

PUBLIC CONTROL OF THE BRITISH
BUS INDUSTRY: THE ORIGINS AND EFFECTS OF
LEGISLATION IN THE 1930S AND 1940S

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LONDON FOR THE DEGREE OF PHD

BY

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ABSTRACT

This thesis is concerned with the public control of motorised passenger-carrying vehicles and the effect of control on the development of this sector of the transport industry.

The thesis consists of three main sections. In the first part, the origins and implementation of the Road Traffic Act, 1930 are examined. This Act marked the beginning of public control on the bus and coach industry which was then a relatively young and rapidly growing sector of the total transport industry.

The implications for road passenger transport following the nationalisation proposals introduced by the Transport Act, 1947, are examined in the second part of the thesis. The 1947 Act did not specifically provide for radical changes in the public control. However, in making provisions for nationwide Schemes for road passenger transport it lay the foundations for substantial change. This section considers the progress of these Schemes and, in particular, documents the slow progress of the first of these for North Eastern England.

The final chapter brings together information from the two earlier sections and highlights the more important differences and similarities in approach of the two pieces of legislation.

The main objectives of the thesis are to analyse the background and implementation of these two Acts and to place this analysis into an economic framework. The examination of each of the two Acts commences with a review of pertinent economic theory before considering the historical evidence and reaching conclusions about the relevance of economic theory in contributing to our understanding of these events.

The analysis benefits from access to new source material: these include Government and Cabinet papers and information from personal interviews conducted with people working in the industry when the Acts were passed.

Reference to these new primary sources, in conjunction with a more formal economic framework, has led to a new interpretation of the origins of the Road Traffic Act, 1930, and a substantially more complete knowledge of the problems involved in developing a unified system for road passenger transport under nationalisation. In addition, the provision of an economic framework permits greater analysis not only of the individual Acts but of their similarities and differences and leads to a greater understanding of the legislative process in the transport sector.

CONTENTS

	page
LIST OF TABLES	6
LIST OF FIGURES	7
P A R T I	
CHAPTER ONE: SETTING THE SCENE AND THE OBJECTIVES OF THE THESIS	
1. INTRODUCTION	9
2. THE OBJECTIVES OF THE THESIS	10
3. LEGISLATION GOVERNING THE OPERATION OF THE MOTOR BUS	12
4. THE IMPACT OF THE INTERNAL COMBUSTION ENGINE	15
5. THE STATE OF THE INDUSTRY AND ITS STRUCTURE 1918 - 1930	21
NOTES TO CHAPTER ONE	31
CHAPTER TWO: THE ECONOMIC FRAMEWORK FOR REGULATION	
1. INTRODUCTION	33
2. ECONOMIC PRINCIPLES AND ECONOMIC EFFICIENCY	34
3. ECONOMIC THEORIES OF REGULATION	40
4. SUMMARY	46
NOTES TO CHAPTER TWO	48
CHAPTER THREE: THE ORIGINS OF THE 1930 ROAD TRAFFIC ACT	
1. INTRODUCTION	49
2. THE ORIGINS OF THE 1930 ACT AS EXPLAINED BY CONTEMPORARY AND MODERN LITERATURE	51
3. HOW CONTROLLING PASSENGER-CARRYING VEHICLES BECAME AN ISSUE: THE NEW EVIDENCE	53
4. THE HACKNEY VEHICLES COMMITTEE	59
5. THE ROYAL COMMISSION ON TRANSPORT	76
NOTES TO CHAPTER THREE	88
CHAPTER FOUR: THE FIRST TEN YEARS OF OPERATION OF THE 1930 ROAD TRAFFIC ACT	
1. INTRODUCTION	95
2. THE 1930 ROAD TRAFFIC ACT AND ITS ADMINISTRATION	97
3. THE CHANGING INDUSTRIAL STRUCTURE	105
4. POLICY CONSIDERATIONS ON ROAD SERVICE LICENCES	111
5. FARES AND PROTECTION	133
6. CONCLUSION	147
NOTES TO CHAPTER FOUR	149
CHAPTER FIVE: CONCLUSIONS ON PART I: THE PUBLIC CONTROL OF PASSENGER- CARRYING VEHICLES BY THE 1930 ROAD TRAFFIC ACT	
1. INTRODUCTION	153
2. THE THEORY	153
3. THE ORIGINS OF THE 1930 ACT	157
4. THE IMPLEMENTATION OF THE 1930 ACT	160
5. THE RELEVANCE OF THEORY	163
NOTES TO CHAPTER FIVE	171

P A R T I I

CHAPTER SIX: NATIONALISATION WITHIN AN ECONOMIC FRAMEWORK

1. INTRODUCTION	173
2. THE QUESTION OF OWNERSHIP AND ITS IMPACT ON MANAGERIAL INCENTIVES	174
3. OWNERSHIP, ALLOCATIVE EFFICIENCY AND COMPETITION	176
4. OWNERSHIP STRUCTURE AND X-INEFFICIENCY	177
5. SUMMARY	179
NOTES TO CHAPTER SIX	181

CHAPTER SEVEN: THE 1947 ACT: ITS UNDERLYING PHILOSOPHY, ITS PROVISIONS AND ITS ADMINISTRATION

1. INTRODUCTION	182
2. PHILOSOPHY UNDERLYING THE 1947 ACT	182
3. THE 1947 ACT	186
4. THE ADMINISTRATION OF THE 1947 ACT	188
5. THE STATE OF THE ROAD PASSENGER INDUSTRY AT THE TIME OF NATIONALISATION	192
NOTES TO CHAPTER SEVEN	200

CHAPTER EIGHT: THE PREPARATION OF ROAD PASSENGER AREA SCHEMES

1. INTRODUCTION	204
2. THE CHOICE OF AREA AND TYPE OF SCHEME	204
3. THE NORTHERN AREA SCHEME	213
4. THE PREPARATION OF AREA SCHEMES FOR THE REST OF THE COUNTRY	237
NOTES TO CHAPTER EIGHT	243

CHAPTER NINE: CONCLUSIONS ON PART II: THE PUBLIC CONTROL OF PASSENGER-CARRYING VEHICLES BY THE 1947 TRANSPORT ACT

1. INTRODUCTION	245
2. THE THEORY	245
3. THE 1947 ACT	248
4. THE STATE OF THE BUS AND COACH INDUSTRY ON IMPLEMENTATION OF THE 1947 ACT	250
5. THE PREPARATION OF ROAD PASSENGER AREA SCHEMES	250
6. THE RELEVANCE OF THEORY	252
NOTES TO CHAPTER NINE	261

CHAPTER TEN: CONCLUSIONS

1. INTRODUCTION	262
2. THE TWO ACTS	263
3. FURTHER WORK	266
NOTES TO CHAPTER TEN	269

REFERENCES	270
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ACKNOWLEDGEMENTS	275
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TABLES

Table 1.1 Number of licensed stage carriage vehicles in London

Table 1.2 The number of bus undertakings

Table 1.3 Vehicle distribution by ownership

Table 1.4 Passenger journeys by mode

Table 3.1 Tramway ownership in 1920

Table 3.2 Accidents caused by motor omnibuses in the Metropolitan Area

Table 3.3 Growth in Central London Traffic

Table 3.4 Fatalities caused by street accidents per 100,000 estimated population

Table 4.1 Operators and licensed vehicles by Traffic Area in 1934

Table 4.2 Previous occupations of the first Traffic Commissioners

Table 4.3 Operators and vehicle fleet size

Table 7.1 Number of vehicles (buses and coaches) outside London

Table 7.2 Vehicle miles by ownership (buses and coaches) outside London

Table 7.3 Passenger journeys by ownership (buses and coaches) outside London

Table 7.4 Number of passenger journeys outside London by type of service

Table 7.5 Profitability in money terms (buses and coaches) outside London

Table 7.6 Vehicle distribution by size of operator outside London.

Table 8.1 Provisional timetable for Northern Area Scheme

Table 8.2 Undertakings proposed for transfer to the BTC

FIGURES

Figure 1.1 Motor vehicles in use 1910-1950

Figure 1.2 Growth of motor cars and motor buses 1904-1950

Figure 1.3 Bus undertakings by ownership 1918-1930

Figure 1.4 Changes in average fleet size 1918-1930

Figure 1.5 Passenger journeys by mode 1918-1930

Figure 7.1 Market shares in the bus and coach industry in 1949

Figure 8.1 Proposed boundaries of the Northern Area Scheme

PART I

CHAPTER ONE

SETTING THE SCENE AND THE OBJECTIVES OF THE THESIS

1. INTRODUCTION

The Road Traffic Act, 1930, was the first piece of legislation imposing statutory control on all the nation's bus and coach industry. The important features of this Act included the introduction of quantity licensing in the form of requiring a Road Service Licence for each route undertaken by a bus operator together with the implementation of a uniform safety standard. The Act set up a new body, the Traffic Commissioners, to administer the Act and their early decisions form an important part of this thesis.

In contrast, the Transport Act, 1947, did not specifically provide for a radical change in the public control of the road passenger transport industry although it laid the foundations for the potential for substantial changes in this respect. The 1947 Act was the fulfilment of the post war Labour Government's policy to transfer all transport assets to the public sector as the way of co-ordinating and integrating the nation's transport. As such, road passenger transport was only part of this overall policy.

The purpose of this chapter is to outline the objectives of the thesis and to set the scene for a discussion of the introduction and changes to the public control of the British bus industry. The beginnings came with the passing of the Road Traffic Act, 1930, the first comprehensive parliamentary measure for the industry. This occurred some thirty years after the emergence of the motor vehicle and the revolutionary impact of motor traction on the world of transport.

CHAPTER ONE

This chapter begins by stating the objectives of the thesis before turning to the legislative framework into which the motor bus was 'born'. Finally, the development of the internal combustion engine is examined so as to determine its impact on the industrial structure of the bus industry prior to 1930.

2. THE OBJECTIVES OF THE THESIS

The two Acts of Parliament considered by this thesis are of particular importance not only to the contemporary bus and coach sector but also to the current day operation of such vehicles. The first Act, the Road Traffic Act, 1930, marked the beginning of public control on this relatively young and rapidly growing sector of the total transport industry. Its impact was significantly to influence the development of the industry and to affect its industrial structure so that current day bus and coach operations remain influenced by this early legislation. In contrast, the Transport Act, 1947, made provisions for wide ranging changes in the structure and public control of the road passenger transport sector although the full potential of the proposed changes were not realised. Thus an examination of these Acts is important not only for the impact which they had on the industry at the time but also for their longer term influence.

Analysis of the historical evidence relating to these Acts has been limited in the past by the availability of important source material. In particular, the thirty year rule imposed on most Government and Cabinet papers has prevented a full insight to the thinking and processes behind the legislation. The research undertaken for this thesis benefits from access to such sources together with new information from personal interviews with people working in the industry at the time the Acts were

CHAPTER ONE

passed. This information, together with the records of many key figures in the contemporary industry, has allowed a much fuller discussion of the events which led to these Acts being passed and the way in which they were implemented.

There have been many factors which have led, more recently, to a growing interest in the early public control of the bus and coach industry. The most important, perhaps, has been the way in which the growth of private motor travel has played a significant part in the erosion of the bus sector's profitability. This in turn has led to an examination of the industry's current 'problems' and the passing of the Transport Acts of 1980 and 1985 in an attempt to prevent further decline. These Acts 'deregulated' buses and coaches and thus freed their operation from the central plank of the 1930 Act's control, that of quantity licensing. One of the motivations for the research presented in this thesis was to develop a framework for further discussion on the present day problems of public transport by establishing a better understanding of what happened in the early days of the industry's development.

In creating the basis for such discussion, economic theory plays an important role. It provides a clear framework within which to analyse the events which occurred. In this approach, the historical evidence acts as empirical evidence and allows a number of questions to be asked. For example, were the initial concerns which led to the legislation ones which economic theory would suggest were important and, if so, did the legislation provide the institutional and legal framework for their resolution? In addition, it is possible that using historical evidence in this way may even suggest that current economic theory has deficiencies. Thus economic theory plays more of a central role in this research than previous expositions of the same events.

CHAPTER ONE

The main objectives of this thesis can therefore be summarised as first, to examine the background to both these pieces of legislation and second, to place it into an economic framework. In this process, the background and the implementation of the Acts are considered as the 'empirical evidence' for the relevant body of theory.

For convenience, the thesis is divided into two parts: Part I considers the Road Traffic Act, 1930, and Part II the Transport Act, 1947. Each part commences by a review of pertinent economic theory before examining the historical evidence and reaching conclusions about the relevance of economic theory in contributing to our understanding of the events which happened. The final chapter presents more general conclusions as well as drawing together the similarities and differences of Part I and Part II.

3. LEGISLATION GOVERNING THE OPERATION OF THE MOTOR BUS

Before the 1930 Act achieved Royal Assent, road vehicles which carried passengers for hire or reward could be subject to the Town Police clauses Acts of 1847 and 1889. The Town Police Clauses Act of 1847 was originally concerned with the regulation of hackney carriages and the Act of 1889 extended these provisions to deal with additional problems presented by omnibuses for omnibuses were, up to this time, legally defined as hackney carriages.

The Town Police Clauses Act, 1847, codified and consolidated those clauses which the Police Authorities had already found necessary or desirable to obtain in Local Acts. So far as the regulation of road vehicles were concerned, the 1847 Act provided:

"the Commissioners may from time to time license to ply for hire within the prescribed distance, or if no distance is prescribed, within five miles of the general post office of the city, town or place to which the Special Act refers... such

CHAPTER ONE

number of hackney coaches or carriages of any kind or description adapted to the carriage of persons as they think fit." ⁽¹⁾

The Commissioners were defined as "the Commissioners, trustees or body corporate entrusted by the Special Act with powers for executing the purposes thereof" ⁽²⁾. Hence, the provisions of the 1847 Act could not be enforced in any area unless the local authority had first obtained powers in a Special Act of Parliament.

Sections 171 and 276 of the Public Health Act 1875 extended the powers under the 1847 Act. Section 171 conferred the powers granted under the 1847 Town Police Clauses Act on all urban authorities making it unnecessary to procure a Special Act for their implementation whilst Section 276 permitted the provisions to be declared in force in rural areas when requested and achieved by an Order from the Minister.

In 1889, the appropriate provisions of the 1847 Act were extended, with certain amendments, to omnibuses. The Act defined an omnibus as "including every omnibus, wagonette, brake, stage coach and other carriage, plying or standing for hire by or used to carry passengers at separate fares to, from or in any part of the prescribed distance." ⁽³⁾ The Act excluded tramcars, any carriage previously hired and operating from private premises, railway vehicles used for conveying passengers and their luggage from railway stations and any omnibus starting from outside the prescribed area and bringing passengers within the prescribed area but not standing or plying for hire within the prescribed area. The prescribed area in each case was the local authority empowered by the Acts to become a licensing authority.

The Acts of 1847 and 1889 empowered licensing authorities to make bye-laws as well as to license vehicles, drivers and conductors. Bye-laws could be made to regulate the conduct of owners, drivers and conductors;

CHAPTER ONE

for securing the fitness of the vehicle; for fixing the stands of the buses and the points at which they could stand. The possible standard of control was therefore quite high although these Acts were infrequently enforced at their maximum. In London, separate legislation which empowered the Metropolitan Police to license hackney carriages had been introduced as early as 1831 by the London Hackney Carriage Act: this Act was extended formally to omnibuses by the Metropolitan Public Carriage Act, 1869.

The Town Police Clauses Acts were, however, vague and much time was spent in litigation determining the meaning of words not defined, but used, in the Acts, for example the meaning of 'in the street'. As the meaning of such phrases were periodically determined by the courts a confusion of case law sprang up which hindered even the small likelihood of uniform application. Moreover, by exempting privately hired vehicles from the scope of these Acts, vehicles which had been condemned as unsuitable or unsafe for omnibus licensing were often forced into the private hire world where control was avoided: this was regarded by contemporary critics as one of the more unsatisfactory aspects of these two Town Police Clauses Acts. But, as the Acts were passed in the days of horse traction they did not take account of the greater speeds and distances possible when motor vehicles came on the scene in the twentieth century.

In the 1920s, therefore, town councils, urban district councils and any rural district council, having obtained the necessary Order from the Minister of Health, could use the powers vested in the Town Police Clauses Acts of 1847 and 1889 for the control of hackney and omnibuses or stage carriages. But, although these authorities were entitled to use the powers invested in them, there was no statutory obligation to do so. In contrast to later legislation, it should be noted that local authorities could only

CHAPTER ONE

license the vehicle and not the route: if a vehicle was licensed to ply for hire in its own particular area then it was entitled to ply for hire anywhere in that area without restriction as to time, place or fares.

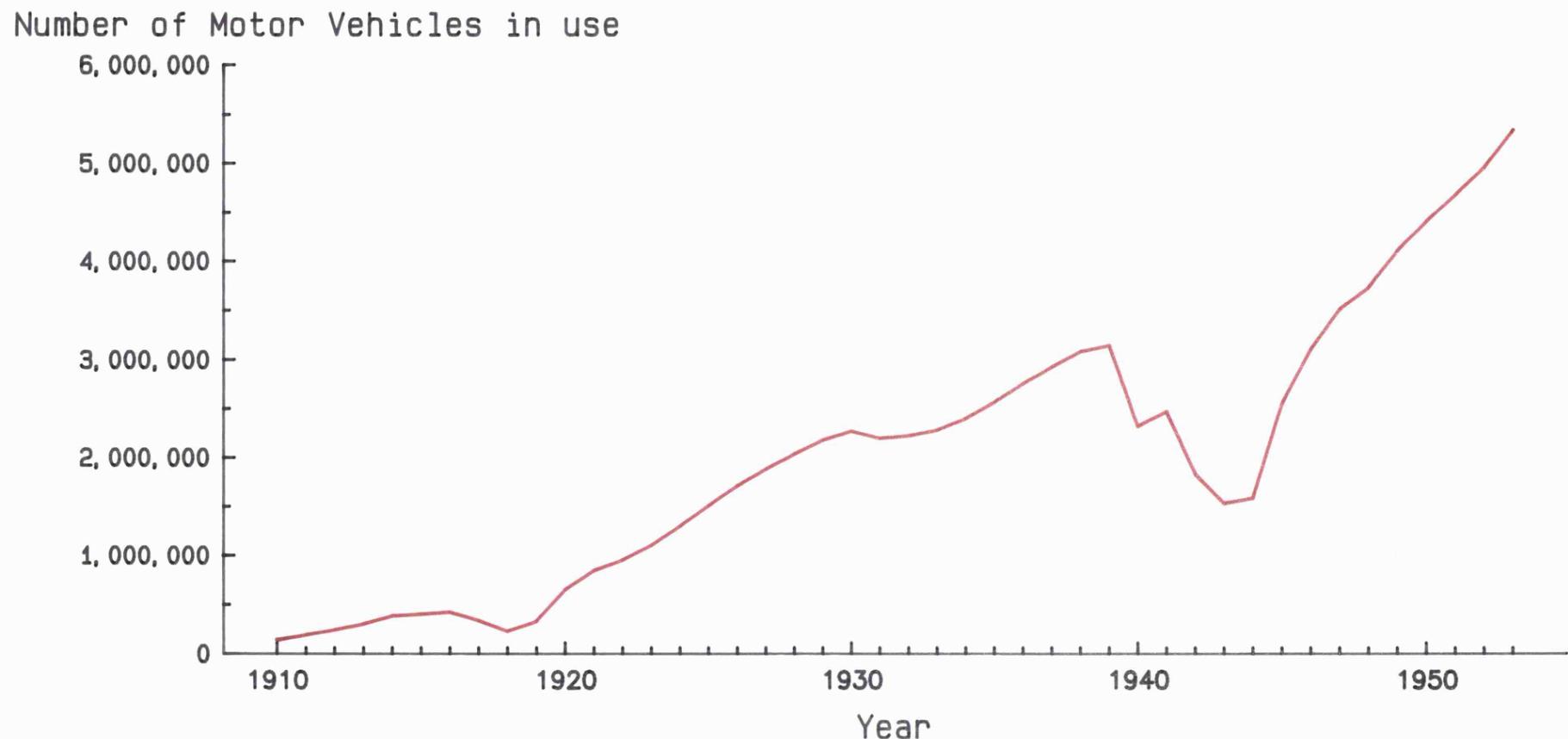
4. THE IMPACT OF THE INTERNAL COMBUSTION ENGINE

Figure 1.1 shows the trends for motor vehicles in use over the period covered by this thesis and Figure 1.2 highlights the relative contributions of the motor car and motor bus. It can be seen that initially, at least, the growth in motor cars was much more rapid than the combined growth of motorised taxis and buses (classified in the available data as 'hackney vehicles'): over the period 1904-1914 motor cars had increased a staggering 1460% whereas motor hackneys had made an impressive increase of 857%. It was these levels of growth that Dyos and Aldcroft (1974) referred to when writing:

"undoubtedly the most revolutionary development in the whole field of transport in the first half of the twentieth century has been the growth of motor transport."⁴⁴

Although the impact of the internal combustion engine in Britain is reflected in this enormous growth in motorised transport and in the growing popularity of the motor car in particular, the technology had originated in Europe. The early development of the motor car began in Germany with Benz and Daimler in 1885 and 1886 respectively and further improvements were made in France by Panhard and Levassor working with Daimler's patents. Nor was Britain first to exploit this technology: up until 1914 the USA's manufacturing industry contributed much more to the spread of motor cars than the parallel industry in Britain which concentrated almost entirely on individually commissioned items.

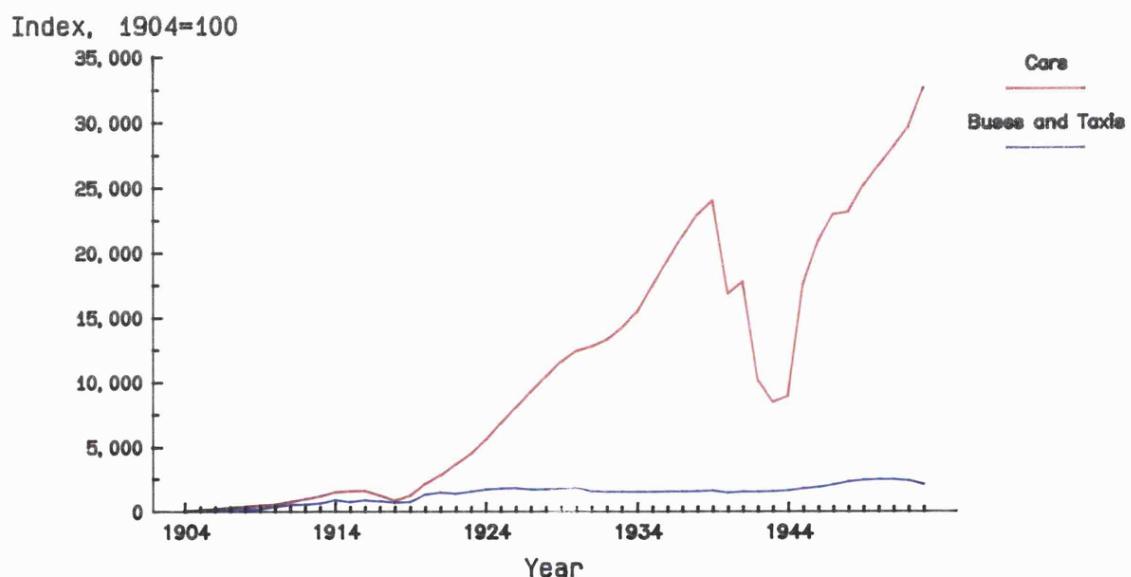
FIG 1.1 MOTOR VEHICLES IN USE



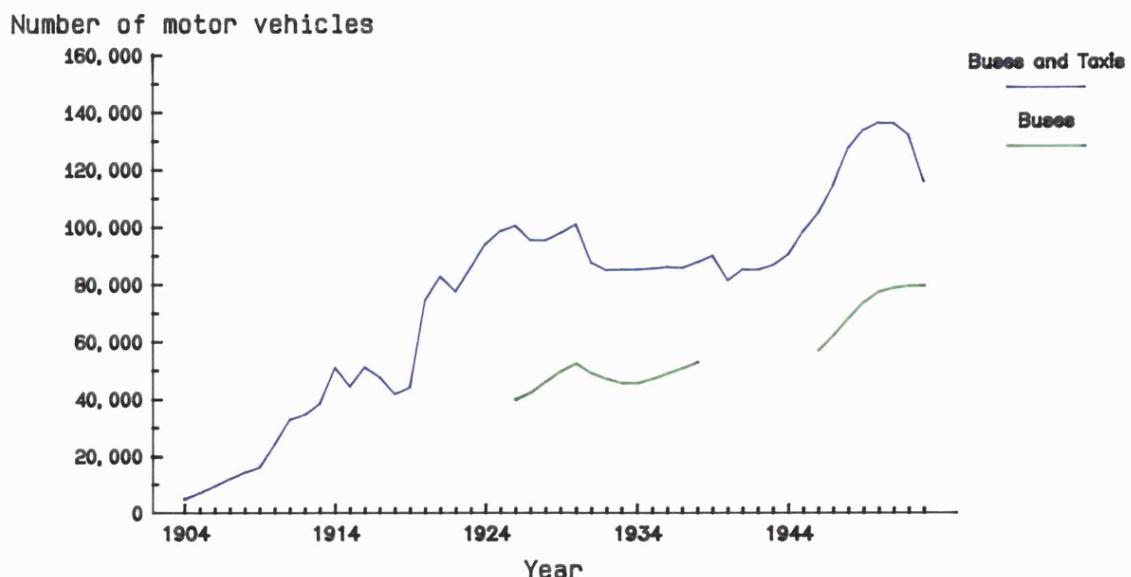
Source: British Road Federation (1968) Sect 1

FIG 1.2 RELATIVE GROWTH OF CARS AND BUSES

(a) Index of cars and buses in use



(b) Numbers of buses and taxis, showing number of buses only where data available (see text)



Source: British Road Federation (1968) Sect 1.

CHAPTER ONE

Many commentators attribute the initial slow growth of motor vehicles in Britain, as compared to her European neighbours, to the unfavourable physical and legal conditions which prevailed⁽⁶⁾. However, as Bagwell (1974) ⁽⁶⁾ argues, these conditions could not have been the sole cause of such slow growth since by the turn of the century, a number of small firms had already embarked on motor car manufacture in Britain.

Barker (1987) suggests that much of the initial slow growth can be attributed to two main factors. First, those motor manufacturers to which Bagwell refers were run by practical men without access to the substantial capital required to make a commercial success of their ideas. The capital available for the development of motor vehicles was sucked up by a number of speculators who saw early what profits motor vehicles would bring. These speculators acquired the rights to many patents relating to motor cars and raised substantial capital backing. Few cars were, however, produced although vehicles were imported and the shareholders of these companies made significant returns. Thus enterprise in Britain was seriously hindered by the restrictive practices of these predatory promoters. Second, the presence of these promoters and their activities caused a split in the pro-motoring lobby and led to a section reverting to an enthusiasm for steam traction thus making Britain lose valuable time in the wholehearted pursuit of motor transport⁽⁷⁾.

However, it is the motor bus that is the concern of this thesis and the main point to be derived from Figures 1.1 and 1.2 is the way in which the initial growth of motorisation was manifested in the growth of the motor car and was followed by the growth in motor buses which accelerated after 1920.

Although the first motor bus operation began around the turn of the century, progress was both slow and patchy because the technology had not

CHAPTER ONE

been sufficiently developed for heavier vehicles. Many pioneer motor bus companies failed commercially because of their lack of experience and because of the high running costs and technical problems experienced with the new vehicles. The turning point for the motor bus came in 1905 when the London General, together with other horse bus operators, decided to experiment with motor buses in the capital. There is more information available about London buses than elsewhere in the country because of the Metropolitan Police licensing system which kept extensive records. In addition, more or less complete accounts and returns are available for the largest bus company, the London General, as well as for the London Road Car Company between 1900-1908. In Table 1.1, the rapid progression from horse to motor power can be clearly seen to have taken place over the decade 1904-1914.

Table 1.1

Number of licensed stage carriage vehicles in London

Year	Horse	Motor
1904	3 551	31
1905	3 484	281
1906	2 964	783
1907	2 557	1 205
1908	2 155	1 133
1909	1 771	1 180
1910	1 103	1 200
1911	786	1 962
1912	376	2 908
1913	142	3 522
1914	63	3 057

Source: Munby (1978) Table C10.1

The figures in this Table do, however, mask the fact that the early motor buses were largely unsuccessful ⁽²⁾. Indeed, during the period 1905 to 1909/1910 many more vehicles were licensed than in fact plied for

CHAPTER ONE

hire⁽⁹⁾. The 'real' beginning came between 1910 and 1912 when the earlier technical problems were surmounted and this was followed by very rapid growth.

