

asked why the same degree of expedition could not be achieved by the Board's making its plans earlier, but, were this to be done, these plans would be based on less information about future demand and on a less advanced technology. Also relevant is the fact that detailed specifications are at present decided upon, not by the Board alone, but by the Board and the appropriate manufacturer after the bulk allocation of work.

It is worth noting that the system of bulk allocation enables the Board, if it chooses, to distribute work among the firms in accordance with their relative advantages in capacity, skills, experience and the like. Competitive bidding, of course, is itself a system of allocation which, ideally, ensures that orders go to the firms able to execute them most cheaply. It seems doubtful to me, however, that it could in practice promote as efficient a distribution of work as it is possible to achieve directly, with only one buyer and four sellers. Different firms have different methods of costing and may have different ideas about the bids that others will submit, so that the prices quoted for particular jobs need not closely reflect the relative ability of firms to undertake them.

Work has, in the past, been distributed between the firms in such a way that intertrading has had to take place on a fairly considerable scale. Up to 40 per cent of the value of a particular contract obtained by one of the firms may be represented by components bought from the others, the prices paid being those listed in the agreed schedules subject to a handling discount. Where there are significant economies of scale in the production of particular components, this arrangement has much to commend it, but I cannot believe that it would for long endure under a regime of competitive pricing. In the absence of the agreement, firms would be free to vary both the prices they quote to the Board, for main contracts, and the prices they quote to each other for the supply of components. Thus a firm competing for a main contract could demand prohibitive prices for the supply of essential components required by its rivals. If all four firms had given hostages to each other in this way, then one might hope that they would refrain from any attempt thus to hold each other up to ransom. But at present there is one firm nearly self-sufficient and therefore in a stronger position for this type of warfare than the others. It seems to me, therefore, that the present measure of rationalisation, let alone further extension of it, would clearly be prejudiced by the introduction of price competition. Each firm would be likely to strive for self-sufficiency, as far as its rivals are concerned, or run the risk of being put out of business. This consequence of price competition, as most of the others, cannot be predicted with certainty; it would be foolish to imagine that we are able to identify simple and dependable links between cause and effect in affairs of this kind; new or unperceived circumstances can easily upset one's speculations. The point I make is that, on the face of it, price competition is incompatible with rationalisation of the kind described; it is up to the protagonists of such competition to show either that this incompatibility is illusory or that the rationalisation achieved, or capable of achievement, is not worth preserving.

Further co-operation takes place, between the buyer and the producers, and between the producers themselves, in the development of standardised equipment. The aim is to provide components that are interchangeable, thereby