of America are not impressed by the unimaginative correctness which shudders at the thought of public assistance to a new
industry. In this country commercial aviation gets nothing but a grudging and gingly patronage, and the attitude of the Post Office towards the Air Mail Services across the Channel suggests a very lukewarm species of goodwill. Commercial aviation cannot be expected to show any remarkable enterprise at the present unremunerative stage of its development if it is given to understand that the State does not care whether it survives or not.


The constructional industry is rapidly dying out; 95 per cent. of the firms engaged in it have closed down, and there is the gravest danger that the same fate may overtake those that remain, with the result that the technical staffs will be disrupted and reliance have to be placed for future supplies of aircraft on foreign countries. The Government must act, and act quickly. We admit that the immediate solution is only to be found by the grant of subsidies in various forms. We shall hope to hear that the Government intend to deal with the subject in a businesslike spirit, and to supply the comparatively small sum, estimated to-day at from 100,000l. to 150,000l. a year, to keep commercial air transport services in being.

"The Times."

October 13.—The question is how best to encourage commercial aviation. There was unanimity that this must be done, and that the task is not likely to throw an intolerable burden on the national finances. We agree with the Conference that the Government must give direct assistance, and that Mr. Winston Churchill's phrase as to clearing the way for commercial aviation represents only a small part of the national duty.

October 15.—The immediate practical point is to promote commercial aviation. The handing over to two transport companies of first-class mails will secure the clearing flow of commercial aviation by making a demand for new and better machines, but it was apparent at the Conference that this will not suffice. The transport companies still require a subsidy for at least a sufficient number of years to set them on their legs. It is generally believed that 25 per cent. of their gross receipts will suffice, and it would be a stimulus to competitive service. It must be remembered that an engine or an aeroplane, which, when tried out, might cost respectively 1,000l. or 4,000l. to produce in numbers, cost many times these sums to design, construct, modify experimentally and try out. A subsidy of 30,000l. annually to each of some half-dozen first-rate firms for five years on definite conditions would be a cheap investment for the nation.

"The Morning Post."

October 14.—Lord Weir urged the grant of financial support at once. We think Lord Weir is right. The Government are already responsible for the maintenance and development of military aviation and these must be intimately associated with civil aviation. So long as the principle of State support be admitted, the actual relations of the Government and private firms should be easily arranged, and it is therefore to be hoped that the Conference will have achieved the practical result of inducing the Government to take the necessary action.

October 15.—There is great need for the Government to subsidise such a branch of enterprise as aerial mail services in view of the fact that there are, no doubt, two or three very difficult years before us. Some measure of Government assistance is essential because the industry in this country is in a topsy-turvy state, and will not be able to secure the necessary financial support to start and continue new air services unless the public realises that the Government means seeing this thing through the initial stages.


The Royal Air Force not only possesses scant reserves of trained man-power, but relies for material upon an industry which is languishing practically to extinction. If the aerial defences of this country are to be rendered secure, commercial aviation must be made to pay. The State has in many ways encouraged the shipping industry, regarding the matter as one both of profit and of prestige. We are convinced that the Government has rightly interpreted the national will in deciding to help civil aviation
by every means in its power. If it be found that the emergency cannot be met by the Postal authorities, then the Treasury must come forward.


We congratulate Mr. Churchill upon his announcement yesterday at the Air Conference luncheon that the Government intend to help civil aviation by every means in their power. Such aid is wanted at once. No administration can afford to neglect the service which is vital to the national safety, as our bitter experiences in the late war show. With reasonable assistance airmanship can be made to pay, but it needs to be helped through the critical period when its vast commercial potentialities are imperfectly understood.