Table 1.1 shows that replacement of horse powered vehicles by motor power was almost 1:1 since the number of buses at the beginning and end of the decade are virtually the same. However, one motor bus would have been able to provide a higher output than a single horse bus since a motor bus carried 35 passengers over the horse bus's 26. Moreover, motor buses travelled faster and covered more miles in a day. Thus constancy in absolute numbers implies a substantial increase in service levels.

Development outside London was slower but even so, by 1914, many of the operations of the larger companies were by motor bus (for example, United Automobile Services and Midland Red) ⁽¹⁰⁾. The outbreak of hostilities in 1914 brought a check to the expansion of the motor bus (and private motor transport too) but the Armistice set the stage for the next phase of expansion.

After the war, various factors combined to accelerate the development of the motor bus. First, ^{the more efficient motor buses after circa 1909 made much money for their owners. Moreover,} large numbers of men had become skilled in both servicing and driving during the war. Many of these ex-servicemen had gratuities to spend on the glut of lorries (easily converted for passenger-carrying) which flooded the market at the end of the war effort.

But perhaps the most important factor influencing the supply side was the way in which the war period had seen a dramatic improvement in the technical performance of these vehicles. Increases on the supply side, however, would not have been sufficient in themselves. The war had also affected the British population's aspirations for mobility and had led to a stimulation of demand particularly for services over

CHAPTER ONE

longer distances: this naturally encouraged the development of these types of service.

The effect of motorisation was first felt on the passenger vehicle side. Buses experienced high running costs especially in relation to the cost of solid rubber tyres. It was the commercial development of the invention of the pneumatic tyre for heavier vehicles (patented by Goodyear in the USA and Dunlop in Britain in 1916) that began to dramatically lower running costs.¹¹¹ This, together with the development of the compression ignition engine later in the 1920s, had a dramatic impact on vehicle reliability and made them more useful to the commercial vehicle sector.

5. THE STATE OF THE INDUSTRY AND ITS STRUCTURE 1918 - 1930

This section examines the supply side of the industry in terms of the number and type of undertaking (Table 1.2), vehicle distribution by ownership (Table 1.3) before turning to developments on the demand side in terms of passenger miles (Table 1.4). Unfortunately many of these figures require very careful interpretation.

Table 1.2 is drawn from the Motor Transport Year Book ¹¹². This was first issued in 1916 and included a total for the number of recorded motor transport undertakings participating in the bus industry throughout the country together with more detailed information on vehicles owned by a subset of these undertakings. In terms of the number of recorded undertakings, this was first revised in 1920 and in the following volume, 1921/22, a supplementary list of undertakings was added. The presence of the supplementary list, and the way it leads to suspicions of omissions in previous years, must be part of the explanation for the large increase in

CHAPTER ONE

the number of operators between these two years shown by Table 1.2. A line is drawn on the table to emphasise the change at this point.

Table 1.2
The number of bus undertakings

Year	Companies	Private Firms	Municipals	Total
1918	263	60	72	395
1919	317	94	75	486
<u>1920</u>	<u>584</u>	<u>119</u>	<u>97</u>	<u>800</u>
1921/22	1 280	508	100	1 888
1922/23	1 472	834	100	2 406
1923/24	1 556	950	102	2 608
1924/25	1 765	1 352	105	3 222
1925/26	1 854	1 332	111	3 297
1926/27	1 588	1 304	117	3 009
1927/28	1 826	1 486	121	3 433
1928/29	2 014	1 485	127	3 629
1929/30	2 344	1 490	128	3 962

Source: derived from Munby (1978) Table B13.1

In terms of definitions used in the Year Book, companies included both joint stock and parliamentary companies and would include buses operated by the railway companies whereas private firms included individuals. Municipal undertakings were included if they owned any transport undertakings at all, tramways, for instance.

Despite these problems, the one point Table 1.2 illustrates very clearly is the preponderance of companies and private firms in the industry: from 1921/22 onwards they formed over 90% of all undertakings. It is also clear from Table 1.2 that the 1920s decade showed the increasing dominance of the private operator: they formed 17% in 1921/22

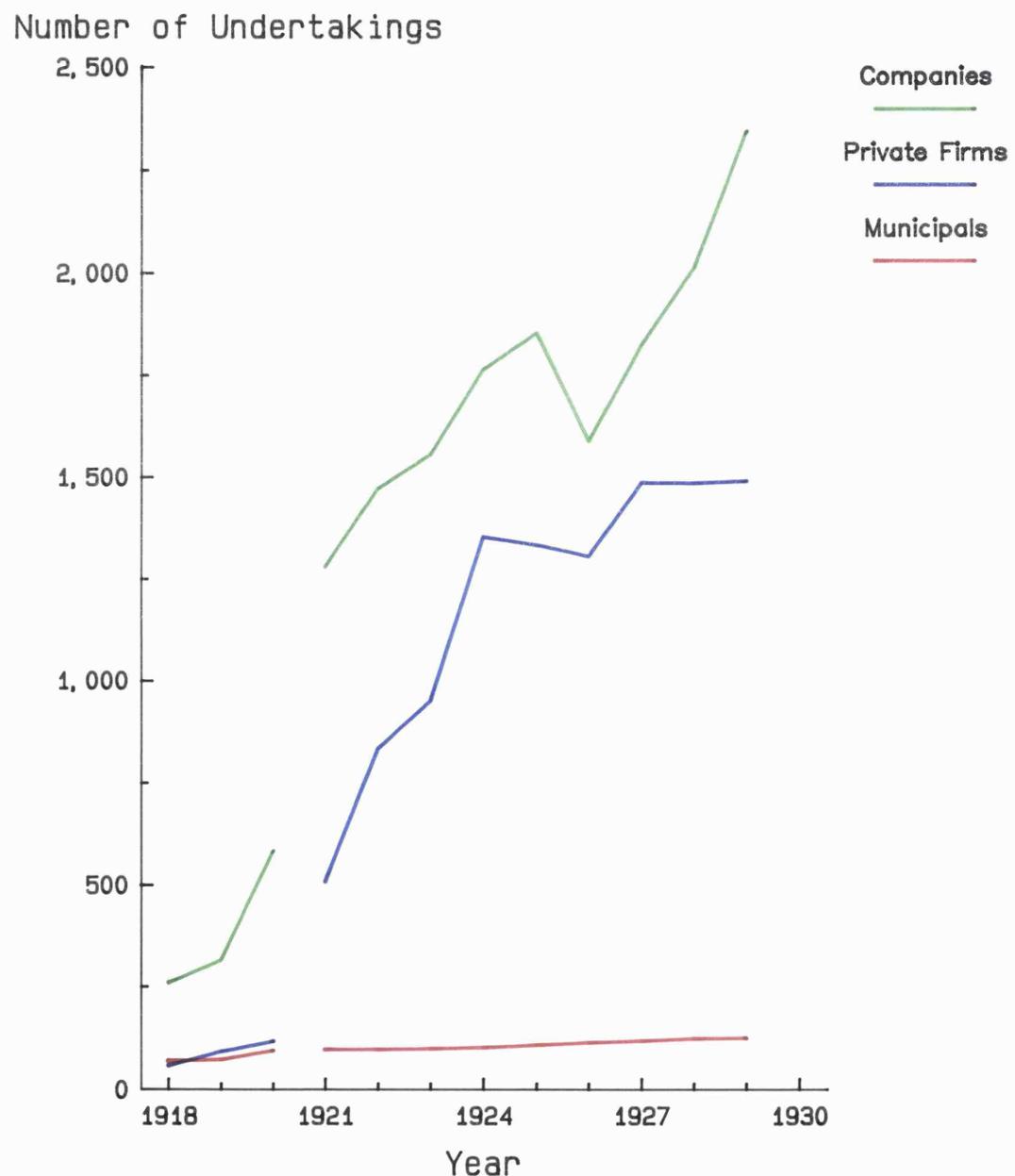
CHAPTER ONE

and 38% in 1929/30 of all undertakings. These figures do, of course, include the bus operators of London which by this time were dominated by the London General Omnibus Company and, if London is excluded, it is estimated⁽¹³⁾ that the smaller concerns accounted for 90% of the total operators whilst carrying 15% of passengers and owning less than 40% of vehicles.

Table 1.2 also demonstrates the rapid growth both between 1919 and 1920 (using the comparable figures) and the first three years of the decade despite the economic depression of that time. In the pre-1920 period there was growth in all three ownership categories whereas in the 1920s there was limited growth in the municipal sector. This, of course, might be expected since the potential growth in the municipal sector was clearly finite. These changes are illustrated in Figure 1.3.

Table 1.3 is also drawn from the Motor Transport Year Book but requires additional care in its interpretation. It is clear, from looking at the number of undertakings included in Table 1.3 as compared to Table 1.2 that these figures do not tell the complete story. However, they are the best that are available for the period since the Motor Transport Year Book only included detailed vehicle figures for those undertakings for which firm data was available⁽¹⁴⁾. The most glaring omission from Table 1.3 is vehicle information relating to the private firm category of Table 1.2 which clearly represented an important sector of the industry. Moreover, the companies and municipal companies included in Table 1.3 form only a sample of the total number of operators and this varied, as shown in Table 1.3, from 32% (1921/22) to 79% (1926/27) for companies and 36% (1918) to 77% (1929/30) for the municipals.

FIG 1.3 BUS UNDERTAKINGS BY OWNERSHIP
1918–1930



Source: Munby (1978) Table 13.1

CHAPTER ONE

Table 1.3

Vehicle distribution by ownership

(sample size as a percentage of total recorded number of undertakings)

Year	Companies		Municipals		All Vehicles (minimum)
	No.	Vehicles	No.	Vehicles	
1918	151 (57)	4 423	26 (36)	226	4 867
1919	166 (52)	5 583	28 (37)	243	6 118
1920	204 (35)	7 583	43 (44)	500	8 636
1921/22	414 (32)	10 937	52 (52)	649	13 008
1922/23	684 (47)	13 271	57 (57)	684	15 620
1923/24	803 (52)	16 319	64 (63)	781	18 841
1924/25	1 346 (76)	20 546	74 (71)	1 011	23 359
1925/26	1 314 (71)	23 115	76 (69)	1 294	26 316
1926/27	1 253 (79)	24 058	79 (68)	1 705	27 440
1927/28	1 260 (69)	27 574	90 (74)	2 564	32 221
1928/29	1 328 (66)	32 935	97 (76)	3 568	38 704
1929/30	1 425 (61)	38 066	98 (77)	4 172	44 677

Source: derived from Munby (1978) Table B13.1

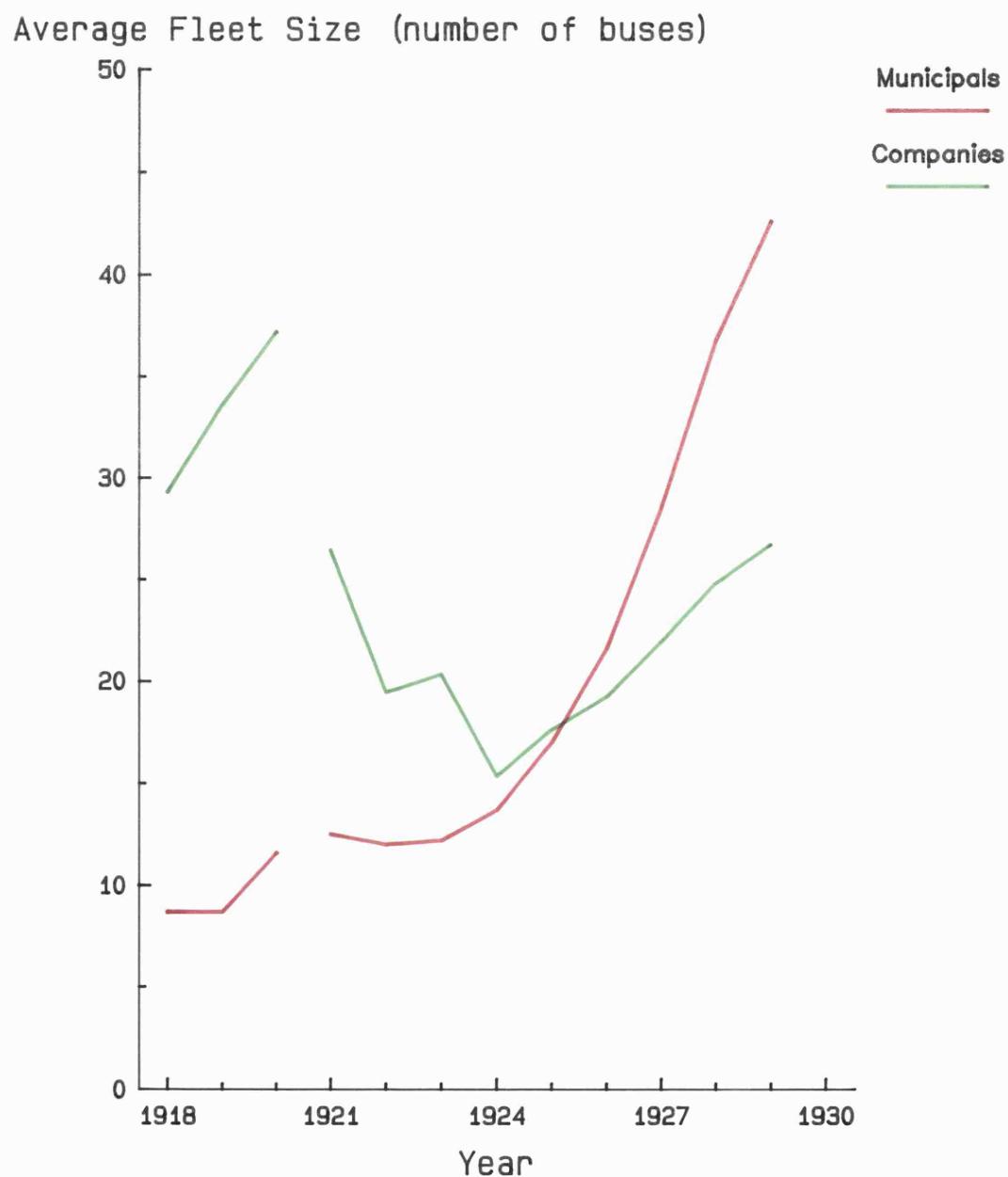
For the early years, the Year Book gives figures estimated to show 'a minimum impression of the magnitude of the industry': these are given as 7955 vehicles for 1918 and 7886 vehicles for 1919. A comparison of these totals with the total vehicles for these years shows that the recorded number of vehicles were 3000 and 2000 short of these estimated totals for 1918 and 1919 respectively. In order to mitigate this shortcoming, Munby calculated the final column shown in Table 1.3 (All vehicles, minimum) on the basis that the recorded undertakings not reporting vehicle information all had one vehicle. In many cases this would, of course, produce an underestimate. It is, however, counterbalanced by the way in which the

CHAPTER ONE

figures obviously included some undertakings, for example garages, which did not operate vehicles since by 1930, 400 undertakings fell into this category if the Year Book figures are compared with those provided by the Area Traffic Commissioners.

Taking account of these difficulties, Table 1.3 shows that average fleet size between the two groups varied considerably. In terms of average number of vehicles, this was higher for companies (29.3) compared to municipals (8.7) at the beginning of the decade whereas this had completely turned around by the end of the decade (26.7 and 42.6 respectively). The relatively slow growth in municipal bus fleets was no doubt influenced by their heavy investment in tramways and because, before 1930, they had to acquire powers to run bus services by Special Acts of Parliament. In practice, many authorities began to introduce bus services after 1914 in areas not served by the tram or beyond tramway termini. Figure 1.4, which illustrates the changes in average fleet sizes, shows the differences in trend between the municipal and company sector. The municipal fleets show a steadily increasing fleet size whereas, for the companies, average fleet size declines and then increases post 1925. The trend in company average fleet size is no doubt partly explained by the absorption of the smaller operators in London by the London General Omnibus Company after the passing of the 1924 London Traffic Act. Moreover, these differences in average fleet sizes within ownership categories masks the other evidence which shows that individual firms varied significantly in size.⁽¹⁵⁾

FIG 1.4 AVERAGE FLEET SIZES
1918-1930



Source: Munby (1978) Table B13.1

CHAPTER ONE

Thus, taking Tables 1.2 and 1.3 in conjunction with the other available evidence, it is clear that the pre-1930 bus and coach industry consisted of a large number of undertakings of various sizes. The fact that these firms co-existed in the industry would indicate constant returns to scale in production: this point will be important in the context of the changing public control of this industry which this thesis examines.

On the demand side, data is even less comprehensively available than for the supply side of the industry. Only reliable figures for passenger journeys exist for the railway companies and from local authority returns for public transport.

Table 1.4
Passenger journeys by mode

	Local Authorities only		All Country
	Bus & Coach	Trams & Trolleybuses	Trains
	(millions)	(millions)	(millions)
1918/19	24	3 565	2 065
1919/20	35	3 963	2 186
1920/21	64	3 859	1 787
1921/22	85	3 567	1 749
1922/23	97	3 704	1 772
1923/24	126	3 801	1 747
1924/25	170	3 999	1 744
1925/26	235	4 098	1 542
1926/27	311	3 965	1 651
1927/28	443	4 220	1 666
1928/29	592	4 170	1 705
1929/30	779	4 201	1 684

Source: Munby (1978) Tables A17, B6.2, B6.1

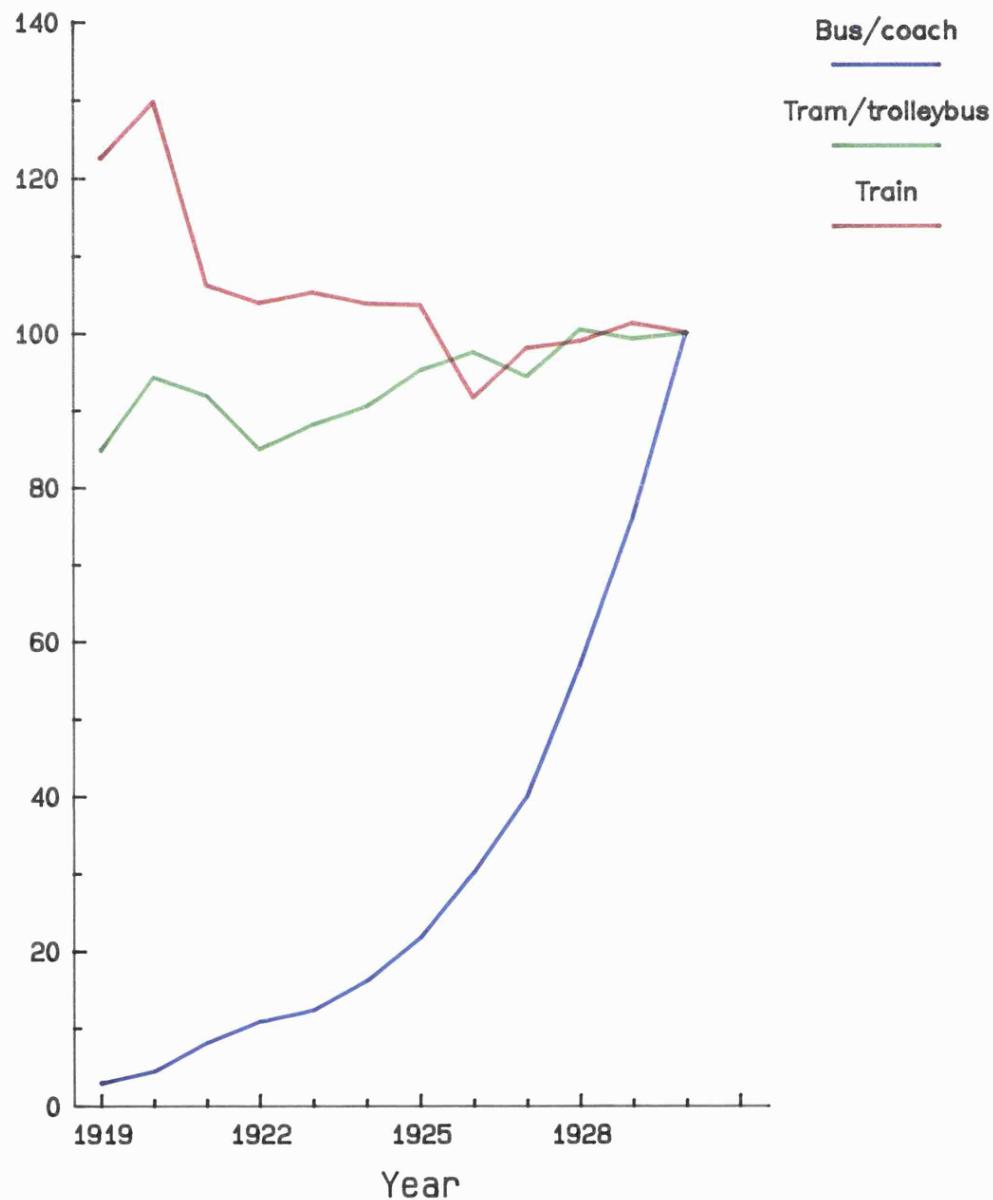
CHAPTER ONE

Table 1.4 draws from local authorities only for the data relating to buses, coaches, trams and trolleybuses. It is not at all comparable with railway passenger journeys since these represent countrywide journeys. However, using this information to identify trends in demand is not too dangerous. This table and Figure 1.5 illustrate the way in which demand for trams and trolleybuses grew only slightly over the period whereas bus journeys showed a tremendous growth (by 1929/30 passenger journeys were almost thirty three times higher than in 1918/19) and train journeys exhibited a steady decline. To consider only local authority journeys is, of course, giving a somewhat biased version of reality since these operators would be in urban areas where passenger journey generation would be likely to have greater potential. Against this it should be remembered that the First World War caused a stimulation in demand particularly for longer journeys which would not be reflected in these urban area patronage figures.

The figures in this section are undoubtedly patchy and lack comprehensive coverage but they clearly illustrate the way in which the industry developed very rapidly from 1920 onwards in terms of both demand and supply. At the time the 1930 Act was passed, the state of the industry was buoyant in terms of growing demand being met by a large number of operators, of different size and ownership background.

FIG 1.5 PASSENGER JOURNEYS BY MODE
1918-1930

Index of journeys (1930=100)



1930 PASSENGER JOURNEYS

Mode	Bus/coach	Tram/trolleybus	Train
Journeys (million)	779	4201	1684

Source: Munby (1978) Tables A17, B6.1 and B6.2

CHAPTER ONE

NOTES TO CHAPTER ONE

1. Town Police Clauses Act, 1847, Section XXXVII
2. Town Police Clauses Act, 1847, Section II
3. Town Police Clauses Act, 1898, Section 3
4. Dyos and Aldcroft (1974) p356
5. In physical terms, the road system had no all-weather surfacing until tarmac was progressively introduced following an earlier, successful, experiment by the Surveyor of Buckingham County Council in surfacing a stretch of the London-Bath road. As a result, the pre-tarmac road surfaces were not generally conducive to road travel until after the First World War when the improvement process had had an impact.

The unfavourable legal situation referred to the existence of the 1865 'Red Flag Act' which imposed on all 'road locomotives' a four and two miles per hour speed limits in rural and urban areas respectively. Moreover, this Act made it necessary for all 'road locomotives' to be preceded - not less than sixty yards in front - by a man carrying a red flag to warn of the impending 'monster'. Although this Act was amended in 1878 to reduce the distance of the warning pedestrian to twenty yards and to remove the necessity of their carrying a red flag, the speed limits remained. It was not really until 1896 that the legal situation improved when the Locomotive Act permitted a speed of fourteen miles per hour unless local authorities thought it desirable to reduce this to twelve. In fact, this reduction to twelve miles per hour was almost universally applied but still represented a significant increase over the previous speed limits.

6. Bagwell (1974) p200
7. Barker (1987) Chapter One: 'A German Centenary in 1986, a French in 1995 or the Real Beginnings About 1905'. In particular pp29-39.
8. Barker and Robbins (1974): Chapter Six.
9. Barker and Robbins (1974) p184
10. Hibbs (1968) describes the development of many of these companies.
11. Bagwell (1974) pp222/223 argues that it was high running costs rather than conservatism that explained the slow growth of motorised goods transport. The most expensive and vulnerable piece of the early vehicle was its tyres. On a 4 wheeled London bus the cost of tyres was 4d per mile in 1906 and with the introduction of pneumatic tyres the running cost of a 6 wheeled vehicle's tyres in 1932 had fallen to 0.1d per mile.
12. Published by the Electrical Press Ltd, London. Also known as Garke's Manual.
13. Dyos and Aldcroft (1974) p 363. This is supported by Hibbs (1968).
14. Munby (1978) pp452/453 discusses the problems associated with these figures and tries to quantify the bias and omissions.
15. Various sources e.g. Crosland-Taylor (1948), Holding (1979), Sleeman (1958) and Turns (1974) give details of individual bus companies showing a wide variation about the average derived from Table 1.3. More general sources such as Barker and Savage (1959), Dyos and

CHAPTER ONE

Aldcroft (1974), Bagwell (1974) and Hibbs (1963) and Hibbs (1968) support this contention. Moreover, as data for London is included in Table 1.3, the size of the London General Omnibus Company would, of course, distort a simple measure of central location such as the mean.

CHAPTER TWO

THE ECONOMIC FRAMEWORK FOR REGULATION

1. INTRODUCTION

The purpose of this chapter is to establish a framework for the analysis of the development of road passenger transport in the UK. It has already been noted (in Chapter One) that the first major legislation for this industry occurred in the Road Traffic Act, 1930. The quantity licensing provisions in particular were a major departure from any previous type of control. Moreover, this Act had lasting importance since the form of control which it initiated remained virtually unchanged until 1980 with only one short break, from 1947 to 1953. In this latter period the industry, and the regulation which controlled it, was undoubtedly influenced by the process of nationalisation introduced by the Transport Act, 1947.

The first part of this chapter looks very generally at the arguments of economic principle deriving from market failure which may be relevant in justifying state intervention in an industry. The criteria are selected on the basis of potential relevance to the road passenger industry. In the second part of the chapter, more recent economic theories of regulation are examined because of their possible relevance to the development of regulation observed in the bus industry. This chapter thus provides the theoretical framework within which to evaluate the empirical evidence relating to origins and the implementation of the Road Traffic Act, 1930.

CHAPTER TWO

The nationalisation legislation introduced by the 1947 Act requires the examination of a different body of theory: the economic issues relating to the ownership composition of industries is discussed in Part II of this thesis, prior to considering the empirical evidence on this period of the industry's history.

2. ECONOMIC PRINCIPLES AND ECONOMIC EFFICIENCY

It is widely accepted that governments have policy options which involve a trade off between efficiency and equity criteria in evaluating changes which affect the performance of sectors of the economy or the whole economy. Economists usually restrict themselves to issues of economic efficiency when confronted with evaluating changes at the sector or economy level. The discussion of regulation in this chapter will be approached from this angle.

Allocative efficiency relates to the way in which scarce resources are allocated among the goods and services produced by the economy. Resources are said to be allocated efficiently when it is not possible to change the allocation of resources, increasing quantities of some goods and reducing quantities of others, without making anyone worse off than before. This criterion of efficiency is called the 'pareto' criterion. Thus a 'pareto optimum' is an idealised state in which it is impossible to make any individual better off without making some other individual worse off. If the economy is at a 'pareto optimum' then there would be no justification, on efficiency grounds, for intervention in the economy although there may well be grounds for intervention to alter the distribution of welfare amongst the members of the economy. If the economy is economically inefficient, or at a 'pareto suboptimum', then there would be strong grounds for intervention if it could be shown that a policy existed that

CHAPTER TWO

would make at least one individual better off whilst imposing no cost on anyone else.

The idea of economic efficient economies needs to be related to the type of market which would generate this idealised state. A 'general competitive equilibrium' is the situation in which each agent in the economy is acting in their own private interest and in which all markets clear. Each agent in the economy, taking the market prices as given, is able to buy and sell as much as they wish. Consumers are satisfying their private preferences subject to their incomes (multi dimensional indifference curve analysis) and producers are maximising their total private profits subject to technical constraints. In the market there would be rapid adjustments to discrepancies between supply and demand since such discrepancies would cause price changes which would be transmitted throughout the market by a process of arbitrage resulting in a single price equilibrium. In the long run, producers would earn only a normal competitive return since, if more profit was available, entry to the market would occur and the excess profits would be competed away. The important aspect of this competitive equilibrium, unrealistic though it may seem to the real world, is the way in which it can be shown that this equilibrium generates a 'pareto optimum' state by reference to the 'Fundamental Theorem of Welfare Economics'.

