2 Return to the Status Quo

The management faced many new problems in resuming chassis manufacture in 1919. A large volume of unfulfilled orders received just before and during the war had been placed in chronological order and the customers informed that their orders would be executed as soon as possible. Many had signed contracts for chassis at pre-war prices or provisional prices which bore little relation to post-war costs, and this error of judgement required tedious negotiation with each individual customer. To preserve goodwill Johnson decided that the order had to be fulfilled at the agreed price if the customer would not voluntarily agree to an increase. Apart from these orders demand was a completely unknown quantity. The important export trade had been completely disrupted and had to be re-established under very different conditions, often in the face of heavy tariffs (the French tariff was 70 per cent) imposed for balance of payments reasons or to protect the recovery of local vehicle manufacture. The damage which war causes to the commercial structure of the economic system is usually far more serious than the destruction of physical assets. Its repair depends upon the re-creation of mutual trust and confidence and economic stability. Both are invariably absent in the immediate aftermath of a war.

Manufacturers in England were, moreover, apprehensive of the power of labour. Johnson had come to the conclusion quite early in the war that England would not provide a suitable market for the Rolls-Royce car. Many suggestions that the firm should manufacture abroad were carefully considered. The car’s pre-war reputation had been enlarged by the outstanding achievements of the armoured car and the aero-engine,¹ and proposals were made by Messrs Handley-Page that Hispano-Suiza should manufacture the aero-engine under licence in Spain, and by Vickers that a Vickers-Rolls-Royce factory should be built in Australia. A request for a licence to manufacture the Eagle received from the Imperial Japanese Navy was politely declined. The Handley-Page offer was also turned down, mainly on the quite accurate grounds that Rolls-Royce was not able to provide the necessary staff. The Vickers proposals to form a joint company to be known as

I. Lloyd, *Rolls-Royce*
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Vickers-Rolls-Royce Aviation reached a fairly advanced stage, but the project did not materialise, probably for reasons which may be judged from the earlier negotiations on a different subject. More serious consideration was given to the offer of a section of the British Government aero-engine factory at Clichy, in France. Johnson inspected this, but rejected the offer on the grounds that Hispano-Suiza intended to lease adjoining shops for the manufacture of their chassis. He also visited a works at St Denis which he thought might be purchased for £180,000, but though he thought this a more serious possibility the board did not approve.

Attractive though many of these schemes appeared at first sight, management's main concern was to assure a market for the output of the Derby works, which had been greatly enlarged by the war. The fees received from licences for foreign manufacture would hardly be sufficient to compensate for a severe reduction of Derby output. Though the company's experience in the United States was of a somewhat different character, this confirmed the wisdom of the decision to concentrate output at Derby.

The Silver Ghost chassis produced in 1919 was not substantially different from that produced in 1914. Royce had not much opportunity during the war to consider the problems of car design, still less to design a new chassis. The idea of designing a completely new chassis just for the sake of doing so would in any case have struck him as very foolish. Royce had never submitted to the tyranny of an annual model produced to give an impression of progress which has not taken place.

Soon after the war Royce set to work on the design of a 20 h.p. car known as the Goshawk which was eventually to appear in 1922. The management was afraid that the market would not support the sales of the 40/50 h.p. at a level of output which they considered economic, and that the constant increase in its cost of manufacture would price it right out of the market. The pre-war works cost of the 40/50 h.p. chassis was £506 (made up of wages £124, materials £196 and overheads of 150 per cent on wages) and it was estimated that the war had increased this figure to £1083. To this figure had to be added the agent's fee of 20 per cent on the selling price of £1145, which increased the cost to £1373, the final profit thus being £77 per chassis on those sold through the trade, and £387 on those sold direct by the firm. In a footnote to this particular estimate appears the comment that 'both labour and material costs at the moment are purely a matter of guesswork'. Royce thought that the price should be fixed between sixteen and eighteen hundred