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CABINET.

CIVIL AIR TRANSPORT.

MEMORANDUM BY THE SECRETARY OF STATE FOR AIR.

ALTHOUGH the Chief Whip's memorandum upon the business of the House shows a very full programme, I must ask the Cabinet to give me time during the autumn session for the passage of a short Enabling Bill in connection with Civil Air Transport.

The position is as follows:—

For the last twelve months I have been engaged almost incessantly on the task of—

1. Bringing into line the various interests connected with the cross-Channel air services.
2. Making a satisfactory technical and financial agreement with Commander Burney for his Imperial airship scheme. I have just reached agreement in the first of these tasks, and I hope to reach agreement upon the second in the course of the next few days.

Both agreements will conform with the decisions that have already been taken by the Cabinet, but both, owing to the fact that the contracts will be spread over a number of years, in the opinion of the Treasury, need Parliamentary ratification. Moreover, if they are to be carried into effect, they must be carried into effect at once, or the financial interests behind them will most probably withdraw.

In the case of the cross-Channel air services, the Air Ministry, in collaboration with the Treasury, have made what appears to them to be a satisfactory draft agreement with the British, Foreign and Colonial Corporation under which a single National Company, representing the four existing companies and strengthened by the addition of Government directors and city men of standing, will be formed and £500,000 of private capital put into the undertaking. In return, the Government will undertake to give £1,000,000 in subsidies over a period of ten years. As things are now, the Air Ministry is giving £200,000 a year in subsidies to four separate and weak companies. From the financial point of view, therefore, the bargain is a good one, as the future subsidy will work out upon an average at only £100,000 a year. From the aviation point of view, there will be a real chance of big future developments and the possibility of civil air transport becoming a national asset. The British, Foreign and Colonial Corporation insist that the immediate ratification of the contract is essential if the private capital is to be found.

The obvious advantages of the scheme, therefore, will be lost if I cannot at once implement the draft agreement.

As to the Burney scheme, the details are also practically settled. Here, again, I consider that, if the agreement is ratified, the Government will have made a not unsatisfactory bargain. The Cabinet has already decided upon the revival of airships on the ground of their strategic value. Moreover, I am convinced that to achieve comparable results by any method other than that of subsidising a commercial company would cost the Exchequer a great deal more.

The scheme is divided into three stages, and in each stage a certain standard of performance will have to be reached. During the first stage, for which the operating company will receive a subsidy of £400,000, Commander Burney will have to construct a giant airship and fly it to India in a hundred hours. In the

second stage, for which a subsidy of £1,200,000 (£400,000 a year for 3 years or its equivalent) will be payable, he must construct a further two airships and establish a weekly service between England and India. In the third stage, during which a further subsidy of £1,200,000 will be payable on the same lines as in the second stage, three airships must be constructed and a bi-weekly service to India established. Subsequently, Commander Burney will, for eight years, be paid by results, with a maximum of £250,000 a year for six giant airships in commission, maintaining a bi-weekly service to India. Further—and this is in my view a cardinal factor in the position—he is undertaking to produce during the first three stages £500,000 of private capital, and the payment of the subsidy is contingent on this private capital being forthcoming.

Here, again, I am convinced that, if the agreement is to become valid, I must act at once and obtain Parliamentary approval.

Parliamentary approval will most certainly mean nothing more than an Enabling Bill of one or two clauses making it possible for the Air Ministry officially to sign the contracts which will either be scheduled or circulated as White Papers. As it will not be possible to alter the schedule or White Paper, the Bill or Bills (if it is found that two Enabling Bills are necessary) should take a very short time. Moreover, so far as I can judge, there is a strong body of agreement in the House behind both these projects, and a very wide demand in the country for carrying them into effect with the least possible delay.

Whilst I much regret to have to press for time at this eleventh hour, I must inform the Cabinet that the delay is not due to me, as it is only in the last few days that months of negotiations have been brought to a satisfactory issue. I now go so far as to say that the successful future of civil air transport in this country depends to a large extent upon the speedy ratification of the agreements, and, loath as I am to add further to a very heavy programme, I must press upon my colleagues as strongly as I can the extreme importance of finding time for these urgent proposals.

S. H.

*Secretary of State for Air.*

*Air Ministry, November 1923.*

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