The fact that competitive markets give rise to economic efficient markets is the basis of the laissez-faire position whose advocates would argue that free market prices are seen as signals and should not be interfered with. In a competitive market, at equilibrium, the free market prices represent both the value to the consumer of an extra unit of each good (or service) and the cost of producing that extra unit by the producer. At equilibrium, the types of goods which are produced will be

CHAPTER TWO

determined by the preferences of the consumer and the technical possibilities available to the producer.

Thus, economic theory tells us that if an equilibrium is achieved by free competition, then the price system which will have been established will ensure the economically efficient allocation of resources. However, these results do depend on the rigid set of assumptions defining the 'ideal' world which are clearly too simplistic to apply in any general way to reality. Nevertheless, using the 'ideal' world as a benchmark, it is possible to identify ways in which the real world differs substantially from the 'ideal' world which would generate the 'pareto optimum' and thus to identify areas in which intervention would be justifiable on economic efficiency grounds.

Given the rigid set of assumptions that are required to secure a 'pareto optimum', there are many reasons why an economy or its markets may be at a 'pareto suboptimum'. So far as the bus industry is concerned, the following would seem to be the most important.

2.1 Structure of the Industry

If an industry comprises one profit maximising supplier or a few suppliers who find it in their interests to collude and behave as if they were a single supplier, the output will be restricted and price will be raised above marginal cost. The single seller violates the assumption of the 'ideal' world which requires many sellers to achieve an efficient outcome. The case for regulation rests, in general, on the losses to social welfare by monopoly power. Thus intervention to control 'uncompetitive' or monopoly behaviour is a common occurrence: controls which attempt to enforce minimum service levels and fix charges could

CHAPTER TWO

achieve a more economically efficient allocation than the market left to its own devices.

Traditionally, the theory of monopoly has been couched in terms of the single product producers and particular emphasis has been given to the rise of the 'natural monopoly' in the presence of scale economies. More recently, the theories of multiproduct natural monopolies have been developed by Baumol, Bailey and Willig (1977), Panzar and Willig (1977) and Baumol (1982). These authors point out the possibility that a set of commodities can involve natural monopoly and yet a monopoly producer may not be immune to profit seeking entry. That is, even if a single firm produces all the relevant commodities and even if prices are regulated so that costs are just covered, outside firms may be able to offer a subset of the commodities at prices below those charged by the multiproduct monopoly firm. These theories have led to a discussion on the sustainability of monopoly under various conditions: this has been examined in relation to transport services in Rowley and Mulley (1983).

It is clear that a knowledge of the structure of the industry is important for an informed discussion of regulation. For, if a natural monopoly exists or if the sustainability argument is relevant, then intervention in the form of a regulatory system could be justified on economic efficiency grounds. Further, if there are economies of scale then to require the industry to follow efficient pricing rules would require subsidy and the payment of this subsidy may be seen as an additional reason for setting up or maintaining a regulatory agency.

2.2 Cross Subsidy

The question of cross subsidy is particularly important in the context of the quantity control introduced by the Road Traffic Act, 1930. In terms of a definition which relates this concept to bus services, a

CHAPTER TWO

particular bus service could be said to be cross subsidised by another if an operator, forsaking an overall maximum profit for some reason, takes a higher profit on one service (or part of a service) in order to take a lower profit on another (or part of another). Faulhaber (1975) discusses the welfare implications of cross subsidy and concludes that a regulatory process may be needed to restrict entry into the industry under certain conditions. However, Faulhaber's argument refers to a second best solution in that his framework encompasses a natural monopoly subject to a profit constraint. If there are no significant economies of scale in the industry then the efficient prices are simply marginal cost prices and any service that is not demanded at its marginal cost price should not be supplied.

It should be noted at this point that cross subsidy was one of the (although not always recognised as such by the Traffic Commissioners) explicit intentions of the Road Traffic Act, 1930. As a result of this legislation, the allocation of monopoly rights to an operator over particular routes was encouraged so as to compensate for the requirement to provide 'unremunerative' routes. This is discussed in more detail in Chapter Four.

2.3 Imperfect Capital Markets

The problems associated with imperfect capital markets and their effects can only be discussed within a dynamic framework. It could be the case that an established operator, with secure financial backing, tries to exclude new competition which has inferior access to capital, by cutting fares below cost for a sufficient period to drive the new entrant out of business. Certainly this idea, whilst not couched in these terms, was one of the initial reasons for intervention in 1930 (this is discussed further in Chapter Three) and it is a phenomenon experienced in other transport sectors, notably liner shipping and air transport. Thus intervention may be justified to compensate for any imperfections in the capital market.

CHAPTER TWO

Other barriers to entry may exist that are not associated with capital market imperfections: intervention may be similarly justified.

2.4 Imperfect Information, Externalities and Public Goods

In the 'ideal' world, it is assumed that economic agents have perfect information and that all markets exist and function smoothly. The breakdown of these assumptions in the real world has many implications since it causes a breakdown in the conveyance of information from consumers to producers. Perhaps the most important for the bus industry are the following:

i) Safety

In the real world, users of bus services ~~cannot judge~~ the risk of accident correctly and hence are unable to signal correctly to the operator their willingness to pay more for a safer service. Equally, the need for insurance or laws of compensation may be such that the operator does not, of their own volition, choose the appropriate degree of safety to balance the costs (of insurance or payments of compensation) against the provision of safety measures. In this context too, the costs of accidents to non users must be taken into account. Thus intervention to set an appropriate safety standard may be required to promote an economically efficient outcome.

ii) Traffic Congestion

This is an example of an externality in which the behaviour of one economic agent affects the welfare or profit of another. In situations where traffic congestion occurs, the decision of one traveller to use the facility means that the other travellers are made worse off because all travellers are slowed down. An economically inefficient outcome ensues since the marginal cost of the individual of their trip is lower than the

CHAPTER TWO

marginal social cost of the trip. Intervention would be justified and would optimally take the form of a tax. However, if this is not feasible (the modern literature argues that there are both practical and political objections to this solution) one possible second best solution might be directly to restrict the number of vehicles operated. Regulation could be framed so as to maintain an artificially limited number of vehicles on the road.

iii) Public and Merit Good Provision

The provision of these goods by market intervention or by public authorities is necessitated by the reluctance of consumers to reveal their own preferences (public good) or by the public authority's belief that it has good reason to substitute its own preferences for those of the individual (merit good). Many transport commentators appear to think that the merit and public good aspects of public transport are very important and regulation could be used as a means of supplying these goods.

3. ECONOMIC THEORIES OF REGULATION

More recent economic research has concentrated on the role that regulation achieves *in practice*. From this, two broad categories of theory can be identified: the 'public interest' theories and the theories which identify the presence of regulation as generating benefits for the regulated - the sectional interest and capture hypothesis theories. These have been examined with respect to contemporary transport industries in Rowley and Mulley (1983). It is nevertheless appropriate to include some discussion here as this literature has attempted to clarify the practical functions of the regulatory process.

CHAPTER TWO

3.1 Public Interest Theories of Regulation

Broadly, the public interest theories have evolved as a normative response to the positive analysis of market failure discussed in the previous section. Hence, where free markets cannot produce a level of performance consistent with the efficient allocation of resources and the satisfaction of consumer demands then governments could be justified in intervening in an attempt to correct the situation. Indeed, given the very stringent requirements of any market to comply with the 'ideal' world, the public interest theories would predict the presence of regulatory policies, albeit in different forms, in a wide variety of industries.

The particular contribution of the public interest theories (over and above the positive analysis) is the recognition that however correct the justification for intervention might be, any form of regulation will incur both direct and indirect costs. So far as direct costs are concerned, these are the costs associated with the staffing and operation of the regulatory agency whereas the indirect costs would include the misallocation costs associated with for example, the regulatory process when regulation merely creates additional costs rather than correcting market failure. Another example of indirect costs would be the costs associated with the tendency of regulation to inhibit innovation. In the context of the bus industry, the Road Traffic Act, 1930, certainly imposed direct costs by the setting up of the Traffic Court system and it could be argued to have imposed higher vehicle and maintenance costs by the level of safety standard set. It could also be argued that the regulation introduced by the 1930 Act inhibited innovation in two ways: first, by the stifling of new entrepreneurs who might have seen gaps in the services provided and second, by the failure of the regulatory system to adapt as technical, economic and social conditions changed. These theories very

CHAPTER TWO

sensibly suggest that intervention should be assessed by whether the benefits of regulation exceed its costs. Clearly there will always be direct costs associated with any regulatory process but usually the costs associated with alternative methods of correction tend to be greater. In the case of an externality, for example, the costs of correction tends to be high because there are usually more consumers affected than producers: the Coase Theorem (1960) explains this by showing that externalities can be effectively internalised if the assumptions of the theorem are met and two crucial assumptions, frequently broken in the real world, are that transactions costs are zero and property rights are well specified. Thus the need for government intervention may well be justified because of real world conditions and this is why the literature reveals keen admirers of market forces, for example Posner (1974), conceding the case for government intervention.

Although not directly relevant to this discussion of why industries should be regulated, the major criticism levelled at the public interest theories does deserve mention. This is the criticism that comes from the theory of second best originally formulated by Lipsey and Lancaster (1956). The central conclusion of this theory is that attempts to get markets to work 'as if' they were competitive through piecemeal policies may not lead to the best resource allocation attainable if there are constraints elsewhere in the economy. Moreover, if constraints do exist in one sector then attempts to make other sectors conform to the assumptions of the 'ideal' world can actually move the economy away from, rather than towards, the constrained optimum.

3.2 Sectional Interest and the Capture Hypothesis Theories of Regulation

The sectional interest theories of regulation have arisen primarily as a result of recognising the incompleteness of the public interest theories

CHAPTER TWO

above. For example, there is nothing in the public interest theories to explain the mechanisms through which industries with market failures, once discovered, are made the subject of intervention and it is argued that a complete theory with adequate predictive power should be able to do this. More specifically, if the public interest theory was complete in this sense, it should be possible to explain the original intervention in road passenger transport in London in 1924 and the rest of the country in 1930. The empirical evidence presented in the next chapter suggests that it is not possible to link these regulatory regimes wholly to market failure leading to a policy which was 'in the public interest'. Thus, interest in sectional interests theories has arisen because of the recognition that a theory of regulation, based simply on welfare economics and market failure, has too narrow a base to fully explain or predict some of the regulatory policies that actually exist.

In many senses, the prior dependence on positive and welfare economics is entirely understandable since the public interest theories assume, not unreasonably, that the overriding objective of government in regulation is the economically efficient allocation of resources in an attempt to maximise welfare. Posner (1974), as one of the critics of earlier theories succinctly described the position as:

"Some 15 years of theoretical and empirical research, conducted mainly by economists, have demonstrated that regulation is not positively correlated with the presence of external economies or diseconomies or with monopolistic market structures"¹

From this background, it is not surprising that advocates of the sectional interest theories have a different starting point from the more traditional theory.

The essence of these theories is that some regulatory activities by governments actually appear to enhance the position of the regulated. Put perhaps over simply, these theories say that particular interest groups

CHAPTER TWO

demand regulation because they hope to enjoy enhanced benefits from the government intervention as compared to the benefits they could organise for themselves. These ideas were initially attributed to Stigler (1975) although Peltzman (1976) and Posner (1974) expressed similar ideas and extensions. Stigler's central hypothesis was that :

"..as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit"²²

In examining this hypothesis, the tools of demand and supply are used together with the literature pertinent to cartels to identify where such regulation is likely to arise. In this process, Stigler identifies four powers, traditionally excercised by government, that interest groups attempt to use to their own advantage. He placed particular emphasis on two: the first of these being the ability of governments to tax/subsidise/give grants to industry and the second, the power to control entry into an industry. In terms of the latter, where particular interest groups seek control on entry, this would be predicted to occur when the existing group of producers have most to gain from promoting entry barriers and importantly, where the alternative of ensuring effective private cooperation may be the most difficult to attain. This is because cartels are notoriously unstable in relation to their attempts to keep prices above competitive levels. An individual firm clearly can gain by price cutting and also the cartel's cohesion is threatened by new entrants and the possibility of having producers who are unwilling to 'join'. Taking into account the conventional analysis of entry barriers which suggests that economies of scale, product differentiation and/or absolute cost differences may make entry difficult in concentrated industries, this theory would predict that the demand for regulation may be strong in multifirm industries with easy entry. The relevance of this prediction for

CHAPTER TWO

the road passenger industry will be discussed after examining the empirical evidence in the next chapter.

Whilst the sectional interest theories do seem to explain the presence of some regulatory regimes, not explained by the public interest theories, Stigler (1975) obviously intended a wider application since he argued that:

"..most industries will have a positive demand price for the services of government"⁽³⁾

Using demand and supply analysis on this premise it is possible to show how some industries may not demand regulation from governments because they can make private arrangements at lower cost. Thus Stigler made a case for this theory being 'complete' by being able to explain both the incidence and non incidence of the regulation of firms/industries by reference to the broad costs and benefits of their seeking regulation. A deeper analysis of the sectional interest theories would involve an examination of the political theory of interest groups since the benefits and costs of seeking regulation are likely to depend on the distribution of costs and benefits between producers and consumers. This is beyond the scope of this thesis. Utton (1986), drawing from Wilson (1974) highlights the particular relevance of this body of theory to regulated industries as follows:

"If the benefits of a piece of regulation (say entry prevention) are highly concentrated amongst a small group (existing members of the industry) while the costs (higher long run prices) are widely dispersed amongst a very large group (of customers) then not only is the regulation more likely to be implemented but the regulators will behave in the way Stigler predicts, in the interests of the regulated. In such cases, the industry and its agency will strive to remain as invisible as possible, to prevent the mobilization of a counter group to oppose the regulation. However, if it becomes contentious, it will be defended by attempts to show that the public benefits by higher safety standards, lower incidence of fraud and protection from 'cowboy' operators."⁽⁴⁾

CHAPTER TWO

Thus, if Stigler's theory is essentially correct, it would be hardly surprising that regulatory regimes do arise without the conditions of market failure being prevalent.

Finally, whilst Stigler's theory is logically different from a third body of theory of regulation based on the earlier 'capture hypothesis', it is difficult in practice to distinguish between these two. The capture hypothesis is based on the notion that, whilst a system of regulation may have been set up to correct a market failure, the regulators over time are 'captured' by the regulated and end up serving their interests. This is not to suggest that the regulators are corrupted but simply they identify increasingly with the needs of the industry with which they are working. Hence in an industry which has been regulated for some time, the empirical evidence cannot, without a historical perspective, distinguish between the hypotheses of the sectional interest and theories based on the capture hypothesis.

4. SUMMARY

It is important to recognise that regulation has been applied to such a wide variety of industries and in so many different forms that it would be unreasonable for one economic theory to explain its presence in the majority of situations. This chapter has thus attempted to outline the theoretical background which could be relevant in examining the economic rationale, if any, behind the original intervention in the road passenger industry by the 1930 Road Traffic Act. The empirical evidence is examined next. The origins of this Act are considered in Chapter Three and its implementation in Chapter Four. Inferences about the possible relevance of

CHAPTER TWO

economic theory to this particular industry's development ~~are~~ discussed in Chapter Five.

CHAPTER TWO

NOTES TO CHAPTER TWO

1. Posner (1974) p336
2. Stigler (1975) p114
3. Stigler (1975) p121
4. Utton (1986) p21

CHAPTER THREE

EMPIRICAL EVIDENCE: THE ORIGINS OF THE 1930 ROAD TRAFFIC ACT

1. INTRODUCTION

The Road Traffic Act, 1930, marked the beginning of comprehensive state intervention in the control of passenger-carrying road vehicles. As noted in Chapter One, this Act introduced a system of route licensing together with well specified safety standards. It is these two aspects which are the particular concern of this chapter.

The economic theory pertinent to regulation has already been discussed. The purpose of this chapter is to examine the historical evidence to try and answer two key questions. First, why was intervention thought necessary and second, why was intervention made in the specific form introduced by the 1930 Act.

Unfortunately, it is not possible to answer these questions in a straightforward manner. In common with other major pieces of legislation, the reasons for the initial political interest can be quite different from the reasons for change finally put forward by the proposers of the legislation and these reasons might be different from the way in which contemporary sources viewed the situation.

This chapter begins by considering both the contemporary and the modern literature for an explanation as to why the 1930 Act was passed. To give a fuller picture, the remainder of the chapter traces the development of the issues which would appear to be relevant to the eventual passage of the Road Traffic Act through Parliament. Thus this second section documents the way in which, early in the 1920s, the

CHAPTER THREE

politicians first became interested in 'controlling' road passenger transport. The third section, on the Hackney Vehicles Committee, examines the way in which the 'relevant issues' for control were first discussed and the final section concentrates on the evidence from the Royal Commission on Transport from which the legislation eventually emerged.

Inevitably, these latter three sections are linked by the way successive governments throughout the 1920s claimed to recognise the need for legislative provisions for road transport but argued that Parliamentary time was fully occupied with other measures considered to be of higher priority. The only legislation enacted in this sphere in the 1920s was the London Traffic Act, 1924, a hasty measure to relieve the capital city of the 'chaos' caused by the free market in road passenger transport. The London Traffic Act relied very heavily on the evidence and interim recommendations of the Hackney Vehicles Committee (discussed in the third part of this chapter) although the Act was on the statute book long before the Committee had produced its own Report. By this Act, London became a special case and, for this reason, legislation which relates specifically to London is excluded from particular discussion in this thesis.

The evidence in this chapter is drawn from various sources, including the Reports and Evidence from the Hackney Vehicles Committee and the Royal Commission on Transport (long been available in print) as well as contemporary and more recent books and articles on the subject. The important new sources, only available more recently, have been the original Ministry of Transport files on both the Hackney Vehicles Committee and the Royal Commission, the Cabinet papers of the 1920s together with other papers held at the Public Record Office (PRO). It is these sources which have allowed a much fuller discussion of the events leading up to the enactment of the Road Traffic Act, 1930.

CHAPTER THREE

2. THE ORIGINS OF THE 1930 ACT AS EXPLAINED BY CONTEMPORARY AND MODERN LITERATURE

Throughout the 1920s, the tramway and railway companies increasingly felt the competition from the rapid growth of motor vehicles. Tramway receipts fell by just over 21% in the decade and railway by 17% between 1923 and 1930.¹¹ It was, however, the financial position of the railways which caused most concern for their capital had been raised from shareholders (and had become the favourite gilt-edged investment of many individuals). By 1920, the majority of tramways were owned by local authorities as Table 3.1 shows with private individuals (and voters) being little involved:

Table 3.1
Tramway ownership in 1920

	Local Authorities	Private Companies
Capital Expenditure (fthousands)	2 448	260
Passenger Receipts (fthousands)	25 542	6 064
Passenger Journeys (thousands)	3 848 494	821 423
Vehicles	10 802	3 020
Vehicle Miles (thousands)	277 892	67 262

Source: Munby (1970) Tables B3.1, B8.1, B6.1, B11.1 and B12.1

Sources predating the creation of the Royal Commission on Transport in 1928 comment on the severe competition between the railways and motor traffic and suggest that it was this competition which motivated the railways to obtain powers to own, operate or take a financial interest in road vehicles (which was finally granted in August 1928). For example, Fenelon (1925) wrote:

"the railways feel that the only effective reply to the

CHAPTER THREE

challenge [of the development of road transport] is to be furnished by the provision of road services in conjunction with their railway system."⁽²⁾

Writing in 1928, Brunner put a similar point:

"There is a great deal more scope for genuine co-ordination of work between railways and roads in a country of long distances such as the United States than there is in Great Britain, where the granting of road powers to the railways might be construed as an admission that the British railways were unable to compete with motor transport and, in view of that, were attempting to obtain the lion's share of the motor business of the country."⁽³⁾

The subsequent literature of the 1930s attributed the quantity licensing provisions of the 1930 Act to two main causes. First, the belief that uncontrolled competition brought chaos through unco-ordinated services and 'wasteful' competition. Second, it was the success of the combined pressure of railway and tram interests that eventually brought quantity licensing onto the Statute Book: the public expression of this pressure being demonstrated before the Royal Commission at the end of the 1920s. Sherrington (1934) suggests that it was road competition that led the railways to seek road powers but it was the uncontrolled competition leading to wasteful competition that initiated the quantity licensing provisions. Chester (1936) reiterated Sherrington's view and argued that the 1930 Act was passed in the belief that:

"unfettered competition is certain to lead to an inefficient transport system, and to avoid this the restriction of competition is the only possible solution."⁽⁴⁾

He continued that this idea was then extended, to protect both the railways and trams whose financial situations were deteriorating, and used to justify the control of buses in competition with alternative forms of transport.

More recent literature attributes the quantity licensing provisions to the same two causes: wasteful competition and pressure, exerted before the Royal Commission, from the railway companies and others among road

CHAPTER THREE

transport's competitors. Bagwell (1974), for example, suggests that it was concern over the impact of motor transport on the railways that led to the initial appointment of the Royal Commission for a fuller discussion of the co-ordination of all forms of transport⁽⁵⁾. On the subject of wasteful competition, Barker and Savage (1974) comment:

"there was also wide agreement among those operators trying to provide regular services, as well as among a substantial section of the travelling public, that uncontrolled competition in road passenger transport was not in the public interest."⁽⁶⁾

Dyos and Aldcroft (1974) agree that unregulated competition was not producing the best results but argue that contemporary feeling in favour of regulation may not have been as unanimous as the Report of the Royal Commission suggested since only the organised pressure groups gave evidence.⁽⁷⁾

There is a conflict here. The pre-1930 literature highlights the problems facing the railways in terms of competition from motor vehicles and suggests that the railways sought powers to operate road vehicles to mitigate the threat of this competition. The 'popular' view that quantity licensing was introduced to control competition between motor and other forms of transport and to eliminate wasteful competition derives from post-1930 sources and refers to the strong pressure from the non-motor interests before the Royal Commission. The new sources, available only more recently, reveal that the origins of the 1930 Act date in fact from the early 1920s.

3. HOW CONTROLLING PASSENGER-CARRYING VEHICLES BECAME AN ISSUE: THE NEW EVIDENCE

3.1 Congestion, Safety and the Taxation Committee

The growth of motor traffic, particularly in London, provoked the first

CHAPTER THREE

official investigation into the potential regulation of all vehicles, including omnibuses. The Advisory Committee on London Traffic, set up in 1920 as a subcommittee of the Ministry's Technical Committee, was initiated by concern over congestion and was required, in its terms of reference, to:

"consider what immediate steps can be taken, consistent with existing powers, to remove congestion existing in London Traffic and to consider further the powers necessary and the action to be taken to improve London Traffic"⁸

The concern for congestion was quickly followed by concern for public safety with the most vociferous comments coming from the lobby seeking regulation of all motor vehicles: they claimed the growing number of vehicles on the streets, especially in London, caused chaos by congestion and led to an increasing level of accidents. The omnibus in particular was heavily criticised for its lack of contribution to public safety and it was in this Committee that the more general control of passenger vehicles came up in the context of solving London's traffic problems.

Control of motor vehicles was, however, difficult with the laws available which, as described in Chapter One, were designed to control the much more slow moving horse drawn forms of transport. As a result of this internal advisory committee's report, together with public and political pressure, a special committee of Ministry of Transport's Roads Department, the Taxation Committee, was created to examine the taxation and regulation of motor vehicles. The Ministry of Transport had had a pre-eminently railway administration since its inception in 1919 with Sir Eric Geddes⁹, an ex-railway man, as the First Minister and Sir Francis Dunnel¹⁰, also from the North Eastern Railway, as the Secretary. The fact that a separate Roads Department existed at all was considered a victory for the roads lobby who feared that without it the railway bias in the Ministry would seek only to strengthen and protect the railways at the

CHAPTER THREE

expense of the growing and increasingly competitive road transport industry. This view was summarised by W Rees Jeffreys⁽¹¹⁾, the eminent "road" man, when writing about the establishment of the Ministry of Transport:

"Many of the principal officials were men of railway experience, training and mentality. The chief exception was the Head of the Roads - Sir Henry Maybury⁽¹²⁾ who was appointed Director General of Roads. For a few years he was given opportunities and used them constructively to reshape road policy and to make road history"⁽¹³⁾

One consequence of this struggle for 'independence' within the Ministry of Transport was that each 'Department' acted in a totally unco-ordinated fashion in relation to policy developments in other modes of transport - a point which becomes particularly important later in this chapter when the evidence before the Royal Commission on Transport is examined.

3.2 Evidence on the growth of traffic and accident levels.

The growth in traffic which gave rise to the initial concern over accidents is well documented in aggregate terms. Rapid growth began with the armistice in 1918 and accelerated in the early 1920s⁽¹⁴⁾. The effects on London, because of the magnitude of its impact, are better documented in a disaggregated form and are worth reviewing here to put the concern over congestion and public safety into context.

Initially, no substantive evidence was put forward to support the contemporary view that chaos, congestion and risk to public safety arose from any major increase in road traffic. In fact, the figures which are available do not support the view that omnibuses were particularly to be blamed for accidents. Evidence available early in the 1920s suggest that, for London at any rate, the accidents caused by the motor omnibuses did not increase as fast as their increase in numbers : this is shown in Table 3.2.

CHAPTER THREE

Table 3.2

Accidents caused by motor omnibuses in the Metropolitan Area
(percentage change over previous year)

	1918	1919	1920
Motor omnibuses	2 277	3 314 (+45.5)	3 365 (+1.5)
licenced			
Fatal accidents caused	121	136 (+12.4)	80 (-41.2)
by motor omnibuses			
Non-fatal accidents	1 664	1 953 (+18.8)	1 583 (-18.9)
caused by motor omnibuses			

Source: PRO MT 36/4 Advisory Committee on London Traffic

More data is, however, available from a later Committee, the London and Home Counties Traffic Advisory Committee, which specifically examined the problem of street accidents in 1927 and provides reasonably accurate information for London. Evidence for the rest of the country is not so complete since many licensing authorities did not use their powers to license vehicles under the pre-1930 legislation. The general conclusion of this Committee which examined street accidents was that many accidents to pedestrians were brought about by a lack of awareness to the changing conditions brought about by faster motor traffic. The most prevalent cause of street accidents, it found, was mechanical defect.

The evidence before this Committee also provides information on the actual growth of traffic in London, taken from police census data for traffic passing 39 points in Central London during a period of twelve hours. Table 3.3 is derived from these figures.

CHAPTER THREE

Table 3.3
Growth in Central London Traffic

	Index of total traffic passing census points	Index of all motor buses passing census points	Index of all traffic other than buses passing census points	buses as a % of total traffic
1919	100.00	100.00	100.00	17.9
1920	120.35	105.95	123.49	15.7
1921	122.81	102.60	127.21	14.9
1922	131.81	107.28	137.15	14.6
1923	138.78	137.08	139.15	17.7
1924	155.27	165.18	153.11	19.0
1925	153.30	161.58	151.50	18.8
1926	166.16	159.73	167.56	17.2

Source: London & Home Counties Traffic Advisory Committee 1927

From the index of all traffic passing the census points, it can be seen that the number of vehicles did indeed grow very rapidly between 1919-1921 and, although the rate of change between 1922-1926 was not so great, the rate of growth still represented a substantial increase in absolute terms from 679,258 vehicles in 1919 to 1,128,629 vehicles in 1926. When considering the role played by the motor omnibus within the overall pattern of traffic growth, Table 3.2 shows that it was from 1923 onwards that the numbers of buses grew rapidly in comparison with all other vehicles. From 1923 onwards, bus movements became an increasing percentage of all movements across the census points as the decade progressed.

CHAPTER THREE

In terms of accidents, the Report of this Committee is interesting because of the way it compared London to other cities in terms of fatalities in an attempt to identify whether fatalities were significantly different outside the capital. These are shown in Table 3.4:

Table 3.4

Street accident fatalities per 100,000 estimated population

	1920	1921	1922	1923	1924	1925
Greater London	8.80	7.70	9.03	8.97	11.28	11.03
Birmingham	7.02	6.09	5.18	6.87	7.48	9.30
Glasgow	5.34	6.38	4.34	3.33	5.33	7.35
Liverpool	6.19	5.99	5.32	7.52	7.27	5.95
Manchester	9.48	6.45	7.62	6.38	9.01	7.80

Source: London and Home Counties Traffic Advisory Committee 1927

For the purposes of this chapter, however, the level of accidents in the rest of the country are at least as important even though the data are less reliable. Data are available on fatal accidents caused in some way by motor omnibuses from the Registrar General's annual returns. It must, however, be stressed that fatal accidents are usually only a small proportion of total accidents and for London at least, as Table 3.2 shows, an increase in fatalities was accompanied by an even greater increase in non fatal accidents. Nevertheless, using figures for the country as a whole from the Registrar General's annual returns, Glaister and Mulley (1983) (15) show that between 1916 and 1937 the single most important determinant of fatalities was the increase in the physical number of vehicles in operation.

CHAPTER THREE

3.3 Summary

Traffic congestion in London initially aroused an interest in the control of motor vehicles. This in turn led to discussions on public safety which, even if not substantiated by fact, led to government interest in controlling public passenger-carrying vehicles. The next stage in the development of the Road Traffic Act is considered as the control of public passenger vehicles grows in importance by the setting up of a specific Ministry of Transport Departmental Committee.

4. THE HACKNEY VEHICLES COMMITTEE

The question of the licensing and regulation of stage and hackney vehicles was originally within the terms of reference of the Departmental Committee on the Taxation and Regulation of Road Vehicles, chaired by the Director General of the Roads Department, Sir Henry Maybury⁽¹⁶⁾. Early in 1922, Sir Henry sought ministerial approval for a separate committee to consider "the very controversial subject" of the licensing and regulation of hackney and stage carriages on the grounds that the contemporary licensing authorities were not adequately represented on the Taxation Committee. Later in 1922, the Departmental Committee on the Regulation of Hackney Vehicles (short title: Hackney Vehicles Committee) was created.

4.1 Representation and Terms of Reference on the Hackney Vehicles Committee

Representation on this Committee was divided between two official representatives, six from motoring and trade organisations, seven from local authorities and included eight members of the original Taxation Committee⁽¹⁷⁾. These bodies were represented as follows:

CHAPTER THREE

Official Representatives: Sir Henry Maybury (Chairman) and Mr F L D Elliott, Scotland Yard (Police Authorities).

Motoring and Trade Representatives: Sir Thomas Berridge⁽¹⁸⁾ (RAC) who died in 1924 and was not replaced; Sir Stenson Cooke⁽¹⁹⁾ (AA and Motor Union); W Rees Jeffreys⁽²⁰⁾ (represented the Society of Motor Manufacturers and Traders until he went abroad in 1922 when his place was taken by Sidney Straker⁽²¹⁾ who later resigned in 1924 and was replaced by A Hacking; Edward Shrapnell Smith⁽²²⁾ (Commercial Motor Users Association); Frank Pick⁽²³⁾ (London & Provincial Omnibus Owners Association) and R J Howley⁽²⁴⁾ (Provincial Charabanc interests).

Local Authority and other Representatives F H Berrymans⁽²⁵⁾ (County Councils Association); Sir Robert Fox⁽²⁶⁾, Town Clerk of Leeds, followed by H A Pritchard, Town Clerk of Leicester (County Boroughs Association); Sir Walter Nicholas⁽²⁷⁾ (Urban District Councils Association); Seymour Williams⁽²⁸⁾ (Rural District Councils Association); A J Asher (Association of County Councils of Scotland); A Grierson, Town Clerk of Edinburgh (Convention of Royal Burghs); G W Tindall (Royal Agricultural Society) and a representative from the Ministry of Health (necessary because of the Minister of Health's powers under the Town Police Clauses Act as discussed in Chapter One).

The Committee's terms of reference were quite explicit:

"To consider existing legislation and practice in connection with the use, construction and regulation of road vehicles (other than trams and trolley vehicles) employed for the purpose of carrying passengers for reward and to report thereon"⁽²⁹⁾

The creation of this separate Committee specifically to consider problems caused by passenger vehicles did not appear to have party political implications. It was conceived during the office of Lloyd George's Coalition although the first sitting was after Bonar Law had formed his

CHAPTER THREE

Conservative Government. Ideas of restrictive regulation at this time were not in line with either government's view and would have taken lengthy justification as it had done with the railways earlier in 1919 when Sir Eric Geddes had conceded that such regulation was a 'necessary evil'. The non-party political status of this Committee supports the evidence that its primary concern was to reduce congestion and to promote safety.

4.2 The Committee's deliberations

The starting point for discussion by the Committee was the necessity for, and the method of, control of mechanically propelled hackney vehicles. To enable the Committee to consider this aspect, the Secretary, Pool Godsell, wrote to the town clerks of fourteen larger County Boroughs⁽³⁰⁾ seeking their opinions on the need for the control of hackney vehicles "from a public safety point of view"⁽³¹⁾.

The reply from Newcastle upon Tyne formed the basis of the opening discussion in the Committee. It commented not only on the extent of public safety control but included the Borough's opinion on possible regulation to ensure adequate provision of 'public services':

"The control of public service vehicles may extend to considerations of the public safety, the public convenience and the services performed.

The public safety extends to cover,

- (a) the suitability and upkeep of the vehicles;
- (b) the skill and character of the driver and conductor - this measure of control is acceptable and should be uniform.

The public convenience extends to cover,

- (a) the general conduct of the passengers;
- (b) the use of roads, stands, stopping places, etc. this measure of control is desirable and should equally be uniform, but under (b) local circumstances and conditions would be a governing factor.

The public service extends to cover such questions as routes, regularity and frequency of service, fares. The question at once arises whether these are matters for control except to quite a limited extent. Control is not associated with financial responsibility, but upon all these questions the financial

CHAPTER THREE

position and stability of the carrier depends. The principles of control under this head need definition at an early stage.

As suggestions, the following two points have been raised:

(i) a regular service. This is to prevent two things, (a) the withholding of a reliable public traffic facility, and (b) irregular intervention in the working of routes by irresponsible carriers;

(ii) a published scale of fares. This to prevent variable charges.

Any proposal for limitations must be accompanied by some advantages to the carrier. The obligations laid on the carrier to supply and maintain a public service must be accompanied by corresponding rights of some sort."⁽³²⁾

Although railway and tramway pressure has popularly been given as the reason for the original regulation of passenger-carrying vehicles, there was no mention of this pressure in the Newcastle reply. It was quite clear that the control exercised, by Newcastle at least, was based on maintaining an acceptable safety level. Early evidence submitted to the Committee, by both bus operators and licensing authorities, expressed the view that regulation of hackney vehicles was indeed necessary but should be accompanied by benefits to the carriers to compensate for the extra expenses incurred by such control.

It was unanimously agreed by members of the Committee that some sort of regulation was desirable on grounds of safety, but a mixed reception was given to the idea that a uniform standard such as a 'certificate of fitness' should be enforced for all vehicles throughout the country. For example, Sir Robert Fox, the Town Clerk for Leeds, argued that there would be no guarantee that the vehicles would be maintained in the state in which it passed the test (similar objections were made more recently before the introduction of the MOT certificate for cars):

"To my mind the main effect of granting a certificate would be to relieve the licensing authority of a great responsibility and demonstrate to the public that a somewhat ineffectual effort has been made to provide for their safety, and I do not think these two objects would be worth the expense that would be involved."⁽³³⁾

CHAPTER THREE

Arguments at the other extreme put forward the view that, unless some sort of national standard was set, the ridiculousness of the current licensing procedures might be perpetuated: for example, more stringent vehicles tests might be required by adjacent local authorities, and the system of control would not be improved. An example of a typical licensing problem was put before the Committee from the Birmingham area:

"A motor omnibus requires at least two licenses, registration as a motor car with a revenue licence and an omnibus licence which entitles it to ply for hire. I say 'at least two' because if it plies for hire in more than one urban district (or rural district having urban powers) it requires an extra licence for every such extra district. Thus, to take a simple case of a short route within my own knowledge, a motor omnibus running on a regular service, Birmingham - Stourbridge - Wolverhampton, has to have a licence to ply for hire in Birmingham, Halesowen, Lye and Wollescote, Stourbridge, Amblecote, Kingswinford, Seisdon and Wolverhampton. If it is running on a circular route and returns to Birmingham through Dudley, it also requires licences for Sedgley, Dudley, Tipton, Oldbury and Smethwick."⁽³⁴⁾

Another example which highlights the way in which the control, when exercised pre-1930, was on the vehicles comes from the Northern Bus Company in the north east of the country:

"We used to run from Merton to Sunderland and another service from Sunderland to Newcastle through Gateshead. Some fellow at Merton lumped the two together and we had a through service. One Saturday morning a Hackney Carriage Inspector at Gateshead stopped the buses coming through without any Gateshead plates on. We realised then that half the buses were coming from Merton instead of these turning around at Sunderland. This was a Saturday morning and it took us until 1.00 p.m. to get the service right. I had to go to Sunderland and turn round the buses licensed for Gateshead back, turning the Merton ones round and sending them back to Merton to get sorted out."⁽³⁵⁾

The Committee initially considered various arguments for control but decided that a more thorough examination should be referred to a subcommittee. A subcommittee was thus formed to examine a uniform method of regulation for the industry under four separate headings: constructional requirements; regulations relating to the carriage and conduct of passengers (analogous to the bye-laws of railways and tramways); regulations relating to the condition of the omnibus from time to time

CHAPTER THREE

(its cleanliness, soundness and efficiency); regulations governing the use and operation of omnibuses (the routes and services to be operated and fares).

The subcommittee initially consisted of five members: W Rees Jeffreys, R J Howley, Sir Robert Fox and Sir Walter Nicholas in addition to their chairman, Frank Pick, who, representing the London and Provincial Omnibus Owners Association on the Committee, was then also joint assistant managing director of the London Underground group of companies which had a controlling interest in the London General Omnibus Company⁽³⁶⁾. Subsequently, an additional member from the Chief Constable's office in Bristol, J H Watson, was appointed to the Committee. Initial discussion indicated that full exploration of the topics assigned to them would be hampered unless some decision was taken as to the nature of the proposed licensing bodies. The terms of reference were thus extended to include the choice of licensing authority.

The subcommittee examined evidence on the question of who should exercise the licensing powers. The following extracts illustrate the divergence of views on this subject which were received by the subcommittee's secretariat, not all of which reached the subcommittee itself:

"In the first place, with regard to Licensing Authorities, he considered that it was desirable to reduce the number and not to increase them, and he took strong objection to County Councils being given any licensing powers, he appreciated that there would be some opposition to the taking away of licensing powers from any authority now possessing them but he thought that it was opposition that should be faced. His suggestion was that the Licensing Authorities should be confined to the larger urban areas with a population limit for which there are precedents, such as the Education Act." *Sir Robert Fox, Town Clerk for Leeds and a member of the subcommittee, 4th December 1922*⁽³⁷⁾.

"That where a local authority is itself interested financially as the owner or lessee of a passenger transport undertaking, it shall not be the licensing authority for road transport service, but such licensing functions shall be exercised by an

CHAPTER THREE

independent officer appointed by the Minister of Transport." *Resolution passed by National Conference of the Commercial Users Association, and submitted to the Ministry of Transport, January 1923*⁽³⁸⁾.

"The Regulations made [for use and operation of omnibuses] to be placed under the executive control of a Central Public Service Commission who shall delegate powers to four Area Commissions as follows:

1. England - north of Humber and Mersey
2. England - Thames to Humber
3. England - South of the Thames
4. Scotland"

Extract from a draft scheme, dated 14th January 1923, submitted to the Ministry of Transport by the United Automobile Services Limited (operators in Eastern England)⁽³⁹⁾.

The interesting aspect of the last extract is its similarity to the 1930 Road Traffic Act with respect to the licensing authorities and yet, on the decision taken by a member of the team servicing the subcommittee, the scheme was never brought before the subcommittee. This was probably because the scheme as a whole was considered unusable but this decision was surprising for there is no other evidence to suggest that information was withheld from the sub or main Committee.

In April 1923, the subcommittee tentatively agreed to recommend that powers for the issue of hackney vehicle licenses be vested in County and County Borough Councils, those non-County Borough and Urban District Councils with populations exceeding 10,000, and Rural District Councils with existing licensing powers and populations exceeding 10,000. These proposals reduced the number of licensing authorities from 1,175 to 880. By the time the first draft of the Report was circulated to the main Committee, however, the population requirement had been revised upwards to 20,000, thus reducing the number of licensing bodies even further, to 302. In a memorandum, dated 7th December 1923, circulated with the draft interim report to the main Committee, Frank Pick indicated that their

CHAPTER THREE

choice of population limit was a compromise:

"the fewer the number of licensing authorities, the more effective in some important aspects will be the discharge of duties with regard to licensing because the concentration of work will enable much more efficient staffs to be employed. Yet, with regard to other of the duties of the licensing authorities, it may equally be said that the more widespread the licensing powers, the more effective will the control be for purely local purposes. Purely local purposes should, however, be subservient to the broad interests of considerable districts and, therefore, not too much weight should be attached to local considerations. In choosing the 20,000 population standard for licensing, the subcommittee endeavoured to balance fairly the conflicting interests. Whilst a compromise situation is always a weak one from the point of view of criticism, I think it will be admitted that in this country at least a genius for compromise has characterized political action."⁽⁴⁰⁾

Having resolved the issue of who should act as the licensing authority, the subcommittee turned its attention to the type of licensing to be enforced. The promotion of legislation to ensure safety was given the highest priority and the motor bus manufacturers' advice was sought and examined. The process involved a technical evaluation of dimensions of vehicles, types of suspensions, turning circles etc. As with the railways in the 1830s, the government's initial concern for public safety led to intervention on these grounds together with a substantive review of other aspects, notably competition.

On the subject of competition both the subcommittee and the main Committee were undoubtedly influenced by evidence submitted by both operators and licensing authorities. These submissions expressed the view that necessary regulation to promote safety should be accompanied by benefits to the operators in compensation for the additional costs of complying with safety controls. This was also illustrated by the letter from Newcastle upon Tyne at the beginning of this section. In contrast to the evidence heard by the Royal Commission on Transport at the end of the decade, submissions to the Departmental Committee on the state of competition were neither uniform nor based on the predominant fallacy of

CHAPTER THREE

the era that unfair competition was synonymous with free competition. The Ministry of Transport's view was given by Pool Godsell, the Committee's Secretary:

"Then there is the question of competition and it is for consideration how far this question comes within the terms of reference to the Committee. The question is a very serious problem because in many cases there are big companies running passenger services to timetables and they run these vehicles throughout the day. A great many of the services which are in the public interest during certain hours of the day are not paying propositions, and the companies complain of unfair competition during the busy times from smaller vehicles by people who do not desire to serve the interests of the public at all. These people do not publish or run to any timetable - but they have the advantage of seeing the responsible Company's timetable and they run their vehicles five minutes ahead of the Company's service when to do so would be remunerative. On the other hand fair competition is doubtless to some extent in the interests of the public as tending to avoid monopolies but undue competition may tend to cause the competing services to become unremunerative with the result that all are withdrawn."⁽⁴¹⁾

He later extended his 'purely personal' view:

"This question [of regularity of service and fares] raises the further one of competition. It is contended with some justification on behalf of the undertakers that if they are required to run to a timetable they should be protected from unfair competition, in particular, from persons running buses immediately in front of the undertakers' timetable times at peak hours and taking their passengers.

It seems to me reasonable that they should be protected from such competition so long as they provide an adequate service, putting on additional buses when required and that accordingly persons should only be licensed in competition who also run to a suitable published timetable."⁽⁴²⁾

In all the evidence put before the subcommittee, there were only two bodies who dissented from the view that restriction of competition was desirable. Pickards, a motor coach operator, on behalf of the Motor Trade Association, maintained that they welcomed competition and that regulation should take the form of fares control in the areas where competition was insufficient to create fair fares. The other dissident was Sidney Straker⁽⁴³⁾, substitute representative of the Society of Motor Manufacturers and Traders (SMMT) during Rees Jeffrey's absence. Straker

CHAPTER THREE

had long been involved in the motor manufacturing industry and was also an active participant in the bus world with E H Bayley, another old hand whose experience went back to the horse bus days of the 1880s. Straker was involved at the start of motor bus services in London. Straker Squire chassis, in fact, were used frequently in London by the LGOC throughout the 1920s as well as in Birmingham and by the independents (or 'pirates') whom the motor manufacturers 'helped' to exploit new openings. Straker reflected the manufacturers' viewpoint by insisting that the passenger road service industry should remain competitive. On receipt of the first draft of the subcommittee's report, he submitted a discerning and well informed memorandum on this subject which deserves quotation at some length:

"While one cannot fail to appreciate the evidence given on behalf of the operating Omnibus Companies and Licensing Authorities as to the difficulties in catering adequately for the requirements of the public when unrestricted competition may deprive any undertaking of the wealthy routes, without which lean routes cannot be economically served, on the other hand it involves a principle which the motor trade cannot accept.

The inevitable consequences of granting specifically to any licensing authority powers which will confer upon any Company or group of Companies a virtual public road passenger franchise must be in the nature of a monopoly, which, in my view, cannot be carried on in the public interest. That there are very strong and cogent reasons for the development of the public service road vehicles on the lines suggested in the Report, one cannot deny. At the same time such a policy, if sanctioned by the legislature, cannot but end, sooner or later, in the operation of all passenger road services throughout the country by a limited number of Companies working together under territorial arrangements, each of them exercising on the respective licensing authorities an influence indirect, but no less real, which must make it virtually impossible for any competitor to operate anywhere within such territory. The powers of such Companies will affect directly or indirectly the manufacture of the vehicles and their parts and the retail motor trade and the tendency undoubtedly must be to create ultimately groups of Companies controlling not only road services but the whole service of supplies necessary for the operation of the services.

From a broad national point of view the individual owner of a small fleet of vehicles must be substituted gradually but inexorably by a Combine and the small capitalist owner will become the paid employee.

CHAPTER THREE

It may be that such a tendency is inevitable but even so I would suggest that the legislature should do nothing which would assist. The remedy suggested [in the Report] is, or will be I am afraid, worse than the disease. The freedom of the King's highway, one of the most cherished possessions of the subjects of the King, will be in jeopardy. Although the safety of the public and the conditions of the road must involve public control as regards structural requirements of public service vehicles, the speed and arrangements for vehicles and other similar considerations, I would venture to suggest that the powers given to licensing authorities should be governed by no more than these two considerations. To extend the scope of the control, as it is suggested, would ultimately be to introduce into the development of passenger road transport bad influences which have placed this country ten years or more behind America and the Continent in the development and use of electricity.

Without competition and competitive effort, the incentive to produce the most efficient vehicle at the cheapest price must largely disappear.

Competition between manufacturers is no less important from the point of view of progress in efficiency and design than the element of competition is in the services which are given to the public, and from this point of view alone it would be undesirable to pursue a policy which would tend to confine the manufacture of public service vehicles to one or two concerns.

London provides an illuminating example of the value of the past policy which with all its faults I would urge should not in its main principles be disturbed.

Is there anyone who will not concede that the competition between the omnibuses of the LGOC and the trams of the LCC has been in the public interest? But for the former, the continual struggle to give better service between one and another, is it conceivable that the necessities of London passenger transport would have been met? To what conditions other than the necessity of meeting present and future potential competition can be attributed to the fact that the whole fleet of omnibuses in London has been virtually renewed since the war?

It is true that the enterprise of manufacturers and the ambition of private individuals is placing upon the streets of London so-called 'pirates' whose advent is naturally welcomed neither by the Underground Railways nor by the LCC. It is stated, with truth no doubt, that the operations of these rival concerns cater particularly for the cream and rob existing undertakings of part of the rewards of their past enterprise and places them temporarily or permanently less able to fill the requirements of the public on less remunerative routes. Such a condition of affairs may seem inequitable and sometimes anomalous, but it is surely not open to question that the public in the long run is the gainer and not the loser and that the commercial struggle always present of prospective leads to efficiency, economy and progress in the best sense of the words. Demand creates supply in passenger road service no less than in ordinary commercial life. The pioneer, often anticipating a demand, creates the supply trusting to the revenues of the

CHAPTER THREE

future. The whole commercial position of this country has been built up within that principle."⁴⁴

Straker evidently felt strongly about restrictions on competition but he was alone in this view on the subcommittee. This memorandum was considered, but the majority decision was to follow the original path of recommending some sort of quantity licensing. Straker thus dissociated himself from the restrictive sections of the draft Report and awaited further discussion of the matter on the main Committee. The main Committee subsequently concurred with the majority decision.

Sidney Straker's memorandum is interesting for three other reasons. First, it illustrates the influence of the selling tactics and the persuasive role of the manufacturers in the emergence of the 'pirates' on the streets of London at that time. Secondly, Straker's support for the constructional and maintenance sections explains the willingness of vehicle manufacturers (whom he represented through the SMMT) to work to the new specifications without complaint. Indeed, the vehicle manufacturers pressed for advance details of the report in order to incorporate new requirements into their designs. Lastly, the memorandum predicted accurately the actual outcome of quantity licensing as implemented by the Road Traffic Act, 1930.

By the end of 1923, the Departmental Committee was coming under various pressures to publish its report. At that time, the subcommittee had tentatively agreed upon whom should exercise the licensing powers and they had examined and discussed the various technical matters with the view to issuing specific constructional and maintenance requirements (although these were constantly re-examined throughout the drafting stages). Some of the pressure brought to bear on the Committee was political. The vehicle manufacturers, as have been seen, requested advance

CHAPTER THREE

knowledge of any constructional requirements and became irate when, in December 1923, the date of implementation was rumoured to be the end of May 1924 and yet the specific requirements were not available. The Commercial Users Association, as a last resort, wrote to the Ministry of Transport requesting the information and complaining of the lack of communication. The Secretary of the Departmental Committee (Pool Godsell) replied to them:

"I am writing to you unofficially as it rather occurs to me that it is premature at the moment to discuss a date. Personally I do not see that it would be possible for anything to be done prior to the date you mention [31st May 1924]. It is quite obvious that it will not be possible for the Committee to present a report to the Minister for a very considerable period - I should think more likely three months than two. There then remains the question of whether the recommendations of the Committee will be accepted by the Government, and whilst it is difficult to say when one knows the Government whether they will be likely or not to give effect to the recommendations, in the present state of political affairs it is not even easy to forecast what the Government will be at that time. Further I should think it is highly improbable that effect would be given to recommendations of this somewhat important Committee piecemeal. As you are aware the more important recommendations would require legislation and you very well know how difficult it is to obtain parliamentary time in present circumstances for legislation of this character."⁽⁴⁵⁾

Although a more guarded official reply was also sent, this extract serves to illustrate the Ministry's difficulties.

The Ministry was also under pressure from those local boroughs who wanted to make bye-laws for the control of passengers in vehicles, for example, to prevent streamers being thrown from charabancs and from local authorities experiencing problems with licensing practices enforced under local law rather than by statute. Two particular cases were brought before the Committee. The first was from Blackpool, early in 1923, where the Corporation were involved in a dispute between the bus stands of local vehicles and those vehicles foreign to Blackpool which carried some of the crowds flocking to the resort in the holiday season. Although the issue

CHAPTER THREE

was ostensibly about bus stands, the objections which arose were to the "unfair" competition resulting from the advantages accruing to those vehicles which had more favourably located stands. The second case was from Doncaster, in late March 1923. A report from their Town Clerk claimed that the Corporation found it increasingly difficult to cope with the large number of public service vehicles operating on their roads. The Corporation not only ran its own bus fleet but also licensed private operators on other routes with the stipulation they should operate a regular service. This system worked well until the 'pirates' arrived on the scene:

"A number of privately owned omnibuses have recently been put upon routes which are operated by the Corporation's motor omnibuses and are being used in a manner which the Corporation consider is unfair competition. The Corporation run all the days of the week to a fixed timetable, but some of the 'pirate' vehicles only come on the "peak load". They run only on Tuesdays (market day) and at weekends and even then if they obtain a more remunerative engagement elsewhere they stop their service, without notice, entirely. Others arrange their services a minute or two before the Corporation's and their conductors obtain passengers by announcing that their vehicles will start before the Corporation's. The law as it stands today is totally inadequate to control this class of vehicle."⁴⁶

The Interim Report of the subcommittee (dated 15th November 1923) was circulated to the main Committee for consideration. It did not deal with problems peculiar to Scotland (where different legislation was already in force) or the Metropolitan Area. The main Committee met to consider the report and to discuss those points upon which members of the subcommittee had expressed reservations, for example, Sidney Straker's comments on competition. The main Committee also heard witnesses from the Tramways and Light Railways organisations as well as discussing the situation in Scotland as a prelude to producing their final report.

Shortly after the subcommittee's Interim Report had been circulated to the main Committee, the general election of 6 December 1923 returned a

CHAPTER THREE

minority Labour government. The Committee's work was delayed for six months by pressure on the Taxation Committee to produce a report (as discussed earlier, the two Committees had eight common members) and because of the new Government's intention to produce a London Traffic Bill. The Committee's meetings were resumed in the late summer of 1924 by which time the London Traffic Act had received Royal Assent. In August 1924 the Secretary recorded that the subcommittee's Interim Report was expected to form the basis of the main Committee's Report. The latter was finally completed and signed at long last on 25th May 1925⁽⁴⁷⁾. Despite being entitled the First Interim Report, it was, in fact, the only one. This Report included most of the subcommittee's recommendations as well as making recommendations for Scotland and London. It also included a section on the effect of omnibus competition on tramways and made suggestions for control in these circumstances. These further recommendations deserve some attention since these were the only contribution that the main Committee made to extend the subcommittee's Interim Report.

(i) Scotland

The Committee had thought initially that Scottish interests would also be in favour of their recommendations and only minor modifications would be required to take account of the different legal system. The Scottish response, however, was far from favourable, as illustrated by the reply from the Scottish Motor Users Association:

"...The Association holds that no good case has been made out for such drastic alterations of the existing law. It might be desirable that the existing bye-laws of the different towns should be consolidated but the Association feels that the proposals now made will be too cumbersome, too slow in action, too expensive of administration, and irksome to everyone concerned.

The Motor Bus and Motor Charabanc is today a great public necessity, therefore the subject must be approached by all parties with but one aim in view, viz: Service to the Public, and any new Regulations to be made must be in the direction of more

CHAPTER THREE

efficient service. If approached from this point of view the one endeavour will be to make Regulations that will be at once simple, uniform, ease of administration, and yet will give the Omnibus Proprietor the greatest possible scope to give the public cheap and efficient service."⁽⁴⁸⁾

As a result, Frank Pick and Pool Godsell visited Scotland early in 1924 to discuss how much of the subcommittee's Interim Report to the main Committee would be relevant. Further witnesses were examined and a separate report was eventually compiled which took both the different legal system and the needs of Scotland into account.

(ii) London

The London Traffic Act had received Royal Assent before the publication of the Committee's Interim Report. The Committee thus decided that some reference should be made to London because of its recently acquired special status. Moreover, the Committee agreed to propose, in its Report, changes which would bring London into line with their proposals for the rest of the country so far as the licensing authority having the discretion to refuse licences if there were sufficient operators.

Frank Pick drafted the basis of these paragraphs:

"By the London Traffic Act 1924, many of the recommendations of the report have been anticipated in the Greater London Area and while the situation will not be identical in this area with that in the country at large, the differences are not sufficiently material to warrant any disturbance of the settlement already reached for London except perhaps in one particular. Throughout the country the licensing authority will have a discretion in the issuing of licences and may, subject to appeal, refuse licences where, in the opinion of the licensing authority, such licences are not required in the public interest. In Greater London, the licensing authority has no discretion, but must issue a licence to anyone presenting a suitable vehicle, with the result that there is no power to limit the number of vehicles working in the area even when all the legitimate requirements of the public are fully met.

It may not be advisable to confer any unqualified discretion immediately upon the Chief Commissioner of Police, having regard to his official and purely executive capacity, but it would seem wise to confer the necessary discretion on the Chief Commissioner, acting with the advice and approval of the London

CHAPTER THREE

and Home Counties Traffic Committee set up under the London Traffic Act 1924."⁽⁴⁹⁾

(iii) Omnibus and Tramway Competition

Although tramway interests gave evidence at an early stage in the Committee's existence in 1923, the potential damage to trams from the growth of bus services was obviously not then fully apparent. However, the number of submissions to the subcommittee accelerated from the beginning of 1924 and this led the main Committee to reconsider the problem. Their discussions led to the inclusion of the following passage in the main Committee's Interim Report. This is interesting particularly in comparison with the view, discussed later in this chapter, which was presented to and taken by the Royal Commission four years later:

"...There would seem to be occasions on which some form of control of motor omnibus fares to protect tramway interest would be justified. For instance, such a step would appear permissible where the total traffic to be carried locally along the tramway route is light and the running of omnibuses along that route is justified not so much by the volume of local traffic along that route as by the fact that the omnibus service provides for traffic originating or terminating beyond the tramway route. It is desirable that passengers starting their journey outside the tramway area should not have to change vehicles when they reach the tramway route and it is hoped that, if some measure of protection is given to the tramway undertakings in boroughs and urban districts, objection will not be raised to the provision of adequate omnibus services to and from such built up centres and the surrounding rural areas which are in need of facilities for traffic movement.

The subcommittee therefore suggests that there can be no objection to the practice which is already being followed in certain instances, of fixing a minimum fare to be charged for any journey on that part of the omnibus route which coincides with the tramway route, provided that it is applied in a reasonable manner. The minimum fare to be charged locally upon the omnibuses for journeys along the tramway route should not be less than the throughout fare on the trams for that portion of the tramway route along which the omnibus runs; at the same time reasonable fares should be provided for traffic which overlaps the tramway route and which travels partly on what is purely an omnibus and tramway route."⁽⁵⁰⁾

CHAPTER THREE

Although tramway competition was discussed at some length by the Committee, the question of coach and railway competition was not raised. Likewise, the complaint voiced frequently in the latter part of the 1920s - that omnibuses and coaches did not contribute sufficiently to road costs - was not mentioned.

Shortly after the publication of the Hackney Vehicles Committee's Report, there were pressures to reopen and amend certain parts of it but these were unsuccessful. The Committee was effectively adjourned after the Interim Report was published. It was only reconvened in 1928 to consider the provision of emergency exits on buses: an amendment was subsequently incorporated into the Interim Report.

5. THE ROYAL COMMISSION ON TRANSPORT

No further action was taken on the regulation of the road passenger industry until February 1927, when the Cabinet agreed to circulate a draft Traffic Bill, based on the Interim Report of the Hackney Vehicles Committee, to the authorities and interests concerned, so as 'to negotiate with those authorities and interests; and in due course to report the outcome of the negotiations to the Home Affairs Committee with a view to a decision being reached later in the year as to the introduction of the Bill.'⁵¹ Whilst the process of consultation was going on, public opinion and the actions of the railway companies who were seeking powers to carry passengers by road led to the establishment of a Royal Commission on Transport under the Chairmanship of Sir Arthur Boscawen⁵². By the time 1928 had come, the government realised that they could delay legislation for very little longer and that, in fact, it was very difficult if not impossible to deal with the motor vehicle in isolation because of the

CHAPTER THREE

enormous effect it had on every form of transport. Hence, the decision to set up a Royal Commission to examine the whole 'transport problem'.

Later in 1928, Viscount Cecil of Chelwood⁽⁵³⁾ introduced a Road Vehicles Regulation Bill in the House of Lords. The Minister of Transport, Colonel Ashley, reported to the Cabinet prior to the Committee stage of this Bill:

"In the discussion on the second reading of the Bill there was a strong feeling in every quarter of the House that a measure dealing with the further regulation of motor traffic is urgently necessary. Press comments on the discussion were generally in the same direction. The government position was that while legislation is required it is necessary to await the report of the Royal Commission on Transport, and Lord Salisbury advised the House not to oppose the second reading on the understanding that 'either this matter will be referred to the Royal Commission with a view to an early report, or if that fails it will go to a Select Committee.'

I subsequently referred the question of an interim report on the subjects dealt with in Viscount Cecil's Bill to the Chairman of the Royal Commission on Transport who has replied 'The Commission proposes...an interim report dealing more particularly with the matters covered by the Regulation of Road Vehicles Bill and by part (1) of the draft Road Traffic Bill before Parliament adjourns in the summer.'⁽⁵⁴⁾

Viscount Cecil was not impressed by this reply:

"[the interim report] will not be of any use for the purpose of legislation until the new Parliament meets in the Autumn, and if there is a new Government they will want time to consider, which means the Spring of next year before a Bill is brought in. Meanwhile the tale of death and injury goes on. Surely something might be done before then and I hope the Government will be able to make some reassuring statement."⁽⁵⁵⁾

As a result, the Government pledged to promote legislation dealing with road traffic once the Royal Commission's report was submitted, provided they were returned to power after the general election planned for 30 May 1929.

5.1 The Second Report of the Royal Commission

The Second Report of the Royal Commission, published in October 1929 and after a change of government, formed the basis of the 1930 Road

CHAPTER THREE

Traffic Act's treatment of public service vehicles. In drafting their Report, the Commission identified two particularly contentious issues. First, the problem of who would administer any proposed legislation. Second, the question of how to deal with competition within the industry in terms of achieving the optimal position through regulation.

(i) The administrators of the licensing powers

In considering who should exercise the licensing powers, the Royal Commission were concerned that the contemporary licensing system, when enforced, allowed the local authorities to favour their own public service vehicles. They heard much evidence: their dilemma, as faced by the Hackney Vehicles Committee, was how to exercise a uniform system of control coupled with sufficient flexibility to reflect purely local phenomena.

The original draft of the Commission's Second Interim Report indicates how they had faced a mass of evidence and how the decision had been reached:

"83. We have very carefully weighed and considered all the evidence and the proposals, in many respects conflicting, which have been put before us. As a result we have unanimously reached the conclusion that, as modern passenger-carrying services by road now operate over large areas which bear little or no relation to the relatively small areas of local authorities, the existing licensing authorities (or even the smaller number contemplated in the draft Road Traffic Bill) are quite unsuitable for the exercise of that control which is necessary if these services are to be developed, maintained and regulated in the manner that the public have a right to expect. At the same time, following the practice adopted in Northern Ireland we consider that there are certain matters of a purely local character (such as the settling of routes, starting and stopping places, parking etc.) which might be left to the determination of those local authorities who under the provisions of the draft Road Traffic Bill, would have been licensing authorities.

84. Upon this general conclusion we base the two main recommendations which we wish to make, namely, that for the purposes of the licensing of public service vehicles and the co-ordination of all passenger services:

- (i) Great Britain shall be divided into Traffic Areas: and
- (ii) In each area there shall be appointed an Area Traffic Board which, subject to the more detailed recommendations

CHAPTER THREE

following, shall be charged with the duties of licensing and co-ordination."⁽⁵⁶⁾

It was further proposed that the Board in each Traffic Area would consist of an independent Chairman, nominated by the Minister of Transport, and include representatives of all the local authorities acting as licensing authorities. However, the Chairman subsequently circulated a note to the members of the Royal Commission proposing a substantial revision to their proposed recommendations for the licensing authority:

"Note by Chairman

In forwarding the enclosed alternative scheme in lieu of our present recommendation, I am fully aware that we all (including myself) agreed to the recommendation which appears in the printed draft Report, but in thinking matters over during the holidays I have not felt happy about it for the following reasons:

We propose to set up a number of new and very cumbrous local authorities. These bodies will either be unwieldy in size or else can only be reduced to proper proportions by grouping several local authorities together for the purpose of representation, a plan to which many local authorities will have grave objections. Our idea was to preserve a certain amount of local control of licensing, but this is inadequately done, and moreover does not entirely remove the objection of bodies themselves interested in transport being licensing authorities. I have reason to believe that the Government will not accept this recommendation, and I am afraid it will be criticised in a hostile spirit, which will be unfortunate after the splendid reception which has been given to our first Report. I am proposing therefore, in this alternative scheme, the plan of a single Commissioner in each area, which was suggested to us by several witnesses. At the same time I leave great powers of control as to routes, streets etc. to the local authorities. Though I do not know that the Government will accept this scheme, I think they are far more likely to do so than they are to accept our present proposal, since I know they have a strong objection to setting up new *ad hoc* local authorities.

I put this forward, however, merely for consideration and do not propose to press it if my colleagues are not in favour of it, but I wish the Commission to have an opportunity of reconsidering the whole plan."⁽⁵⁷⁾

Although the exact wording suggested by Boscawen was not strictly adhered to, the principle of single Commissioner Areas was accepted by the Commission when it reconvened.

CHAPTER THREE

The witnesses who proposed the idea of Area Commissioners were Mr John Cliff⁽⁵⁸⁾, Assistant General Secretary of the Transport and General Workers' Union, and Mr Richard Howley⁽⁵⁹⁾ who represented the London and Provincial Omnibus Owners' Association. The proposals, as the above 'Note by Chairman' indicates, met with support from the Ministry of Transport. Mr Piggott⁽⁶⁰⁾, Principal Assistant Secretary in the Roads Departments, agreed that better control would be achieved if there were:

"..area commissioners for the granting of licences...and in such matters as the grant or refusal of a licence on the ground of sufficiency of traffic or that it was not in the public interest to increase traffic."⁽⁶¹⁾

Sir Henry Maybury, Director General of the Roads Department, who had chaired the earlier Hackney Vehicles Committee, confirmed that he thought the appointment of Area Commissioners could be the solution:

"Q: To return to the question of the whole country; have you thought out any scheme dealing with the whole country? -- Yes. The Committee dealt with the whole matter in their Report on the Licensing and Regulation of Public Service Vehicles. It was that Committee which proposed the reduction in the number of existing licensing authorities, and the scheme for larger licensing areas. I would go further and say that since that time, in my own view, even the larger areas and authorities contemplated in that Report are not large enough. One requires something more than the county administrative area to deal with all the through services.....

Q: At any rate you would divide the country into large zones? -- Perhaps. There are two or three ways of doing it. You have services which confine themselves almost entirely to the county; in that case the county would be a very good administrative unit. But where you have services running through five or six or more counties then clearly no one county could deal adequately with the licences. They cannot have knowledge of the adequacy of the service, or whether the public are being charged too much for fares. It is essential, in my view, whatever machinery is set up, or may be set up, consequent on your Report, that you should have good companies or good authorities operating; one must see that the vehicles are the best of their kind and that they are as safe as it is possible to make them for the people using them."⁽⁶²⁾

Obviously enough, the local authorities all pleaded against their licensing powers being withdrawn. However, the Royal Commission were swayed by Howley's suggestion, particularly as it was supported by the

CHAPTER THREE

largest transport union in the industry, in addition to having the potential support of the government and finding favour in the Ministry of Transport.

(ii) The issue of competition

The issue of unfair or unjust competition was examined in two parts. First, the practice of 'creaming off' of traffic and, second, the effect of competing modes of transport. So far as the former was concerned, the Commission thought the existence of unlicensed vehicles, even in those regions where the licensing provision had been enacted often allowed unlicensed operators to make a profit by 'creaming off' the traffic. It was inferred that the practice of 'creaming off' of traffic inhibited the regular operators from running the less remunerative routes thus decreasing the source of revenue available for cross-subsidisation. The 'creaming off' of traffic was essentially a short-stage phenomenon and the term was applied to buses that operated only on profitable routes at profitable times and did not run when the service was likely to be unremunerative. The 'pirates' competed with both other buses and tramways. This aspect of competition was given a full hearing before the Hackney Vehicles Committee: no new evidence was tendered to the Royal Commission. However, a particularly lucid account of the effect of the 'pirates' on the tramways was given by Mr Christopher Spencer, Chairman of the Council of the Tramways and Light Railways Association, during his cross-examination before the Royal Commission:

"Q: What we generally call 'pirates'? -- Yes, 'jitney' is an American term. That was the first development. They did not and they could not take over the whole function of the tramways. It was quite impossible for them to do all the things the tramway was doing, but they did, as I have already pointed out, succeed in getting the remunerative traffic for themselves, and reducing the local traffic of the tramways to such a point that what was once a solvent undertaking became an insolvent one. Then, of course, naturally and necessarily the Tramway Companies were compelled to look after their interests. They wanted to do something to prevent this, and in many cases

CHAPTER THREE

the Tramway Companies themselves bought buses and entered into active competition.

Q: With themselves? -- With themselves and with these people. In doing that they knew what they were doing; they were cutting the throat of their own tramway undertaking, but they could not help it. The essential thing was to deal with this invader, so they bought their buses and they became bus operators themselves, entering into competition both with their own tramways and with these small irresponsible men.

Q: As bus operators were they subject to those legal obligations imposed on them by their Private Acts? -- Oh, no.

Q: To run the tramway they had certain obligations imposed on them, but to run the buses they could act as 'jitneys'? -- They could act as 'jitneys' themselves if they wished. It was not a part of their tramway undertaking. In many cases this bus business was a separate thing altogether; a separate company.

Q: But it came within their general powers under their Acts to operate buses? -- No, they did not need any powers. It was not outside the Articles of Association of the Company, but there was no statutory sanction or otherwise in their Tramways Act to run buses. The result was in most cases that the 'jitney', with his own methods, was run out; he could not stand this competition and the Tramway Companies were in many cases left in the field; they had either bought the 'jitney' up or driven him out, and they were left with a fleet of buses. They then became, of course, a considerable bus company, but unfortunately their tramway enterprise, a side of their business that represented by far the largest part of their capital was ruined, and they were faced with doing one thing or the other, either to go out of business as a tramway and then, as a bus company, open up the area once more, simply go round the circle or else to abandon their tramways..."⁶³

In considering this issue, the Royal Commission appear to have been influenced by the evidence given by the then Parliamentary secretary to the Ministry of transport, Earl Russell⁶⁴ who believed the solution was to achieve a balance between the elimination of wasteful competition and the protection of the public from a monopoly which might become oppressive. Another factor in persuading the Commission to recommend a form of 'controlled monopoly' was the way in which that policy was being applied throughout the world. This is illustrated retrospectively by an excerpt from a memorandum prepared by Sir Arthur Boscawen in the preparation of the Commission's Final Report:

"...We have already adopted [the policy of controlled monopoly] in the case of public service passenger traffic on roads...This policy of controlled monopoly is gradually being adopted all

CHAPTER THREE

over the world and particularly in America; for example, the Supreme Court of the State of Pennsylvania recently laid it down as follows: 'unrestricted competition in such utilities has been, by experience, definitely shown to be ultimately unwholesome for the community. The invariable rule in such cases, in companies of this character, is that in addition to the cutting and destruction of rates and other practices entirely outside the range of sound business, one company is absorbed, and the surviving company recoups its loss through excessive charges, at the expense of an unprotected public...If the power to regulate does not include the power to prevent unrestricted competition then much of the beneficial effect...is lost. Unrestricted competition and regulation are inconsistent...'⁽⁶⁶⁾

The general assent achieved by this memorandum suggests that the Commission felt the situation described in Pennsylvania corresponded very closely to that in Great Britain.

The separate issue of competition between the different modes of transport was examined in depth by the Commission and evidence was sought from a much wider sphere than that considered by the Departmental Committee. Sir Josiah Stamp⁽⁶⁶⁾, on behalf of the railways argued that road transport benefitted from being allowed to set their charges artificially low and thus 'unfair' competition was created. Moreover, because road transport did not contribute sufficient tax to pay for their use of the public highway additional unfairness crept in as the railways maintained:

"The economic costs of rail transport are entirely borne by rail users, whereas, in the case of road transport, the users bear only a portion of the corresponding costs."⁽⁶⁷⁾

This view was sharply contested by Richard Howley who wrote in his evidence:

"Sir Josiah Stamp in his evidence referred more than once to the disability under which the railways lay in having to bear the cost of the maintenance of their way and works. For the year 1927 the cost of maintaining the way and works of the railways of Great Britain amounted to £22,700,000, and the total traffic receipts to some £200,000,000. There is, therefore, but a little difference between the percentage of the revenue contributed by omnibus owners in the form of taxation, which is available for the repair and maintenance of the roads, and the percentage of the railway revenue utilised in the maintenance of their way and works. In the case of the railways they have the advantage

CHAPTER THREE

of working their traffic over a private right of way on which they can do as they please without interference, while omnibuses are only one type of many vehicles using the roads."⁽⁶⁸⁾

The tramway representative, Mr Christopher Spencer, added:

"This section of the Act [Section 28 of the Tramways Act 1870] places an obligation on the tramways to maintain roads which are used by others, and has proved to be a very heavy burden; whilst it might have been reasonable and fair in the days of horses, it is, under present conditions, inequitable and unjust, and, in the long run, against the public interest, as the burden of this expense must ultimately be borne by the passengers who use the tramways.

It has become an increasingly heavy burden since the advent of mechanically self-propelled road vehicles.

These road vehicles are heavier and run at much higher rates of speed than their predecessors which were propelled by horses, with the result that the sub-structure of the roads, generally a 6-inch bed of concrete, which is sufficient for the rail-borne, traffic, has proved to be inadequate to bear the strain of present day road-borne, fast and heavy vehicles. The beds of concrete have been broken, with the result that paving has become uneven and Tramway Companies have been faced with either the very heavy expense, at post-war cost, of reconstructing their roadways with thicker and more expensive concrete beds in order to fall in line with the practice of the Highway Authorities, subsidised from the Road Fund, or alternatively, they have been compelled, on account of shortage of cash, to follow the very undesirable practice of patching up broken sections as best they could, to their own dissatisfaction and to the annoyance of other road users."⁽⁶⁹⁾

The motor coach section of road passenger transport was briefly mentioned before the Royal Commission. This discussion was instigated by the Railway Companies:

"The running of motor coaches over long distances is the most recent development in passenger road transport, both for regular services and for special trips. The competition set up by this type of service with the railway services is evident from the official timetable issued by the Motor Transport and Hirers' Association, but this does not contain by any means particulars of the whole of the services known to be operated. Within the period of about two years within which this section of transport has sought to establish itself, a large number of regular daily motor coach services have come into existence, some operating over routes as long as 260 miles (Newcastle and London), while efforts are being also made to establish night services between important industrial centres.

Owing to their favourable economic position, the fares charged are generally much less than the standard railway fares between the same points, and it would appear from the amount of capital

CHAPTER THREE

which is being attracted to this section of road transport, that a substantial profit is being made on this level of fares."⁽⁷³⁾

However, on cross-examination, the railways had nothing more to add on the subject. It appears therefore that this form of competition was not yet seriously felt by the railways, although significant numbers of buses must have been running parallel to the railways. Alternatively, the railways may have decided that they could gain more from making a fuss about competition on local routes.

The Commission, when they had finally considered the evidence before them, recommended the system of route licensing subsequently implemented in the Road Traffic Act of 1930.

5.2 The question of co-ordination

After the Royal Commission had presented their Second Interim Report concerning the regulation of public service vehicles, they turned their attention to the question of co-ordination. The private Acts of 1928 which enabled the railway companies to operate motor bus services had received Royal Assent before the submission of the Royal Commission's Second Report but the effect of these Acts were, of course, as yet unknown.⁽⁷⁴⁾ Nevertheless, the Royal Commission regarded these powers as promoting considerable co-ordination between road and rail through the acquisition by railways of substantial interests in road service organisations. Unfortunately, much of the evidence concerning road and rail competition had been taken before the possible consequences of the Railway Acts had become obvious. There is only one piece of evidence, again from Josiah Stamp, in December 1929, which hints at the possible motivation of the railways:

"The first problem which faced the Railway Companies on obtaining their road transport powers under their special Acts of 1928 was the question of the policy to be pursued with regard to transport of passengers by road. There were two main alternatives before the Railway Companies, namely, either:

CHAPTER THREE

(i) to institute and put upon the road a large number of services or, in other words, to enter onto the field of road transport in competition with the existing road operators, or

(ii) to utilise the machinery of co-ordination provided by their Road Transport Acts and to enter into a working partnership with the principal road operators with a view to establishing a genuine and equitable co-ordination of road passenger traffic, and also a co-ordination of road and rail traffic for the more effective service of the public.

The Railway Companies decided to test to the full the possibilities of the second alternative policy of partnership and co-ordination along the lines of which they are firmly convinced that the interests, not only of the parties concerned but of the public at large, will best be served, rather than to embark upon a road warfare which could only add to the congestion of the roads and result in wasteful and uneconomic transport conditions which would be bound to react unfavourably upon the public.

This policy then of partnership and co-ordination has been actively pursued by the Railway Companies but, of course, the Commission will appreciate that the negotiations to this end must necessarily be protracted owing to the many problems to be discussed and surmounted. It, however, can now be stated that in some cases arrangements have actually been completed, while in others the negotiations are at an advanced state, and, indeed, the formal documents remain only to be finally settled and completed."⁷¹

The cross-examination of Sir Josiah Stamp does not reveal whether the railways actually appreciated the direction that they were taking when they moved into the bus sector. There is slight evidence to show that they believed they would be both financially better off from the arrangement (but if this were not to be the case they would never have considered it) and also that a greater degree of co-ordination would ensue. There was certainly no evidence to suggest that the railways were aware that they might be 'cutting their own throat':

"By the arrangements made....and the policy pursued...[the railways are] in a position today to offer better services to the public, and by their investment in road traffic they have renewed the interest of their shareholders in traffic which has hitherto been regarded as 'lost' by the railways to the roads.

They have accomplished this evolution and have created a co-ordination of traffic interests without pursuing a wasteful transport war which could only have been carried on at the expense of the share holders and the travelling public alike."⁷²

CHAPTER THREE

Their position, of course, was likely to have been heavily influenced by knowledge of the great profits which had accrued to the Underground Group when they had merged with the LGOC in 1912. Although not mentioned before the Royal Commission, subsequent evidence shows that the main interest of the railways in running motor omnibuses was to maximise the bus companies' profits and so increase their income from this source rather than the noble desire to improve co-ordination. This is discussed in much more detail in Brunner (1928)⁽⁷³⁾.

The Royal Commission made one important recommendation which substantially altered the recommendations of the Hackney Vehicles Committee: the division of the country into fourteen Traffic Areas administered by an independent Traffic Commissioner appointed by the Minister of Transport. Apart from this concept of Area Commissioners, the Royal Commission did not add much to the regulatory recommendations of the Departmental Committee. This was to some extent accounted for by their terms of reference but more due to their overall preoccupation with co-ordination which was discussed in their Final Report published in 1931, after the implementation of the Road Traffic Act, 1930. This Act had been taken from the recommendations of their Second Report and consequently the Final Report made no further contribution to the regulation of public service vehicles.

CHAPTER THREE

NOTES TO CHAPTER THREE

References to material held at the Public Record Office (PRO) are made using the PRO's File and Piece number references.

- (1) Munby (1970) Table B8.1 and Chester (1936) p66
- (2) Fenelon, K G (1925)
- (3) Brunner, C T (1928) p100
- (4) Chester, D N (1936) p65
- (5) Bagwell, P (1974) p261
- (6) Barker and Savage (1974) p192
- (7) Dyos and Aldcroft (1969) p382
- (8) PRO:MT/36/4 File dated 1919
- (9) Sir Eric Geddes (1875-1937) left for the USA at the age of seventeen where he spent four years gaining experience ranging from a brakesman on freight trains and as a lumberjack. He then went to India as a manager of a forestry estate which involved him in running fifty miles of light railway. When this railway was amalgamated he became the traffic superintendant of the enlarged concern. He returned to England in 1906 and took a post in the North Eastern Railway, within which he swiftly rose to Deputy General Manager in 1914. During the war he was first involved in the mobilisation movement and later as the deputy director of movement of munitions. By the end of the war he had become first Lord of the Admiralty following his election as a Unionist MP in July 1917. In 1919 he became the first ever Minister of Transport and he conducted the legislation through Parliament which amalgamated the railway companies into four groups. He is perhaps better known for his Chairmanship of the Committee to reduce the National Expenditure (1922) whose conclusions were referred to as 'Geddes Axe'. He left Parliament in 1922 to join the Dunlop Rubber Company and later became the first Chairman of Imperial Airways. (Sources: Who Was Who, DNB and Concise DNB).
- (10) Sir Francis Dunnell (1868-1960) was admitted as a solicitor and initially joined the staff of the Solicitors' Department of the North Eastern Railway Company in 1891. He moved up the company and eventually in 1906 held both the positions of Solicitor to the Company and Secretary. In 1917 he was 'lent' to the government and became a temporary Assistant Secretary in the Admiralty. This was followed by other jobs whilst on loan: as Secretary to the Demobilisation Section of the War Ministry and as Secretary to the Naval Mission to America. In 1919, he became the Secretary and Solicitor to the Ministry of Transport. His period of 'loan' came up in 1921 when he returned to the railway company (which had become the London and N.E. Railway Co) as their Chief Legal Advisor until he retired in 1928. After retirement he remained active as a railway and canal Commissioner (1930-1947) and as Chairman of two Quarter Sessions (West Suffolk 1932-1947 and North Riding of Yorkshire 1934-1945). (Source: Who Was Who)

CHAPTER THREE

(11) W Rees Jeffreys (1871-1954) was throughout his life concerned with the road system and its users. For example, he was Chairman of the Roads Improvement Association, Chairman of Roads and Public Works Ltd, a member of the Permanent International Commission of the Association of Road Congresses as well as being a member of the Statutory Panel of experts at the Ministry of Transport. An Engineer by training, he organised the Motor Union of Great Britain and Ireland, the Commercial Motor Users Association and the Institute of Automobile Engineers between 1903-1910. Later on in his life he became an expert on Highway administration both in the UK and abroad. He served on various different Departmental Committees and travelled extensively to examine transport conditions. (Source: Who Was Who)

(12) Henry Maybury (1864-1943) interestingly (given the quote by Rees Jeffreys) began his career working for the railways in the chief engineer's office of the Great Western and London and North Western joint railways. He was an engineer/surveyor by training and after serving as such for Festinog and Local Board and Malvern urban district council, he became the County engineer and surveyor for Kent where he gained a favourable reputation for the work he did on trial sections of road. After joining the Roads Board in 1910, he undertook various jobs related to roads both in the UK and in France during the 1914-1918 War. He became Director General of Roads in 1919 and served on various Departmental Committees. Even after retiring in 1928 Maybury remained as a consultant engineer/advisor to the Minister of Transport on road traffic problems. (Source: DNB and Who Was Who)

(13) W Rees Jeffreys (1949): Ch V

(14) Mitchell and Deane (1962) p230

(15) Glaister and Mulley (1983) pp119-121

(16) For biographical details, see note (12) above

(17) Sir Henry Maybury, P L D Elliott, Sir Thomas Berridge, Sir Stenson Cook, W Rees Jeffreys, F Pick, B S Shrapnell-Smith

(18) Sir Thomas Berridge (1857-1924). A solicitor by training and a Liberal Member of Parliament between 1906-1910. He did not appear to have any particular background in the motor trade/omnibus industry when nominated by the RAC as their representative. (Source: Who Was Who)

(19) Sir Stenson Cooke (1874-1942) was Secretary to the AA from its inception in 1905 and, together with a large contingent of AA staff, joined the 8th Essex T.F. at the outbreak of war. He was involved with the motor industry all his life and, after serving on this Committee, took an active interest in services for motorists abroad becoming the Vice President of the Alliance Internationale de Tourisme in 1932. (Source: Who Was Who)

(20) For biographical details, see note (11) above

(21) Sidney Straker, at the turn of the century, was regarded as one of the technical experts in the field of motor buses. He was associated, with E H Bayley, with starting the first London motor bus service on 9 October 1899 (Hibbs (1968) p43). He was the managing director of Sidney Straker & Squire Ltd which provided vehicles for operators from as early as 1905 at least in London. Sidney Straker & Squire Ltd, along with Dennis and Leyland, were key suppliers to the independents in London and were known to

CHAPTER THREE

assist these operators if they were willing to take the chance against the London General Omnibus Co (Barker & Robbins, (1974) p130).

(22) Edward Shrapnell-Smith (1875-1952) was the President of the Commercial Motor Users Association during the time he served on the Hackney Vehicles Committee. Originally a research chemist he took up motor transport interests after organising the Lancashire Heavy Motor Trials at the turn of the century. He was one of four motorists to accompany British troops on Army (Cavalry) manoeuvres in 1901 before becoming a pioneer of commercial road motor transport by founding, and being the General Manager, of the Road Carrying Co Ltd. From 1901 he was completely involved in the commercial motor industry and served on many government committees as well as playing a full part in trade associations, for example, as Chairman of the Standing Joint Committee of the Mechanical Road Transport Association. (Source: Who Was Who)

(23) Frank Pick (1878-1941) began his working career as an articled solicitor. Having qualified in 1902, he took a LLB degree in London at the same time as joining the North Eastern Railway Company. After being in different departments, he joined the staff of the general manager, Sir George Gibb. When, in 1906, Sir George went to London to manage the Metropolitan and London Underground Electric Railways, Pick went with him. When Sir George Gibb retired in the following year, Frank Pick was transferred to the staff of his successor, A H Stanley who later became Lord Ashfield. From this point on, Frank Pick was closely associated not only with the London Underground but also with the London General Omnibus Company (LGOC) which was acquired by the Underground group in 1912. He was the traffic development officer for the underground (1909) and became the Commercial Manager (1912) responsible for building up the system of bus routes in London and for advertising both the underground and bus networks. After the war, Frank Pick returned to the Underground group and in 1921 became joint assistant managing director and achieved full administrative control under Lord Ashfield in 1924. When the London Passenger Transport Board was formed in 1933, Ashfield and Pick became chairman and vice chairman respectively.

It is argued that it was the combination of Ashfield and Pick which led to the remarkable development of public passenger transport in London between the two wars. Certainly, Pick was responsible for the development of artwork in advertising and he commissioned the work which led to standardised, unifying station design and displays which conformed to his belief that everything, even everyday items (e.g. wastepaper baskets) should be of fundamentally good design. His impact on London's local transport should not be underestimated. (Sources: DNB, Who Was Who, Barker and Robbins (1974))

(24) Richard Joseph Howley (?-1955) was educated as a civil engineer and worked on railway and dock construction before joining the British Electric Traction Company in 1899 as the Assistant permanent way engineer. He became a joint manager of BET in 1912 and in 1923 became a Director. He was deputy chairman from 1930 and occupied the chair from 1942 until he resigned in 1946. It was Howley's influence that persuaded the Combine to split into the BET and Tilling groups in 1942: this is relevant in the context of the events discussed in Part II of this thesis. He

CHAPTER THREE

specialised in the establishment and operation of passenger transport systems providing rail, tram and bus services.

(Source: Who Was Who)

(25) Frederick Henry Berrymans (1869-1952) later Sir Frederick Henry was called to the Bar as a Barrister in 1902. After serving on this Committee he became the Chairman of Somerset County Council (1927-1932) and was knighted in 1932. (Source: Who Was Who)

(26) Sir Robert Fox (1861-1924) was trained as a solicitor before becoming Deputy Town Clerk of Birkenhead (1886-1888). He then moved to Burnley as their Town Clerk (1888-1892) and had a short period in Burnley (1892-1904) as the Town Clerk before taking up post in Leeds. (Source: Who Was Who)

(27) Sir Walter Powell Nicholas (1868-1926) was a distinguished solicitor; he practised in Wales where, amongst others he represented the South Wales Miners' Federation. He was the Chairman of the Executive Committee of the Urban District Councils Association for England and Wales who he represented on the Hackney Vehicles Committee. During his life he was also a member of two Royal Commissions: on Local Government and Mining Subsidence. He was active in the Church of Wales. (Source: Who Was Who)

(28) Seymour Williams (1868-1945) later Sir Seymour, was trained as a solicitor and was Clerk to the Rural District Council of Warmley from 1867. In 1902 he became Chairman of the Executive, Rural District Councils Association for England and Wales a post he held until 1939 and the body he represented on the Hackney Vehicles Committee. The Hackney Vehicles Committee was his first transport Committee although he had served on the Royal Commission on Local Government. Following his appointment on the Hackney Vehicles Committee he became one of the British representatives at the International Road Congress in Seville, 1924. In the later part of his life he was a member of many government or departmental committees on subjects ranging from accidents to cyclists, rural housing and highway law. (Source: Who Was Who)

(29) PRO MT33/29 Part 1

(30) The letter was sent to Aberdeen, Glasgow, Sheffield, Bristol, Manchester, Blackpool, Cardiff, Southampton, Nottingham, Newcastle upon Tyne, Ipswich, Birmingham, Derby and Maidstone.

(31) PRO MT33/29 Part 1

(32) PRO MT33/29 Part 1

(33) Letter dated 4 August 1922. PRO MT33/29 Part 1

(34) Internal Ministry of Transport minute dated 1 August 1922. PRO MT33/29 Part 1

(35) Personal conversation between C Mulley and G W Battensby and J Forster on April 27 1983. Mr Forster and Mr Battensby joined Northern in 1922 and 1921 respectively and both worked in that company through its formative years. Both were Traffic Managers at Northern and Mr Forster was Northern's General Manager from 1954 until he retired in 1968 whereas Mr Battensby left Northern to become General Manager of the Yorkshire Woollen District Transport Company until he retired in 1966.

(36) For fuller biographical details of Frank Pick, see note 23 above

CHAPTER THREE

- (37) PRO MT33/29 Part 2
- (38) PRO MT33/29 Part 2
- (39) PRO MT33/29 Part 2
- (40) PRO MT33/29 Part 4
- (41) Evidence submitted to the Departmental Committee, dated 26 May 1922. PRO MT33/29 RV/HV/3
- (42) Evidence submitted to the Departmental Committee, dated 7 July 1922. PRO MT33/29 RV/HV/5
- (43) For biographical details see note (21) above
- (44) PRO MT33/29 Part 3. - Letter accompanying a memorandum dated 23 July 1923
- (45) Letter dated 17 December 1923. PRO MT33/29 Part 4
- (46) PRO MT33/29 Part 3
- (47) Ministry of Transport: Departmental Committee on the Licensing and Regulation of Public Service Vehicles: First Interim Report, May 1925
- (48) PRO MT33/29 Part 4, dated 31 December 1923
- (49) PRO MT33/29 Part 6, December 1924
- (50) Report of the Departmental Committee, paragraph 115
- (51) PRO Cabinet Office Conclusions 13(27) 3, 23 February 1927
- (52) The Rt Hon Sir Arthur Griffith-Boscowen (1865-1946) served three terms as an MP for Tonbridge (1892-1906), Dudley (1910-1921) and Taunton (1921-1922). He was a member of the London County Council (1910-1912) and chaired the Housing Committee. He served in France during the war and was Parliamentary Secretary to the Ministry of Pensions from 1916-1919. He moved to the Ministry of Agriculture and Fisheries first as its Parliamentary Secretary and in 1921 as its Minister finishing his career as an MP as the Minister of Health. He was then Chairman of Commissioners under the Welsh Church Act from 1923-1945 and at the same time chaired the Royal Commission on Transport, the Transport Advisory Council (1936-1945) as well. (Source: Who Was Who)
- (53) Viscount Cecil of Chelwood (1864-1958) was a barrister before being elected 1906-1910 as a Conservative MP for Marylebone. From 1911 to 1923 he became an independent MP for Hitchen and it was then that he really made his mark in Parliament. He served in the Ministry of Foreign Affairs during the war and it was his Memorandum in 1916 that formed the basis of the League of Nations Covenant after the hostilities had ended. His main interests appeared to be in Foreign Affairs and he took an active part in the League's affairs throughout the 1920s and 1930s. He became a Viscount in 1923 and received the Nobel Peace Prize in 1937. It is not clear from this background why he took such an interest in the regulation of motor vehicles. (Sources: Who Was Who and Concise DNB)
- (54) PRO CAB 24/201, Paper No 9, dated 17 January 1929
- (55) PRO CAB 24/201, Paper No 9, dated 17 January 1929
- (56) PRO MT42/77

CHAPTER THREE

(57) PRO MT42/77, dated 17 September 1929

(58) John Cliff joined Leeds Corporation at the turn of the century as a transport worker (reputedly a tram driver). He was active in the Amalgamated Association of Tramways and Vehicle Workers (one of the constituent bodies of the Transport and General Workers Union (TGWU) when it formed in 1922) and had always been associated with wages negotiations. He became joint secretary of the National Joint Industrial Council for the Tramways Industry when it was formed in 1919 and Assistant General Secretary of the TGWU in 1924. He resigned his position in the Union when he was appointed to the London Transport Passenger Board in 1933 with special responsibilities for staff matters. He became deputy chairman of London Transport in 1947 (after it was nationalised) and retired in 1955. (Sources: Hibbs (1968) and Bonavia (1987))

(59) For biographical details see note 24 above

(60) Henry Howard Piggott (1871-1951) was educated at Bath and Oxford. He began his working career as an Assistant Master of a Berkshire College (1895-1902) before becoming one of HM Inspectors of Schools in 1904. He joined the Ministry of Munitions in 1915 and moved, as an Assistant Secretary to the Ministry of Transport in 1920. He later became Traffic Commissioner for the S E Traffic Area in 1934 and Deputy Metropolitan Traffic Commissioner in 1946. (Source: Who Was Who)

(61) Question 377. Volume 1 of Minutes of Evidence taken before the Royal Commission on Transport

(62) Questions 848 and 850. Volume 1 of Minutes of Evidence taken before the Royal Commission on Transport

(63) Questions 4450-4454. Volume 1 of Minutes of Evidence taken before the Royal Commission on Transport

(64) Earl Russell (1861-1931) was educated at Winchester and Oxford. He was an electrical engineer and a barrister. He would appear to have led something of an eccentric life as an agnostic and Fabian. He was married three times and wrote a book on Divorce and 'My Life and Adventures'. He served for a short time on the LCC (1895-1904) and in 1929 was Parliamentary Secretary to the Ministry of Transport and later in 1929 became the Parliamentary Under Secretary of State, a position he held until his death. (Source: Who Was Who)

(65) Memorandum dated 10 October 1930. PRO MT42/78

(66) Josiah C Stamp (1880-1941), economist, prolific writer and lecturer. His formal education ended before he was sixteen as a result of his father becoming ill. In 1896, he entered the Civil Service as a boy clerk in the Inland Revenue. He climbed swiftly up the ladder to become an Assistant Inspector of Taxes by the age of 23 and an Assistant Secretary at the age of 36. He published in the Economic Journal in 1910, one year before attaining a first class honours degree by ^{of the LSE} part time study, so distinguished an article that Graham Wallas ^{asked} to see him. He then undertook a Doctorate which was subsequently published. In 1919, he left the Civil Service and became Secretary and Director of Nobel Industries (from which ICI later developed) before becoming, in 1926, President of the Executive of the London, Midland and Scottish Railway: a post he retained until his death. He served on numerous Committees and played a significant role on

CHAPTER THREE

the Dawes (later Young) Committee on German reparations in the 1920s. He became a Baron in 1937 and was killed in an air raid in 1941. (Sources: DNB and Who Was Who)

- (67) Memorandum No 4 by Sir Josiah Stamp, Paragraph 29, Volume 1 of Minutes of Evidence taken before the Royal Commission on Transport
- (68) Memorandum No 17 by Richard J Howley (see note 24 for biographical details), London and Provincial Omnibus Owners Association, paragraph 12, Volume 2 of Minutes of Evidence taken before the Royal Commission on Transport
- (69) Memorandum No 15 by C J Spencer, Chairman of the Council of the Tramway and Light Railways Association, paragraph 9, Volume 1 of Minutes of Evidence taken before the Royal Commission on Transport
- (70) Memorandum No 4 by Sir Josiah Stamp, paragraph 39, op cit.
- (71) Memorandum No 51 by Sir Josiah Stamp, paragraph 4, Volume 3 of Minutes of Evidence taken before the Royal Commission on Transport
- (72) Memorandum No 51 by Sir Josiah Stamp, paragraph 18, op cit.
- (73) Brunner, C T (1928) Chapter VI
- (74) In the event, the railway companies used their new powers to buy into existing motor bus companies within the Tilling and BET holding groups. Sir Frederick Heaton (Chairman of the Tilling Group) negotiated with the London and North Eastern Railway and created the understanding that the railways would not purchase more than 49% of any one company within the groups. This understanding was also applied to the railway's later purchases into the Scottish combine group. This is discussed further in Chapter Seven pp197/8.

CHAPTER FOUR

THE FIRST TEN YEARS OF OPERATION OF THE 1930 ROAD TRAFFIC ACT

1. INTRODUCTION

This chapter discusses the first ten years of operation of the 1930 Road Traffic Act. It examines a number of the Traffic Commissioners' various responsibilities: routes, vehicles and driver and conductor licences, concentrating upon the implementation of the new road service (route licence) in all Traffic Areas covered by this legislation.

The information in this chapter is drawn almost exclusively from the one source of the Traffic Commissioners' Annual Reports. There are three main reasons for reporting from such a source at length. First, these Reports provide a vital source of information about the industry at that time. Moreover it provides the only reliable and systematic chronological record of the industry's development both in aggregate terms and at the more individual level. In contrast, published annual reports of the commissioned histories of the larger bus companies (for example, Crosland-Taylor (1948)) provide a wealth of detail on the particular company but very little information on their competitors so as to put their story in context. The second and perhaps the most important reason for relying on the birds eye view afforded by these Reports comes from the theory in Chapter Two. If the economic theories of regulation have anything to offer then it is necessary to examine the role of the regulators. As such, there is no better source than the evidence presented by those who developed the rules of the game. A final reason for reporting the deliberations of the Traffic Commissioners is that a systematic analysis of

CHAPTER FOUR

these Reports, within an economic framework, has not previously been available despite the fact that the Reports have long been in print.

The Reports for the first half of the 1930s decade are the most interesting for the various Area Commissioners approached the legislation in quite different ways. By the end of the decade variations in approach had virtually faded away and a much more unified position emerged as a result of both meetings between the Chairman of the Traffic Areas and an accumulation of case law on which to base decisions (although it was not a requirement to make decisions in accordance with precedent).

In the first part of the chapter, the responsibilities and selection of the administration is considered. This is followed by a section in which the year by year changes in the structure of the industry are considered: the process of absorption of the small operator by the larger companies and the reactions of the Commissioners to this. The role of the 1930 Act in the demise of the small operator becomes apparent and the consequent change in the industrial structure. So, too, does the changing views of the Traffic Commissioners.

The third part of the chapter examines general policy considerations which arose in relation to road service licence applications and the deliberations of the Traffic Commissioners as to whether or not to grant licences. The evidence of this part suggests that their overriding concern was the co-ordination of services which they interpreted to mean the provision of a system of road passenger transport that was as uniform and tidy as possible. This section highlights the variety of different views prevailing in the early days of the Act's operation and the subsequent convergence of attitudes and decisions later in the decade.

The fourth part of the chapter concentrates on the attitude of the various Commissioners to the question of fares and protection. These were

CHAPTER FOUR

issues which were considered in terms of the conditions, if any, that were to be attached to a licence when granted. Although the background to the Road Traffic Act (described in Chapter Three) suggests that the licensing of public service vehicles was originally conceived as a means of reducing congestion and maintaining safety standards, by the time of the Royal Commission in the late 1920s, which led to the 1930 Act, the focus of discussion centred on the chaotic state of the industry as a result of 'harsh' and 'unfair' competition. Regulation of the industry, by requiring the prior grant of a road service licence, sought to solve two problems: the establishment of 'proper' competition (which was often interpreted as ensuring that fares were uniform between competing operators on the same route) and the provision of protection for established operators (in the main, of tramways, trolleybuses) against the 'unfair' competition.

The final part of the chapter reviews the various Area Commissioners' attitudes towards specific policy issues in respect of Contract services (whereby the whole vehicle is booked by one person or agent), unremunerative services, local authority involvement and the nature and volume of objections to applications for road service licences. These aspects are particularly important in the appraisal of the general working of the Act and a discussion of the more recent state of the industry: the purpose of this section is to demonstrate that these aspects have long been the subject of debate.

2. THE 1930 ROAD TRAFFIC ACT AND ITS ADMINISTRATION

2.1 The legal framework

The 1930 Road Traffic Act divided the country into thirteen Traffic Areas, eleven in England and Wales (ten after 1933 - see below page 101)

CHAPTER FOUR

and two in Scotland. In each of these Traffic Areas the licensing system was administered by the Traffic Commissioners. As an independent tribunal, the Traffic Commissioners had a Chairman who was directly appointed by the Minister of Transport as a full time administrator. The two other Commissioners were part-time and selected by the Minister, from two panels of names: one nominated by the County Councils and the other by the County Boroughs and Urban District Councils within the particular Traffic Area⁽⁶⁷⁾. The Act, by means of a comprehensive licensing system, empowered the Traffic Commissioners to directly control entry and participation in the bus industry by licensing the vehicles, services and service employees. Before a service could be operated, four separate licences had to be obtained. The first, a vehicle licence, was the 'Certificate of Fitness' granted on the satisfactory state of the vehicle subject to its owner being a 'fit person'. The second type of licence was for the service personnel: the driver had to pass a test to qualify for a licence and the conductor, if one was proposed on the service, also had to hold a licence. In addition, a public service licence (PSV) was required for each vehicle.⁽⁶⁸⁾ These first three licences were granted in a non-discriminatory fashion to any person or vehicle which satisfied the given criteria. The third and most important licence, the road service licence, was required for each operation of the vehicle for which passengers were carried at separate fares.

Services on which separate fares were charged fell into two classes for the purposes of licensing, stage carriage and express services, and a minimum fare was used to distinguish between these categories. Excursions and tours were, in practice, recognised as a special type of service (usually of express carriages) though the law made no such distinction. In deciding whether or not to grant road service licences, the Commissioners were required to take into account:

CHAPTER FOUR

- "(a) The suitability of the routes on which a service may be provided under the licence;
- (b) the extent, if any, to which the needs of the proposed routes or any of them are already adequately served;
- (c) the extent to which the proposed service is necessary or desirable in the public interest;
- (d) the needs of the area as a whole in relation to traffic (including the provision of adequate, suitable and efficient services, the elimination of unnecessary services and the provision of unremunerative services) and the co-ordination of all forms of transport including rail."⁽²⁾

Applications for licences were heard at public sittings of the Traffic Commissioners to which both the applicants and objectors were invited. Under clause (d) above, objections were permissible both from existing bus operators running close (or, in some cases, not so close) to the proposed route and by the railway companies. Applicants generally produced witnesses claiming support particularly in the case of a proposal for a new service. *Where there were no objections to an application, it is unlikely that a public hearing would have taken place although formal approval to applications was always made at a public sitting.*

The Licensing Authority were required to attach conditions to road service licences when granted and were given wide powers in determining the conditions to attach. In determining the conditions to attach, the Commissioners were required to take first, the four items (a) to (d) above into account and second, to secure:

- "(a) that fares are not unreasonable;
- (b) where desirable in the public interest the fares shall be so fixed as to prevent wasteful competition with alternative forms of transport, if any, along the routes or any part thereof or in proximity thereto;
- (c) copies of the timetable and faretable shall be carried and shall be available for inspection in vehicles used on the service;
- (d) passengers shall not be taken up or shall not be set down except at specified points, or shall not be taken up or shall not be set down between specified points; and generally for securing of the safety and convenience of the public."⁽³⁾

Services on which separate fares were charged were distinguished in the Act from those provided by contract carriages. Contract carriages

CHAPTER FOUR

were defined as those where passengers did not pay separate fares or where, if separate fares were paid, the vehicle was used to convey a private party on a special occasion. The actual definition of a contract carriage was, in fact, clarified in the Road Traffic Act of 1934 following confusion over the 1930 Act's wording. Contract carriages required ^{and} vehicle ~~and~~ driver licences before being able to operate but were not subject to the most stringent form of the Traffic Commissioner's powers, the road service licence.

Although the criteria for granting and the conditions attached to a road service licence were embodied in the Act, both the Traffic Commissioners and the Minister of Transport refused to identify any general criteria as to when a licence should be granted or rejected: it was argued that each case should be determined on its own merit or inflexibility would ensue. Appeals against the decisions of the Traffic Commissioners were referred to the Minister of Transport who was the final arbitrator. Thus, the early Reports of the Traffic Commissioners' offer an interesting account of the development of the industry largely because of their approach and the lack of the requirement to take account of precedent.

2.2 The Traffic Areas and their Commissioners

The demarcation of the original thirteen Traffic Areas covering Great Britain followed the outline suggestions of the Royal Commission on Transport. In drawing up the final boundaries, consideration was given primarily to sensible divisions according to existing traffic flows considerations. These boundaries were by no means fixed in 1930 for the Act gave the Minister power to vary them: this was done on several occasions to facilitate traffic flow in the early days of the operation of the 1930 Act. For example, in 1932 the Yorkshire and Northern boundaries

CHAPTER FOUR

were realigned so that the frequent traffic between Sedbergh and the Lakes and Blackpool fell wholly under the jurisdiction of the Northern Area Commissioner. The number of Traffic Areas was reduced to twelve as from 1st January 1934 with the abolition of the Southern Traffic Area. This led to a redistribution of Counties between the remaining Traffic Areas in the south of the country. This change followed the London Passenger Transport Act achieving Royal Assent in 1933 which both altered the duties of the Metropolitan Commissioner and extended the area of his jurisdiction.

The physical size of the Traffic Areas obviously varied as did the number of operators and vehicles based within them. Figures for the numbers of operators and vehicles as at 31 March 1934, the first year to which there were only eleven Traffic Areas are shown in Table 4.1 below.

TABLE 4.1
Operators and licensed vehicles by Traffic Area in 1934

Area	Number of Operators	Number of Vehicles Licensed
Northern	379	2 820
Yorkshire	556	3 901
North Western	681	5 983
West Midland	566	3 184
East Midland	611	3 915
Eastern	429	2 041
South Wales	472	2 579 ^(a)
Western	751	3 851
South Eastern	594	4 326
Metropolitan	473	8 130
North Scotland	429	1 611
South Scotland	315	3 709 ^(a)

Source: Traffic Commissioners Annual Reports 1933/34.

Note: ^(a) Figures for vehicles are unavailable. These figures are a proxy and are the number of road service licences granted. This would normally exceed the number of vehicles since there will be occasions where one vehicle serves more than one route.

It can be seen from the Table that the Traffic Areas did have a considerable variation in size as measured by either of these variables.

It is likely that the administrative difficulties faced by the Area

CHAPTER FOUR

Commissioners would have been highly positively correlated with both the number of operators and the total size of their vehicle fleets as well as the physical size of the Traffic Area.

At each sitting of the Commissioners, three Traffic Commissioners were present. Although decisions were by majority vote, the Chairman was clearly able to lead, but not necessarily dominate, the proceedings because of his full-time involvement in the industry and because of the way in which his experience was widened by periodic conferences between all the Chairman of the Traffic Areas.

The first Chairmen were appointed by the then Minister of Transport, Herbert Morrison⁽⁴⁾, who explained to parliament that:

"in making the appointments, candidates have been selected with varying types of experience, because from time to time they will meet together, and I do not want them all to be of the same experience."⁽⁵⁾

Not only were the Traffic Commissioners selected from a variety of backgrounds but they were at different stages in their life cycle and it was by no means a job reserved as a sinecure for the elderly. Quite how they were selected is not clear although it would appear that Morrison acquired a list of potential candidates presumably following discussions around the country. To give an idea of the variety of background, Table 4.2 sets out the names and previous occupations of the Commissioner in each Traffic Area.

The Traffic Commissioners were initially given different lengths of contract and when the Southern Area was abolished one of them, Major General Sir Reginald Ford, was no longer employed. The lengths of contract may well have reflected the individual's age: on the evidence available Sir Reginald was the most senior, at 62, when appointed and he was granted a three year contract. Apart from Henry Riches (originally Northern Area)

CHAPTER FOUR

and Sir John Maxwell (originally Northern Scotland Area) swapping Traffic Areas (for which no reason was stated nor was obvious), there was only one other movement. This was the promotion of Rowand Harker to be the Chairman of the Appeal Tribunal for Goods Licensing: he was replaced by Henry Piggott⁽¹³⁾ who had by then retired from his high ranking civil servant post in the Roads Department of the Ministry of Transport and who had previously given evidence, on behalf of the Ministry, before the Royal Commission on Transport.

TABLE 4.2

Previous occupations of the first Traffic Commissioners

Traffic Area	Commissioner	Background
Northern	Henry Riches OBE (to 8.3.1932)	Chief Constable
	Sir John Maxwell ⁽¹⁴⁾ CMG	Civil Servant
North Western	William Chamberlain ⁽¹⁵⁾ MCIT	Municipal Transport Manager
Yorkshire	Joseph Farndale CBE	Chief Constable
West Midland	Col Arthur Stanley Redman ⁽¹⁶⁾ CB	Civil Servant
East Midland	J H Stirk JP, MCIT	Industrial Transport Manager
Eastern	Sir Ernest Haviland Hiley ⁽¹⁷⁾	Railway Manager
South Wales	Abraham Thomas James KC, JP	Barrister
Western	A F Nicholson OBE	Chief Constable
Southern	Major General Sir Reginald Ford ⁽¹⁸⁾ KCMG, CB, DSO	Army
South Eastern	Rowand Harker KC	Barrister
Metropolitan	Gleeson Edward Robinson ⁽¹⁹⁾	Barrister
Northern Scotland	Sir John Maxwell CMG (to 7.3.1932)	Civil Servant
	Henry Riches OBE	Chief Constable
Southern Scotland	Archibald Henderson ⁽²⁰⁾	Trade Union Official (T.G.W.U.)

CHAPTER FOUR

The Chairman appeared to be allocated, where possible, to Traffic Areas where their personal knowledge of some of the geographical area would give them a comparative advantage. Thus the former Chief Constables of Exeter and Bradford were appointed to the Western and Yorkshire Traffic Areas respectively. Abraham James, appointed to South Wales, had been a member of the South Wales circuit, the Chairman of the Cardiganshire Quarter Sessions since 1929 and spoke Welsh fluently. William Chamberlain (later Sir William) had been the General Manager of Oldham Corporation Tramways before serving the North Western Traffic Area. Rowand Hawker, like Abraham James, had been a member of the circuit covering the vicinity of the Traffic Area. In some cases, there is no obvious link with the location of previous employment as in the cases of Sir Ernest Haviland to the Eastern Area, Sir John Maxwell to Northern Scotland and later the Northern Area or Archibald Henderson to the Southern Scotland Area although in the latter case, Henderson was returning to the area of his birth.

As can be seen in the following sections, the differences in background of these first Commissioners initially created a wide variety of different responses to the problems they faced implementing the Road Traffic Act, 1930. However, through conferences between Chairmen where, for example, standard conditions to be attached to licences were discussed and through the Appeal procedure greater uniformity was achieved by the end of the decade.

CHAPTER FOUR

3. THE CHANGING INDUSTRIAL STRUCTURE

The Annual Reports for 1931/32

Two characteristics dominated the industry by the time the 1930 Road Traffic Act was on the Statute Books: on the one hand, the importance of the small operator and on the other, the influence of the large concerns. In the Northern Traffic Area, for example, 84 per cent of operators owned fewer than five vehicles; 55 per cent of stage service operators, 77 per cent of express service operators and 89 per cent of excursions and tour operators held only one service licence. In this area, as elsewhere in the country, there were signs of informal co-operation between small operators who joined together to run particular services. At the other extreme large firms also seemed to dominate the market in many cases: in the Northern Traffic Area, for example, 40 per cent of the total vehicles in use were controlled by the four largest companies.

The process of amalgamation appeared to be proceeding apace in the West Midland Traffic Area and was commented on in this First Report of the West Midland Traffic Commissioners. Although over half of the operators holding licences owned only one vehicle, the Traffic Commissioners favoured more amalgamations in their quest for greater co-ordination:

"In view of these figures it cannot be said that the small man has been squeezed out by the large companies. Recently, however, since the Commissioners have defined the road services to be performed by each operator, many of those with small resources have, for a consideration, withdrawn in favour of large concerns, which are in a better position to maintain reliable services under fluctuating conditions...

The year has seen a closer drawing together of the existing associations of proprietors and the formation of many new organisations. Several groups of independent units have coalesced with considerable advantage to themselves and to the public. The Commissioners view such amalgamations with favour, as affording a more reliable service than can be effected by individuals with no spare vehicles for use in emergency, and

CHAPTER FOUR

also as tending to eliminate unnecessary standing time, empty mileage and congestion."⁽¹⁴⁾

The Annual Reports for 1932/33

These Reports recount the process of widespread amalgamation and absorption of the small business by the larger. With one exception, the movement towards bigger operators and the consequent disappearance of the small operator was favourably received because, "the public have had the advantage of better vehicle service",⁽¹⁵⁾ and "larger operators... are generally speaking able to give the public better service than the small operators".⁽¹⁶⁾

The exception was the South Wales Traffic Area: their Commissioner reported that continued industrial depression had resulted in no expansion of services and that operators had concentrated on improving existing services. In this area the number of operators had also remained stationary for the preceding two years: there were few amalgamations and those which had taken place were between very small undertakings and much larger operators.

The Annual Reports for 1933/34

These continued to relate the absorption of small operators by the larger undertakings. The Commissioners for the Northern Area reported that in certain districts all competition had been removed, "with the result that in these districts the economic operation of the services has been brought to a very high standard".⁽¹⁷⁾ This Commissioner was not alone in condoning the process of amalgamation as indicated by the benefits seen by the Yorkshire Traffic Commissioner:

"The purchase of smaller undertakings has involved the close exercise by us of the powers conferred under Section 72 of the Road Traffic Act 1930, for ensuring adequate services in the public interest, but that there was ample room for curtailment of services in the West Riding of Yorkshire without detriment

CHAPTER FOUR

to the travelling public was a point which had been continually before us since our first year of office..."⁽¹⁸⁾

In contrast, the Commissioners for the Northern Scotland Traffic Area reported a decrease in the rate of amalgamation: they believed this was because the small operator now enjoyed an assured means of livelihood whereas before the Act was passed the small operator faced very difficult conditions.

The Annual Reports for 1934/35

These relate the continuing decrease in the number of operators for the majority of Traffic Areas. The West Midland Traffic Commissioners' reaction to this process was typical:

"The Road Traffic Act in the first place established small as well as large operators and secured them from piracy in respect of authorised services. This security has made amalgamations possible or, alternatively, has enabled those of small resources, where they so desire, to part with their services on terms advantageous to themselves. Such rearrangements being advantageous also to the public in that the services tend to be taken over by those with greater resources at their disposal with resultant greater regularity and reliability of the facilities afforded. The operator of one or two vehicles is often in difficulty when the vehicles require attention or when the drivers require relief..."⁽¹⁹⁾

Only the Commissioners from South Wales expressed reservations over the loss of the small operator:

"We also should like to state in clear and definite terms that in no case in our experience has a small operator been forced out by competition from the larger operators but that in all cases the small operator when he has parted with his business has secured terms which have been advantageous to him and which he has generally been pleased to accept...

At the same time we must say that we cannot help regarding the passing of the small owner-driver operator with considerable misgiving. There can be no doubt that many of the small local services owe their inception to the pioneering spirit of the local man and their success very largely to his personal influence and interest, and we are not without anxiety as to how far the larger operators, deprived of that personal touch which was so characteristic of the smaller operator, will be able to serve the public in the faithful way in which their predecessor did."⁽²⁰⁾

CHAPTER FOUR

The Reports covering this year relate the beginning of the "Associated Motorways" Group. This group of companies operated a pooling system for journeys radiating from Cheltenham in the Western Traffic Area. A "spacious bus station" had been constructed in Cheltenham which provided the terminus for their services in addition to providing other facilities for the traveller. The Commissioner commented that the pooling arrangement had achieved operational simplifications and had led to operational economies and an increase in efficiency without recourse to amalgamations or absorptions.

The Annual Reports for 1935/36

These Reports describe the continued process of absorption and amalgamation of operators although the rate of increase was reduced in many Traffic Areas. By 1936, the Commissioners for Southern Scotland reported that the Scottish Motor Traction group had a virtual monopoly of services over large parts of the Traffic Area.

The East Midland Area Commissioners joined ranks with the South Wales Area Commissioners in their concern that the process of amalgamation and absorption might proceed too far:

"The question that comes before our minds from time to time is whether absorptions have not gone far enough and that a halt should be called..."

Further, complaints are frequently received that when the services of small operators are taken over by the large operators the public find that the facilities they previously enjoyed have been considerably reduced. Whilst we do all we can to see that the public does not suffer by absorptions, cases do undoubtedly arise where, owing to the apathy of local authorities who have a right to object, we agree to reductions in services not being aware of the force of the argument against such reductions."⁽²¹⁾

The Commissioners for the South Wales Traffic Area took positive action, in the year covered by this Report, to stop the attempts by larger

CHAPTER FOUR

operators to withdraw services as a result of absorptions and this is discussed in more detail in the next section of this chapter.

The Annual Reports for 1936/37

All Area Commissioners reported the continuing steady absorption and amalgamation by the larger concerns. However, more Commissioners expressed concern over the new problems brought about by the dominance of the larger undertakings. In some cases, their Reports made comments quite contrary to their original enthusiasm for amalgamations as the following extract demonstrates:

"Steady absorption of small by larger operators is, of course, as is common knowledge, taking place not only in the Northern Area but throughout the country generally and the Commissioners are by no means blind to the fact that it is a process which, while inevitable, is bound to bring new problems in its train. In the experience of the Commissioners, the problems with which they are faced diminish neither in complexity nor in volume, but only change their character as time goes on. The road passenger transport industry as it stands today is healthy, vigorous and still expanding. Competition remains to a sufficient extent to prove a constant incentive to operators, although much uneconomic competition has admittedly already been eliminated...The absorption of competing undertakings has enabled the existing operators to revise the organisation of their services and to effect considerable economies by the elimination of 'dead' mileage or by modification in frequency.

The Commissioners are aware that there is another side to the picture and that in certain rural districts there is indeed a danger that the interests of the travelling public may be prejudiced by the rearrangement of services, following upon amalgamations or absorptions."²²²

The Annual Reports for 1937/38

These were the last Reports of the decade because of the outbreak of war in 1939. It appears from these Reports that the rate of amalgamation was finally in decline, presumably because the scope for takeovers was becoming progressively more limited. Small operators were selling their businesses and commanded very high prices, as illustrated by the following extract from the South Wales Traffic Report:

"The amounts which acquiring operators are prepared to pay for services very often appear to be out of all proportion to the

CHAPTER FOUR

value of the services to be acquired and there can be no doubt that any operator who wishes to dispose of his services is generally able to obtain for them a figure which is far greater than would be justified on the basis only of the profits made by him in the carrying on of his services... It is, however, significant that the buyers are in most cases persons already engaged in the industry in running other services and that there are few newcomers to the industry. This is hardly to be wondered at when the amounts which persons already engaged in the industry are prepared to pay for the services of other operators are considered."⁽²³⁾

Taken in conjunction with the other Reports for 1937, this extract shows that the industry was beginning to stabilise; there were fewer operators than prior to 1936 but undertakings then being sold as 'going concerns'.

The Reports covering this period are important also for the way in which they provide comparative statistics for the decade on the distribution of operators and their vehicle fleets :

Table 4.3
Operators and vehicle fleet size

No. of Vehicles owned	No. of Operators		No. of Vehicles	
	1931	1937	1931	1937
	31 Dec	31 Dec	31 Dec	31 Dec
1 - 4	5 269	3 763	9 369	7 110
5 - 49	1 052	885	11 200	8 900
50 - 99	53	52	3 732	3 534
100 and over	<u>60</u>	<u>77</u>	<u>21 929</u>	<u>30 030</u>
	6 434	4 798 ^(a)	46 230	49 574

Source: Annual Reports of the Traffic Commissioners 1937/38

Note: (a): includes 21 operators with no vehicles as at 31.12.1937

Table 4.3 shows that, overall, the number of operators had declined by 25% whereas the number of vehicles had increased by 7%. As vehicle sizes and vehicle speeds increased over the decade, this increase in vehicle numbers would underestimate the actual increase in potential supply. In addition,

CHAPTER FOUR

considering only the absolute increase masks the trend whereby at the end of 1931, operators in the lowest size category provided 20% of vehicles and that this had declined in 1937 to 14%. A substantial part of the increase in vehicles owned by the largest size group (from 47% to 61%) would be accounted for by the amalgamations in London caused by the formation of the London Passenger Transport Board in 1933 but notwithstanding this, this group increased their share of the market considerably. Aldcroft (1974)⁽²⁴⁾ in examining more disaggregate figures for the same period concludes that local authorities expanding in urban areas accounted for most of the growth in passenger transport services after 1931 so that by 1937, their market share had increased appreciably.

4. POLICY CONSIDERATIONS ON ROAD SERVICE LICENCES

The issues of what fare should be charged on a particular route or whether a particular service should be granted protection were considered in terms of the conditions, if any, to be attached to a successful road service licence application. This section examines the deliberations of the Commissioners on the subject of whether or not a road service licence application should be granted. The evidence of this part suggests that the overriding concern of the Commissioners was the co-ordination of services which they interpreted to mean the provision of a system of road passenger transport that was uniform and as tidy as possible. This section also highlights the way a variety of different views prevailed at the beginning of the decade and the subsequent convergence of attitudes, and hence decisions, as the decade progressed. This was partly due to the establishment of case law and partly due to the greater communication between the Chairman of the Traffic Areas. This process is most obvious if the Annual Reports are considered in chronological order and the first

CHAPTER FOUR

part of this section addresses the general issues in this way. The latter half of this section considers specific policy issues in more depth.

4.1 General Policy Considerations

The Annual Reports for 1931/32

At the outset, the Commissioners were all keen to initiate some sort of order into the industry as rapidly as possible. The Commissioners for the Yorkshire Traffic Area took the view that any decisions affecting one part of their Area would be deferred until all applications affecting those parts had been heard. In certain parts of the West Riding, the local authorities had not exercised their rights under the Town Police Clauses Act, "with the result that unnecessary services had been operated, thereby causing wasteful and uneconomic competition with services which had been on the road for many years past."⁽²⁵⁾ Their reaction to such uneconomic competition was as follows:

"On routes where, from our own experience and from the experience of the local police, whom we made it our duty to consult as independent advisers, a 10 minute service of stage carriages would amply meet all reasonable requirements, we found that it was by no means uncommon for a stage carriage to be passing every three minutes. Irregular conditions, although on a less congested scale, obtained in regard to certain express services...Some drastic reductions had, therefore, to be made and whilst we appreciated that the task was an unenviable one, we felt it our duty to examine the matter in the closest detail so as to ensure a reasonable and equitable distribution of services amongst those whom we considered entitled to operate. In many cases there was no alternative in our view but to refuse the applications outright but, wherever possible, we have insisted where the operators have had a reasonable ground to the continuance of the service, to require all applicants for road service licences to co-ordinate timetables on a basis of frequency laid down by us."⁽²⁶⁾

The interesting aspect of this extract is the implied preference given to the long-established operator, and the way in which the Commissioners were prepared to limit the service to the frequency they thought to be adequate rather than to leave that decision to the operators or the market.

CHAPTER FOUR

Although the question of frequency was similarly discussed by other Commissioners, the preference given to the well-established operator was not explicitly mentioned.

The Commissioners for the North Western Traffic Area sought to serve the public interest by co-ordinating the services operating over any one route as well as between routes in their Area. They found that schemes of co-ordination had in the past been made between large operators and municipal operators, but very little progress had been made in co-ordinating the services of the smaller operators with either the large and/or municipal operators. The policy of promoting co-ordination was shared by the Commissioners for the South Eastern Area, although in the South Eastern Area some co-ordination had already taken place between the larger companies and the "reliable" smaller companies before the 1930 Act became law. In granting licences to the smaller operator whose services, mostly rural ones, had previously been unreliable the Commissioners impressed upon operators the requirement that they should be run regularly.

In contrast, the Commissioners for the North Western Traffic Area took positive steps to encourage co-ordination and meetings were arranged with local authorities and operators for the "purpose of reducing wasteful operation as distinct from wasteful competition" as well as working out co-ordination schemes although it is not clear whether these conferences were held prior to, or after, the relevant Public Sittings.

In some Areas, however, the Traffic Commissioners inherited pre-1930 problems. Before the Road Traffic Act came into force, some 90 omnibuses had been licensed by the Stoke on Trent Council to run on the main, seven-mile, route through the "five towns" (Longton, Stoke, Hanley, Burslem and Tunstall). These vehicles were owned by 25 different companies or

CHAPTER FOUR

individuals divided into two groups, the "Association" and the "Alliance". The former consisted of the associated North Staffordshire Omnibus Proprietors, many of whom held licences to run only one or two omnibuses on the route. In contrast, the "Alliance" included the Potteries Electric Traction Company Limited, whose tramway service over the route had been abandoned in 1928. No timetable existed for the service on this route and the vehicles were reported to shuttle up and down the road in a continuous game of leap-frog with an average frequency of under a minute at peak times. The situation was aggravated by a system of coupons, introduced first by the "Association" and quickly followed by the "Alliance", which gave cheap fares all through the day. As each group accepted only its own coupons, the habit of one group's vehicle running close to the vehicle of another group was acquired in order to cater for its own coupon holders. The competition between individual buses was apparently quite high as the Commissioners reported the conviction of both drivers and conductors for dangerous driving and obstruction was frequent. The Commissioners tried to resolve this chaotic situation (for it turned out to be a prolonged affair) by imposing a timetable on the route which made provision for a one-minute frequency during the peak and a two-minute frequency for the rest of the day and requiring that the coupons of either group be accepted on any vehicle. The choice of frequency is not discussed in the Report, and so it is not known whether it related to the 'needs' (however loosely defined) of the route.

The Commissioners for the East Midland Traffic Area paid much attention to the position of the small operators when considering applications for road service licences in this first year of operation of the Act. This decision would seem to have been related to the geography

CHAPTER FOUR

of their Traffic Area which covered a large number of sparsely populated areas served principally by the smaller concerns.

Harsh competition was also reported in the Northern Scotland Area. Prior to the Road Traffic Act, 1930, the Commissioners reported that the industry had not acted in an orderly fashion in many districts and thus gave concern on safety grounds:

"The licensing, regulation and control of public service vehicles was not enforced, except in the most important centres of the Area, with the result that many road services were unlicensed and operated without timetables and very often at cut fares to secure support from the travelling public. Some operators adopted such practices as 'chasing', 'hanging back', running only at peak hours or on special occasions and generally 'creaming' the traffic on the road. This insensitive form of competition, known as 'tail racing' was not only unduly wasteful, but constituted a serious menace to the safety of the public using the road."²⁷

In the absence of competition on a route these Commissioners directed their attention to whether the frequency of the service was in excess of, or adequate for, the requirements of the district following much the same policy as the Yorkshire Commissioners.

The Commissioners for Southern Scotland adopted a more paternalistic attitude than their colleagues in that they considered not only whether the frequency of service was reasonable before granting a licence but on some routes adopted a minimum compulsory service as a condition of the licence. They also had instances where operators did not run timetabled services when more remunerative contract work was offered and when this came to their notice they again imposed conditions on the road service licence.

The South Wales Area Commissioners aimed to obtain a complete picture of the passenger transport services in their Area in their first year of office and to perform the transition from the old to the new system of licensing as smoothly as possible. Their general approach was outlined in

CHAPTER FOUR

more detail than in other Reports, and implemented with seemingly greater tact:

"The question of holding conferences or meetings with local authorities or operators was a matter of considerable delicacy. There can be no doubt that in the past some operators in the area were labouring under a sense of grievance, either real or imaginary (and possibly more imaginary than real), that they had not received fair and judicial treatment at the hands of some of the licensing authorities and that some of their rival operators had received preferential treatment. To a great many road operators one of the chief attractions of the Act has been the setting up of an independent tribunal to consider applications for road service licences and we considered it highly desirable that nothing should be done which would have a tendency to create any kind of suspicion that the Commissioners were in any way influenced by a local authority.

In these circumstances we decided that the proper course to adopt was not to hold any conferences with any local authorities or operators until after the applications had been heard at a public sitting, but that all local authorities should be specifically invited to make their representations in writing with regard to the various applications for road service licences affecting their area and to appear before us at the public sitting to lay before us, in the presence of the applicants, their views with regard to the various applications. Accordingly, a separate letter was sent to every local authority inviting the adoption of that course. A large number of the local authorities did in fact adopt the course suggested, and not only made representations in writing, but also appeared by their clerk or other legal representative at the public sitting and gave us every possible assistance by placing before us their views and in many instances supporting those views by the evidence of responsible public men as to the requirements of the area concerned in the way of road transport. We did not always find ourselves able to accept the views put forward by and on behalf of local authorities, and in all cases we exercised our own independent judgement, but we wish to say that we found the part taken by local authorities of very great assistance to us in coming to our conclusions, and further, that local authorities generally have loyally abided by our decisions even when such decisions did not accord with their policy and have assisted us in putting our decisions into operation."⁽²⁸⁾

Thus the Reports for the first year of the Act's operation indicate that the new Commissioners undertook their task with zeal. They imposed what they thought was good for the industry on the operators so far as frequency was concerned and showed an apparent disregard for the market as an expression of public preferences and need.

CHAPTER FOUR

The Annual Reports for 1932/33

Several of the Commissioners commented on the success of their previous year's activities and the improved co-ordination of services. For example, the South Wales Traffic Commissioners declared that their procedure of calling conferences had been successful and there were no serious differences in view between operators and local authorities. They had extended this practice and had arranged conferences to discuss improvements so as to create "greater convenience to the public and more economic working of the services"⁽²⁹⁾.

The fullest Report on this matter came from the Southern Traffic Area. Their Report included a pre and post 1930 comparison:

"(1) The greater reliability of all road transport passenger facilities especially as regards time-keeping and regularity of service. Whereas formerly, owing to methods adopted both in waging and in combating cut-throat competition, vehicles operated in bunches, often at uncertain intervals, the services today are evenly spaced out, and systematic departure from the authorised timetables is rarely met with...⁽³⁾ The vastly improved relationships which exist between operators, following the regulation and control of all services, combined with the sense of protection afforded by the present administration. This is particularly noticeable at the Public Sittings of the Commissioners where rural operators appear to be working in much greater personal harmony, realising that any differences in point of view will be settled for them in an equitable manner. This improved spirit shows itself, too, in the more willing disposition among operators to assist one another, e.g. by the loan of vehicles or by the sharing out of peak loads of traffic."⁽³⁰⁾

The Commissioners concluded that very substantial benefits had accrued as a result of the machinery set up under the Act, both to the travelling public and to operators themselves. Their conclusions, of course, were set against a background of ever-increasing amalgamations between operators: the consequential greater average size of operators could not really fail to give greater co-operation and indeed, greater co-ordination.

CHAPTER FOUR

The Annual Reports for 1933/34

Although, in their report for 1932/33, the Southern Scotland Commissioners mentioned that one of their largest operators had been severely affected by the depression, especially during the winter months, it was not until these Reports that the effects of the depression were noted as affecting all operators throughout the country. However, the effect of the depression was not uniform as some operators made requests to withdraw services, whilst in other Areas, the effect was simply to halt the expansion.

As in previous years, many of the Reports commented on the effects of co-ordination schemes within their Area. In the Yorkshire Area, the Commissioners stated that all services had been co-ordinated and were functioning to the satisfaction of all parties and that new housing estates and building of factories had meant that new schemes were constantly being devised to serve these new needs.

In their Report, the West Midland Commissioners referred again to the peculiar conditions under which the stage services operated on the 'main line' which connected the Five Towns. At the request of the Stoke on Trent Corporation, the Commissioners attached new conditions to the licences prohibiting stopping on the route:

"The twenty-five operators who were providing the service on this route have been reduced by absorption during the year to eighteen. For many years it had been the custom for the omnibus on the 'main line' to wait at the stopping places along the route until the next omnibus came into sight, the vehicles proceeding in a series of hops throughout the seven miles of the route... the Commissioners have during the year attached to the road service licences conditions prohibiting this practice, the vehicles being now permitted to stop only if required, and then for no longer than is necessary to set down passengers or to take up passengers who may be waiting. The vehicles thus proceed smoothly throughout their journey in accordance with the normal custom of stage services with a consequent increase in comfort and saving of time to the passengers. Sometimes as much as ten minutes used to be occupied on a single journey by unnecessary stops; by the elimination of the waiting time at stopping places a reduction of four minutes in the total time

CHAPTER FOUR

for the single journey has been effected without necessitating an increase in the actual running speed of the vehicles engaged on the services."⁽³¹⁾

Several Traffic Areas reported a sudden growth in excursion and tours operations during this year. In the South Wales Area, a large number of new applications for road service licences were made for existing excursions and tours for which no licence had previously been held. This was the result of an appeal to the Minister of Transport which ruled that these services required a road service licence. In general these applications were the subject of considerable objection by the railway companies.

A very great increase in applications for short tours and excursions, especially for the evening period, was reported by the Northern Scotland Area: many of these were between points served by the railway (although not necessarily traversing routes near or parallel to the line) and these met with railway opposition:

"The railway companies objected on the ground that they were already providing equivalent excursion facilities which had proved successful. The Commissioners were at pains on the one hand to eliminate unfair competition with the railway and on the other to encourage the provision of facilities designed to meet the proven needs of those desiring to travel at evening by road rather than by rail. Conditions were accordingly attached to the licences, prohibiting operation when the railway excursions were provided and suitably restricting the starting time and number of vehicles."⁽³²⁾

The interesting aspect of this extract is the way in which protection was given to the railway by restricting the licence when there was a similar railway excursion. Overall, it is not clear whether the sudden reported growth in excursions and tours can be attributed only to 1933-34 as many applications would have resulted from the Minister's judgement on the Appeal case.

CHAPTER FOUR

In the Western Traffic Area, the Commissioners reported that regular express services had been altered so as to make Cheltenham a radiating point. The timetables were revised to make convenient connections and further schemes had made provision for the interavailability of tickets. This year, 1933-34, therefore marked the real beginning of Cheltenham as a centre for express services.

The Annual Reports for 1934/35

The Reports for this year indicated that the public service vehicle industry was no longer suffering the effects of the depression.

The Commissioners for the Yorkshire Area recorded further increases in applications for excursions and extended tour licences. A new development in this field was noted: extended tours had previously been confined to a comparatively small number of operators who had their own particular clientele but, as they became more popular amongst members of the public generally, more operators sought to enter the market.

The Metropolitan Commissioner noted that social developments had led to two tendencies becoming apparent. First, the increased concentration and shortening of the peak hours for works traffic and, secondly, the concentration of holiday traffic and a shortening of the period over which such traffic was spread. He commented that these developments made it physically more difficult as well as more expensive for operators as they were asked to provide the same, if not greater, capacity in a shorter time period. No other Area Commissioner noted this development and, although it could have been limited to London, it was probably only more obvious in London than elsewhere.

CHAPTER FOUR

The Annual Reports for 1935/36

Several Area Commissioners noted there appeared to be no overall decline in the industry as new demands were being met despite some services being withdrawn. The demand for excursions and extended tours continued to grow and was attributed to the general rise in the country's prosperity. This growth was, however, accompanied by a decline in demand for long-distance express services. Extended tours, where the fare included charges for hotel accommodation, also increased in number. The North West Commissioner observed that the nature of these tours had changed: in the first few years of licensing, these tours had tended to be circular with the passengers accommodated in different towns each night, but in the year covered by this Report, operators had applied for many tour licences which closely represented an initial trunk service with a series of local excursions tagged on at the distant destination as part of the tour. These new tours roused many more objections, from both railway and trunk express operators, than the earlier type of tour.

The Commissioners for the Eastern and Western Traffic Areas reported a progressive decline in the patronage on long-distance express services to coastal and inland towns but an expansion in patronage on town and shorter-distance country services. The Eastern Counties Omnibus Company Limited, for example, submitted a comprehensive scheme of modifications to many of their winter services which involved a saving of 400,000 vehicle miles: the Commissioners granted most of the application because alternative transport services were available. It is still the case today, that much of the Eastern counties 'territory' is better served by railway than by road - the roads tend to be very slow and somewhat tortuous.

Cycling was made a separate topic for the first time in a Report for the East Midland Traffic Area. Apparently, advertisements which pointed

CHAPTER FOUR

out that it was cheaper to buy a cycle on the instalment system than to pay bus fares were having an impact on bus operations. In fine weather, traffic receipts went down but in wet weather problems were caused when many of the would-be cyclists preferred to travel by bus: operators were then faced with capacity constraints and a decision between risking a prosecution for over-crowding or leaving their regular passengers behind.

The Annual Reports for 1936/37

The Reports for this year begin to show a more standardised and unified approach to the problems and policy of granting road service licences. Excursion and tours operations continued to grow in number. Some areas reported a decline in the absolute number of applications for stage carriage licences although this did not mean that there was necessarily a reduction in service levels since amalgamations, *ceteris paribus*, would reduce the level of applications. The Area Commissioners reported their desire to complete their policy of co-ordination. A few of the Reports turned to commenting on how they saw the future of the industry: the following extract from the Northern Traffic Area is a typical example:

"As regards the future in an industry where conditions are in no way static but alter along with the problems that they bring almost kaleidoscopically as time goes on, the Commissioners cannot yet see any diminution of their responsibilities in sight. The absorption of small by larger concerns is a process that cannot continue indefinitely and a stage is bound to be reached when the Commissioners will be faced with further new and intricate problems. The larger the associated companies are, the greater, in the Commissioners' view, becomes the measure of their responsibility to the travelling public whom they serve. In the incredible rush and pressure of modern life, particularly in towns and cities, convenient transport at reasonable fares is a public service as essential as an efficient water supply. If any road service combine made the interests of their shareholders paramount, to the detriment of the travelling public, the Commissioners would consider that, to the extent the operators concerned, however, financially prosperous they might be, were falling short of the serious responsibility laid down upon them as providers of an essential public utility."⁽³³⁾

CHAPTER FOUR

This extract is a far cry from the wholehearted praise given just three years earlier by the same Commissioners in support of amalgamations:

"The absorption of small operators by the larger undertakings has removed all competition in certain districts, with the result that in these districts the economic operation of the services has been brought to a very high standard."⁽³⁴⁾

The continuing saga of services on the 'main line' route of the Potteries formed part of the Report of the West Midland Commissioners. Despite much of the competition between the Alliance and the Association (see page 114) being prevented by the way in which the Commissioners had implemented the Act there were still unresolved difficulties as shown by the following extract:

"The majority of the smaller operators formed an association with an agreement, now time expired, that they should not sell to anyone outside their own association. This has hitherto prevented the constitution of a single operating company and has militated against the ready adjustment of the town's services to meeting housing developments and other changes in public requirements. Conflict in interests and jealousy between all parties has thus been prolonged by the entanglement of road services.

In view of continued dissatisfaction with the situation, the Council of the City of Stoke on Trent obtained the support of the neighbouring County Borough of Newcastle under Lyme and together with 15 other local authorities promoted in Parliament early in 1937 a Bill for the establishment of a joint transport organisation styled 'The North Staffordshire Transport Board'.

The Bill proposed that 17 local authorities in North Staffordshire and parts of Shropshire and Cheshire should acquire by compulsion or agreement some 60 undertakings operating public service vehicles in their areas and conduct their own transport under a Board consisting of 18 members to be elected by the Stoke on Trent Council, six members by the Newcastle under Lyme Council and one member by each of the remaining 15 Councils. None of these Councils already ran public transport. As from the appointed date it was proposed that each of the owners of public transport set out in a schedule to the Bill should sell to the Board the whole of his omnibus and coach undertaking and that as soon as possible thereafter the Board should dispose of the long distance services on the understanding that the purchaser should give complete protection to the services of the Board in its transport area of about 500 square miles.

On 3rd March 1937, by 163 votes to 108, the House of Commons rejected the Bill on its second reading, opposition being stimulated by operating interests; it was also considered that the provisions were in conflict with Parliamentary principles.

CHAPTER FOUR

The particular proposals in the Bill having thus been rejected by Parliament, it remains open to the Commissioners to consider on their merits any alternative proposals that may be put forward for a simpler rationalisation of the present heterogeneous operations.

The Commissioners cannot, of course, at this stage commit themselves in any way, but it may be helpful for them to observe that their experience hitherto suggests that a single authority or company operating in the central industrial part of the Area in question, with the safeguards provided by the Road Traffic Act in respect to monopolistic tendencies, might in the public interest meet with general approval...⁽³⁵⁾

It seems a little curious that, on the one hand, the Commissioners sought a single company to run the routes "efficiently" and yet, on the other, they recognised the difficulties of protecting the public interest if and when monopoly tendencies were displayed. It would seem logical, if monopolies were contrary to the public interest, then the Commissioners should not encourage their formation however much they felt that the Road Traffic Act provided sufficient safeguards against monopolistic power. However, the actual form of the proposed company, rejected by Parliament, is worth noting and its relevance will become more apparent in Part II of this thesis when discussing the 1947 Transport Act.

The Annual Reports for 1937/38

The Reports covering this year do not contain any references to important points of principle. It would appear that the approach to licensing had become virtually standardised and, unlike the early 1930s, the granting or refusal of licences was much more routine. This position was more than adequately reflected by the South Eastern Commissioner's comment:

"Apart from the special excursions to London in connection with the Coronation festivities, the general programme of road services has followed much the same course as in the immediate preceding years. A certain number of small operators have disappeared, generally as a result of being bought out by one of the larger companies operating in the Area, but, apart from this gradual process of absorption, the road passenger services have reached a certain measure of standardisation. This is reflected in the large number of unopposed applications which

CHAPTER FOUR

appear in many of the lists dealt with at Public Sittings. On the other hand, operators are quick to oppose variations from previous practice which are likely in any way to affect, even remotely, their own services. These objections are generally strongly pressed and occupy great deal of time at Public Sittings, involving as they often do a mass of detail in the matter of timings and fares."¹⁹³⁶

4.2 Specific Policy issues

This section is devoted to examining a number of recurrent themes of the Traffic Commissioners' Annual Reports. The issues considered are more specific than the general problems discussed in the previous subsection and relate to the Commissioners' attitude to contract work, unremunerative services, local authority involvement and the nature and volume of objections to applications for road service licences.

These areas of concern have been selected for two main reasons. First, to demonstrate that the Traffic Commissioners did indeed concern themselves with a wide range of problems and second, to show how the different Area Commissioners approached and developed the interpretation of the Act to the convergence of views by the end of the decade.

(i) Contract Work

When the Road Traffic Act, 1930, became law it required all operations of public service vehicles, with the exception of contract work, to be in receipt of public service¹ licences in addition to vehicle and drivers' and conductors' licences. The exclusion from the 1930 Act of 'private parties' and bookings for 'special occasions' caused an enormous amount of litigation² and further attempts at³ the definition of a contract carriage were undertaken in the 1934 and 1937 Road Traffic Acts. The difficulties of controlling contract carriages are included here to illustrate the way in which the Commissioners had problems in identifying the services they were required to control.

CHAPTER FOUR

In their Report for 1932-33, the Commissioners for the Southern Traffic Area claimed they had experienced great difficulty in administering pre-booked parties which were being operated without road service licences. Many other Commissioners reported similar difficulties in this aspect of the law and this led to a clause being inserted into Section 25 of the 1934 Transport Act which clarified the meaning of 'private parties' and 'special occasions'. This was reported to be helpful in distinguishing genuine contract work under the 1930 Act but did not prevent some rather bizarre examples being given of operations that satisfied the letter but not the spirit of the law after the 1934 Act had been passed. It is, of course, inevitable that the more advantageous interpretation of an activity will be used whenever a legal line is drawn between two similar activities.

The following extracts serve to illustrate the inventiveness of some of the operators in the 1930s:

(i) East Midland Traffic Area

"In another case, the Commissioners have information that Section 25 [contract work] has been used to advantage by one operator of a stage carriage service over his competitor on the same route. After the departure of operator A's vehicle on scheduled time and before the authorised departure time of operator B's vehicle, one waiting passenger approached others of the waiting passengers and by arrangement between them, operator A who had additional vehicles standing by was approached and booked the people for conveyance under Section 25. The result was that immediately prior to the authorised departure time of operator B's vehicle, operator A ran his vehicle under Section 25, thereby taking from operator B practically the whole of the passengers who would have had to travel on his service vehicle. In this case, the passengers were proceeding to a County v Australia cricket match and notwithstanding exhaustive investigations, it was impossible to substantiate contravention on any of the provisions of Section 25."⁽³⁷⁾

(ii) Northern Traffic Areas

"In a recent instance the investigation of a publicly advertised excursion which was known not to be covered by a road service licence, elicited the fact that the organiser was a driver in the employment of a firm of public service vehicle operators. The projected excursion was immediately abandoned, but the ingenious plea was advanced that the man was not really the 'organiser' but had 'discovered' the party in the course of his daily duty and was merely introducing this to his employers' private hire department on a commission basis. It had been his

CHAPTER FOUR

intention, it was ascertained, to make one of the 'private party' - in the driver's seat. Further comment is superfluous, but a case of this kind is illustrative of the difficulties with which the Commissioners are faced in seeking to enforce the law in regard to 'private parties' however painstakingly it may have been framed."⁽³⁸⁾

(ii) Unremunerative Services

How services which do not cover their costs but are "needed" are paid for is frequently thought of as today's problem. This topic is included here to demonstrate that this question has long been the subject of debate.

From 1933 onwards, the Commissioners received an increasing number of requests for consent to withdraw unremunerative or unnecessary services. In the earlier part of the 1930s many of these applications were a result of the depression but later in the decade, Commissioners formed the impression that the explanation was different. They felt that many of the larger operators wanted to abandon the services of the companies they had absorbed. All the Area Commissioners declared they disliked to see a service withdrawn if it carried any passengers but certain Commissioners made it more difficult for operators to withdraw. The following extracts indicate the different reactions of different Area Commissioners towards this issue:

(i) Western Traffic Area

"In all such cases [of applications for consent to withdraw services] an Inquiry was held and only where the Commissioners were satisfied that other services were available over the routes, or that a reasonable need for continuing the services could not be shown, was consent given to the withdrawal."⁽³⁹⁾

(ii) Northern Traffic Area

"The co-ordination of services following the absorption of small operators has given rise in certain instances to complaints regarding the inadequacy of the curtailed service provided. As these complaints are not confined to any particular locality, there would appear to be a tendency for operators to reduce their mileage too drastically... the mileage should be eliminated only by a gradual process and then not until it has been ascertained by experience and careful study of the needs of the area served, to what extent the service can be reduced without

CHAPTER FOUR

inconvenience to the travelling public whose needs must be the first consideration...

It is inevitable that certain rural areas should be without, or poorly provided with what is now considered the essential minimum of road passenger transport facilities, by reason of the unsuitability of the road or the fact that the provision of such facilities in a sparsely populated district would prove so unremunerative as to be an uneconomic proposition..."⁽⁴⁰⁾

(iii) Western Traffic Area

"In order to effect economies, some of the larger operators are endeavouring to eliminate or to reduce services which are unremunerative, usually country services. This is a matter which is giving us much concern and in all such cases a notification of what is proposed is made to the Local Authorities whose districts are affected in order that their views may be obtained..."

We hold the view that those Operators who are supplying services over a wide field must be prepared, in order to meet public needs, to operate a proportion of unremunerative services, and in fairness to the large Operators we want to make it quite clear that this is almost invariably the case."⁽⁴¹⁾

Although the above extracts illustrate the strong views held by the various Commissioners on the need to maintain services wherever possible, it is difficult to see what power they had should they have not given their consent in any particular case. In practice, the legislation was enabling rather than prescriptive so that there was no immediate hold over an operator who ceased to run a particular service. However, the Commissioners were required to take account of the provision of unremunerative services in the granting of licences (see section 2.1 above): presumably an undertaking who thus failed to cross-subsidise on the instruction of the Commissioners and failed to run a route could be penalised the next time an application for a new or renewal of a road service licence came before the Traffic Commissioners. Although legally this was the position, none of the Commissioners made explicit reference to it. In many ways, their Reports seem more an ex post justification of their actions. It is interesting to note the Northern Commissioners view of the inevitability of poor services in the rural areas: this is reiterated

CHAPTER FOUR

below in the extract from a later Report from the South Eastern Area which also contained a realistic appraisal of the Commissioners' powers.

This is sufficiently interesting to deserve quotation at some length:

"The Maidstone and District Motor Services Limited, acquired towards the end of 1935 the business of a small operator in the district of Heathfield in Sussex. One of the services operated by this man was a stage carriage service servicing a sparsely inhabited area in this part of Sussex. Soon after the Company acquired the service they obtained the Commissioners' approval to certain alterations to enable the service to be co-ordinated with long distance services operated by the Company which traversed the same district. The service proved unremunerative and repeated attempts were made by the Company to get the Commissioners' consent to the withdrawal of certain journeys which it was alleged were so poorly patronised as to show that there was no real public need for them...

The Company's original application to be allowed to discontinue the local service raised important general issues. One of the inevitable consequences of the licensing system introduced by the Act of 1930 has been the absorption of a number of small operators by large and generally speaking more efficient concerns. This process has on the whole been in the public interest. But the creation of these monopolies or quasi monopolies in particular areas introduces serious problems and places a very heavy responsibility on the Traffic Commissioners to see, first, that the public are adequately served and secondly, that the public are not exploited...

Linked with this problem is the question of the provision of unremunerative services. The Commissioners cannot insist upon an operator providing a particular service. The phrase in Section 72 of the Act, that the Commissioners 'shall have regard to the provision of unremunerative services' seems to mean that the Commissioners, in considering for example whether the returns on any particular service are too high, shall take into account the fact that the other services provided by the same operator are unremunerative. At the most, the Commissioners can in an extreme case say to an operator, 'the service in our opinion must be operated in this way, and you must either take the licence in this form, or we will refuse your application and let someone else try'. No such acute issue has ever arisen either with the Maidstone and District Motor Service or with any other of the large operators in the area, who generally speaking readily recognise their responsibilities in the matter of the provision of unremunerative services...

The Maidstone and District Company had bought up the small man partly because he possessed what may be called a nuisance value. He had, however, provided certain local facilities for many years, and the public he served had some right to ask that those local facilities should not be entirely withdrawn. On the other hand the district was rural in character and sparsely populated. The inhabitants could not expect the provision of a service sufficiently frequent to meet the needs of every particular individual at the time that suited him best. The existence of competition, and to a certain extent wasteful

CHAPTER FOUR

services in the past, had spoilt them, and they could not expect such a state of affairs to continue indefinitely."⁴²²

There was, of course, no realistic way in which the Commissioners could compel any operator to run a service for which a licence has been granted as the licence merely allowed the service to be run (in accordance with the licence) if it was run at all. For the Commissioners to penalise operators, through modifications to fares on other licences if they refused to operate certain unremunerative services, would have had disadvantages and, in any case, would have been difficult to administer equitably in practice. Nevertheless, in the context of the theory discussed in Chapter Two it is interesting to note the Commissioners' conclusions: a sparsely populated area could not expect, under the operation of the 1930 Act, a good bus service and that the prior existence of the service had been due more to the competitive nature of the industry than to anything else.

(iii) Local Authority interest and involvement

The 1930 Road Traffic Act made a substantial change to the local authorities powers over passenger-carrying vehicles operating within their boundaries. First, local authorities lost the power to control entry and operation of vehicles under the Town Police Clauses Act although many had not utilised these powers. Second, local authorities themselves were subject to the administration of the Traffic Commissioners if, as many did, they operated a municipal service. Finally, perhaps to compensate for the previous changes, the local authorities were given well specified rights under the 1930 Act to participate in the licensing system.

It is therefore somewhat surprising that in the early part of the decade the Area Commissioners frequently complained about the apparent lack of interest of the local authorities. Many Commissioners made positive attempts to involve the local authorities from the start as did,

CHAPTER FOUR

for example, the Commissioners in South Wales (as discussed earlier). The following extract from the Report of the West Midland Commissioners was typical of the early 1930s:

"Some misapprehension still appears to exist as to the powers and functions of the Traffic Commissioners. The Commissioners are not dictators. While it is their duty to hear and determine applications which are made to them, it is not normally their duty to initiate services or to require applications to be submitted. Reference has been made in earlier reports to the apparent apathy of local authorities in the Area on the subject of road transport services. It must either be assumed that the existing services are adequate or that local authorities have not fully appreciated their powers and responsibilities to make representations to the Commissioners... The local authorities, however, as the elected representatives of the population, have a duty to perform in bringing to the notice of the Commissioners, in accordance with the procedure laid down by the Act and Regulations, cases where the public required additional or extended services or where the existing services should be altered."⁽⁴³⁾

Although the West Midland Commissioners made no further reference to any growing interest by their local authorities in later years, other Area Commissioners noted the involvement of local authorities with appreciation from 1935/36 onwards. The reason for their lack of participation early on could have been due to a failure to appreciate their powers under the Act, as suggested by the West Midland Commissioners, or as a result of the Traffic Commissioners not positively involving local authorities in their work. If the latter was the reason, it would appear that the Traffic Commissioners missed an opportunity since the South Wales Commissioners found local authorities most co-operative from the inception of the Act when consulted.

(iv) The Nature and Volume of Objections to Applications for Road Service Licences

Without exception, each Commissioner reported an enormous number of objections to road service licence applications in the first year of the Act. For example, an average of over two objections for every application

CHAPTER FOUR

was recorded in the Eastern Traffic Area with approximately 81 per cent of all applications received being subject to at least one objection from either the railways or another operator.

In the Reports for the following year, the rate of objection varied much more between the Areas. The West Midland Commissioners stated that: "contrary to... expectation the applications both for road service licences and backings... were as strongly opposed as in the first year, in many cases representations being made where there had been none at the former hearing."⁽⁴⁴⁾

Another report suggested that many objections were made so as to enable an appeal to be made against the decision. In the North Western Area, the Commissioners observed that proposals to make the slightest modification in a service of a competitive nature resulted in acute opposition, particularly by the small operator. In contrast, the Eastern Area Commissioners noted that the percentage of objections made to applications had shown an appreciable decline from 81 per cent to 28 per cent in one year.

Later in the decade, although many objections were still being lodged, the type of objection appeared to have changed as demonstrated by the following comment from the North Western Area:

"very few objections were lodged to applications for road service licences in respect of extended tours but nowadays both road and rail operators, whether providing trunk express services or local excursions, have evidently decided that they are adversely affected and are lodging objections in increasing number."⁽⁴⁵⁾

Some Commissioners, however, found the level of objections unreasonable particularly in relation to variations to licences. In the Western Area, the Commissioners sounded almost exasperated by the way in which competitive pressures between operators led to a situation where competitors submitted routine objections.

CHAPTER FOUR

Nevertheless, by the end of the decade, most Commissioners recorded that the number of objections had declined and were strongly maintained only when the proposed application directly affected an operator's own service. In fact, in the two years before the outbreak of war, there was little if any mention of the number of objections being excessive.

5. FARES AND PROTECTION

The question of how the Traffic Commissioners approached the broad issue of fares and protection deserves special attention. This is because, as mentioned earlier, the 1930 Act sought to establish 'proper' competition (often interpreted as ensuring fares were uniform between competing operators on the same route), and the provision of protection for established operators of all modes. In this section the views of the Commissioners are examined in a chronological fashion throughout the 1930s concentrating first on fares levels before turning to the issues of protection and the influence of the railways. Finally, the desire for uniformity by the Commissioners in the standardisation of fare scales is considered.

5.1 Fares levels

The different approaches to setting fares in the early days of the Act is well illustrated by the Reports for 1932/33. In September 1932, the price of petrol rose by 3d per gallon. So far as fares were concerned, this brought a mixed reaction from both operators and Traffic Commissioners.

Some operators sought fare increases and these were duly ratified by their Area Commissioners. Some operators who sought fare increases found their Area Commissioners would not authorise the increase on principle.

CHAPTER FOUR

Other operators did not consider a change in the fares level as a way of overcoming their increased costs and made attempts to reduce costs elsewhere to compensate.

The Commissioners for the North Western Traffic Area would not authorise any increase in fares solely on account of the rise in the cost of petrol; they encouraged operators "to take full advantage of co-ordination and to eliminate wasteful operations."⁽⁴⁵⁾ Not surprisingly, the Commissioners were able to report no substantial increase in fares in their Area. At the same time these Commissioners made reference to the operator's use of cross-subsidisation: these comments are interesting because of the implied disapproval of the practice which became commonplace by the end of the decade and the way in which the Act required them to take account of unremunerative services:

"In the past fares were often fixed without regard to uniformity but were based largely on expenditure engendered by a competitive system. From time to time therefore, applications were made by large operators to increase fares on the plea that they were unreasonably low. Frequently the practice had been for these large operators to charge relatively high fares on routes where there was no competition thus compensating them for losses suffered on those routes where competition was sufficiently keen as to render them unremunerative. The Commissioners realise therefore the importance of keeping this aspect of the situation well in mind..."⁽⁴⁷⁾

However, these were the only Traffic Commissioners to refuse permission for an increase in fares to compensate operators for increased costs. The circumstances in other Traffic Areas varied but, in general, a more lenient view was taken. In the Northern Area, operators requested fare increases in excess of what would be required to compensate for additional costs of operations. The operators explained that their costs had risen not only because of the increase in petrol prices but as a result of additional administration and technical expense required to

CHAPTER FOUR

comply with the Act. The Commissioners took the view that:

"the increased cost of petrol must be regarded as the main contributory factor, and the applications were accordingly considered from that angle."⁽⁴⁸⁾

At the same time, the Commissioners for the East Midland Area took a similar view. They advised applicants seeking to raise fares:

"to carefully review their services with a view to cutting out all unnecessary dead mileage and then to examine fares which had been forced down through competition, below an economic level, before asking the Commissioners for permission to increase... their regular fares."⁽⁴⁹⁾

Of applications subsequently received, the Commissioners reported:

"Without attempting, themselves, to fix fares, the Commissioners had let it be understood that they would not look favourably upon any stage carriage fares in excess of 1d per mile for the single journey."⁽⁵⁰⁾

The Western and Northern Scotland Commissioners reported that operators had not made applications for fares revisions as a result of petrol price increases and the Commissioners for Northern Scotland explained their view for this:

"As a result of the depression, an increasing number of the public have been less able to spend money on travelling except where necessary, a condition which has been felt not only in urban but also in rural districts. This was the first of two important factors with which the Commissioners were faced during the year, and the second was the increase in the price of petrol. The total increase of 3d per gallon was represented as adding nearly ½d per vehicle mile to operating costs. In these circumstances, all classes of operators were forced to study their services with a view to discovering the best method of eliminating all unremunerative service or dead mileage."⁽⁵¹⁾

Hence in the early part of the decade, the Commissioners' response to an event such as an increase in petrol prices and its consequent effect on fares was far from standard.

In the following year 1933/34 the price of petrol decreased. With a few exceptions, the Commissioners reported that fares remained constant or decreased and any increases in fares were restricted to removing anomalies. In this context, it is interesting to compare the approaches of

CHAPTER FOUR

the Commissioners for the Northern and North Western Areas. In the Northern Area, fares increases had been approved following the price rise of petrol and operators were seeking reduced levels of fare following the downward movement of petrol prices. In contrast, the North Western Commissioners had refused applications for increase fares solely on account of the higher price of petrol and then commented that, despite their approach in the previous year, operators were seeking to decrease their fares by the introduction of overlapping cheap fares catering for particular local needs. Moreover, whilst they received few applications for higher fare scales, these were only approved when some additional facility was offered to the public.

In their Reports for 1934/35, the Commissioners reported static fares levels. It was in this year, however, that the Northern Commissioners took a view, apparently contrary to all other Area Commissioners, on the question of concession tickets. There were many different form of concession ticket in the 1930s and these were popular with the travelling public. Most Commissioners welcomed any facility which offered a reduction in price of travel to the general public and regarded the introduction of new concessions as one way in which fare levels could be reduced. The Commissioners for the Northern Area expressed disapproval of this multi-ticket system on the grounds that differential pricing was a form of uneconomic competition and it was thus their duty to eliminate it. They therefore took positive steps to reduce the number of concessions on offer in their Area:

"The Commissioners are satisfied that the control they are exercising over the issue of concession tickets will operate to the ultimate benefit of all concerned. They feel confident that regular passengers will readily recognise that the cost of their conveyance should not be subsidised by the fares paid by casual passengers, and that operators will agree that a restricted ticket is more equitable from the commercial point of view."⁽⁵²⁾

CHAPTER FOUR

There seems to be an element of confusion here between equity and commercial 'sense'. The phrase, "more equitable from the commercial point of view" does not make economic sense. If, from the commercial point of view, bus operators are able to extract some consumer surplus by charging different prices, then it is commercially sensible to charge those different prices. Whether this is equitable or not, from an income distribution point of view, is quite a different matter.

In the following year, the Reports noted that the level of fares on all types of road operation were decreasing. It is in this year, however, that two interesting points of principle were raised in relation to setting fares. The first, from the Northern Area, discussed the way in which fare scales were devised. Although subject to an appeal by the London and North Eastern Railway Company to the Minister, the Commissioners had compiled a schedule of fares for services to and from London and then imposed this on all operators providing that journey. The point of interest concerns the way in which the Commissioners arrived at these authorised fares:

"When compiling the schedule of fares the Commissioners endeavoured to introduce uniformity, not only by the introduction of a graduated scale of charges along the routes, but by pursuing the usual course of reducing the rate per mile for the longer distance passenger. The fares on the southern part of the routes having been fixed by the Minister, were used as the basis of calculation, and without departing unduly from the principle laid down by them of 1d per mile single and 0.75d per mile return, or altering the through fares from Newcastle upon Tyne to London of 20s single (0.84d per mile) and 32s 6d return (0.69d per mile), which have been in operation since 1931, the Commissioners were able to remove a number of anomalies."⁽⁵³⁾

Thus, these fares appear to have been set without giving consideration either to the size of operator or the type of operation. As a policy it contrasted significantly from the method employed in the West Midland Area where the Commissioners noted that small operators' costs could be as much

CHAPTER FOUR

as forty per cent per mile lower than the large operators even after an element for a fair return for the owner's time and attention had been included.

The second point of interest was discussed by the Commissioners for the South Eastern Traffic Area and concerned whether or not the profitability of the various firms should be taken into account when considering their proposals for fares. This particular issue deserves quotation at length:

"In the course of the proceeding the question arose whether the Commissioners (in respect of a fares applicant) could properly have regard to the earning or profits or general financial position of an omnibus undertaking when considering whether the fares charged by the undertaking were reasonable. On this the Commissioners refused to accept the proposition that they were not entitled to take these matters into consideration, although they appreciated the force of the argument that if they were to look only at the amount of profits or the return on the capital invested, when trying to arrive at a decision whether the general level of fares was reasonable or not, they might well be putting a premium on inefficiency. They thought that they might go so far as to say that fares which on other grounds and in the particular circumstances of the case appeared to be reasonable, ought not to be reduced merely because the operators were declaring good dividends on the capital invested, but that even this was a matter of degree. The profits might be so high as to represent more than a reasonable reward for the capital invested and for efficiency in operation, and in certain circumstances the Commissioners might have to take cognisance of the fact.

On the general question the Commissioners pointed out that one of the inevitable results of the regulation and control of passenger transport by road must be the gradual establishment of controlled monopolies or quasi monopolies in particular areas or towns. They observed that this tendency could be noticed on all hands and that the process of concentration and absorption was going on in almost every part of the country. As it would become an increasingly important part of the Commissioners' duty to see, so far as it lay within their power, that the public were not exploited, the Commissioners could not allow any derogation from the powers which they believed Parliament had conferred upon them in the Act of 1930, and they must hold the view that the amount of the profits made by an undertaking and its general financial position might well be relevant to the consideration of the question whether, in any particular set of circumstances, fares were or were not unreasonable."⁽⁵⁴⁾

CHAPTER FOUR

The reference to the Road Traffic Act, 1930, is particularly interesting as it is claimed that the gradual establishment of spatial monopolies was an inevitable result of the Act. It is no coincidence that this Report was the work of Sir Henry Pigott, formerly an official in the Ministry of Transport, who became Chairman of the South Eastern Area in 1934. Sir Henry, on behalf of the Ministry of Transport, gave evidence before the Royal Commission on Transport and supported the suggestion of large Traffic Areas chaired by an independent administrator. It would appear from this extract that the Ministry of Transport was aware of this outcome of the Road Traffic Act before it received the Royal Assent and before it was put into operation. The prospect of greater concentration and monopoly-type operations following the implementation of the Act were not, however, mentioned in any of the official papers now held at the Public Record Office at Kew and it is a point for speculation whether this fact was deliberately suppressed or simply a view with the benefit of hindsight.

The general level of fares remained stable throughout the country for the next two years and no great problems in respect of fares were mentioned in any Report. In the Reports for 1937/38, many Commissioners reflected on the progress made since the introduction of the 1930 Road Traffic Act. The following extract from the North Western Commissioners not only summarises this progress but identifies future concern associated with the problem of creating a system of territorial monopolies and its effect on fares. It also highlights the way in which uniform fare scales were regarded as the ultimate aim:

"The information...reveals that numerous individual fares on services of stage carriage etc., in our opinion, are unreasonably high having regard to all relevant circumstances and show a wide divergence of stage charges between sections of route.

Insofar as services provided by municipalities are concerned, the practice in general is to charge fares for all stages on a common mileage basis throughout each operating area, the

CHAPTER FOUR

ultimate financial result of the whole undertaking being the guide when the fixing of fares and stages is being considered by a municipality. On the other hand, in the case of 'associated' companies who have acquired from time to time a large number of 'independent' operators, the gradual extension of their business by the addition of services differing widely in character has resulted in a good deal of variance in fares and stages within their operating districts. You will also be aware from the statements in our earlier Reports of the practice in the past for the large-scale operators to fix fares without regard to uniformity and to charge relatively high fares on routes where there was no competition, thus compensating them for losses incurred on those routes where competition was sufficiently keen to render them unremunerative.

The difficulty of the operators straightening out these anomalies was no doubt very real in the days of uncontrolled competition but the position is vastly different now that these services are operated under licence conditions which give protection from wasteful competition, stimulate co-ordinated working wherever practicable and enable operators to purchase and merge services into the network of their operating system which they too now operate comprehensively.

We do feel therefore that an approach should be made in some measure to the charging of fares by large-scale operators on stages and intermediate stages on a common mileage basis on the lines adopted by municipalities."⁽⁵⁵⁾

5.2 Protection and Fares

Most Traffic Commissioners interpreted this as a requirement to protect tramways and trolleybuses and in some cases local buses from the competition of express services. It was early in the decade that this subject received most attention in the Reports.

The Reports for 1931/32 gave the views of most of the Area Commissioners. The Northern Commissioners, for example, showed no qualms about authorising some form of protection for trams, trolleybuses and buses. Protection was given to trams and trolleybuses in one of two ways: by requiring the omnibus operator to charge a fare exceeding the protected mode's fare over part or all of its route or by prohibiting the 'picking up' of passengers on the duplicated section. The Northern Commissioners also gave protection to private local operators against "unfair"

CHAPTER FOUR

competition from long-distance stage and express services operating over the same routes.

In the Yorkshire Area a wider view of both fares and protection was taken. The Commissioners believed that fare setting was a matter for the operator's commercial judgement subject to the proposed fares being "not unreasonable". This laissez-faire attitude seemed to work in their Area since operators co-ordinated their respective fare tables over common routes without compulsion. However, the question of protection vexed these Commissioners considerably. On the one hand they believed that protection should not be encouraged but, on the other, thought the removal of protection would lead to previously protected operators seeking higher fares. The Commissioners' dilemma and conclusion was given before a Public Sitting. Although somewhat long, their views are worth quotation at length since the extract so adequately summarises the points made in so many of the other Reports:

"During the recess the Commissioners have given much thought and attention to the thorny problem raised by municipal authorities in regard to the question of what is now generally known as 'protection', i.e. the prevention of the picking up and setting down of the same omnibus passenger on a tramway route. We have come to the unanimous conclusion that it would be contrary to the public interests to extend the principle of 'prohibition'.

But whilst we have reached this conclusion, it has emerged as a result of our enquiries in the past that some protection in the matter of fares, such as has been recognised in the past amongst omnibus operators, must for the present be conceded for the benefit of tramway undertakings, whether municipally or privately owned, if a system of transport is to be devised which will eliminate wasteful competition. To deal with this aspect of the matter, the possibility of introducing certain general principles which might be applicable throughout the Yorkshire Traffic Area has been under review; but we were faced with difficulties of a nature which could only have been overcome by wholesale alterations of omnibus fares - some of them in an upward direction.

The Commissioners feel that, having regard to the present economic conditions prevailing outside, the moment is not opportune for carrying out any alterations which would lead to an increase in the fares being charged, and for the time being they are generally inclined to continue the fare protection

CHAPTER FOUR

which has become recognised as reasonable in the various cities and towns within the Area...

As will have been gathered from the foregoing, the question of fare protection has been dealt with only insofar as it related to tramways. There is not, and there never has been, any intention on the part of the Commissioners that there should be discrimination between the fares on stage carriage services, whether municipally or privately owned, save in such cases as where omnibus services may be sanctioned in substitution for tramway services or where it may be necessary to restrict the stopping places of stage carriages on certain routes in order to obviate the picking up and setting down of passengers on a part of a route which is already adequately served by local stage carriage services.

The same remarks apply, mutatis mutandis, to express carriage services."⁵⁶

It is interesting and somewhat puzzling that these Commissioners were prepared to protect bus operations when they were substituted for trams and the rationale for this is certainly not evident. The West Midland Commissioners agreed with their Yorkshire colleagues that protective fares were preferable to prohibition and argued that consumers should pay more for a faster or more convenient journey: a point which economic theory would suggest. However, on fare setting per se, they took a different view: they envisaged the standardisation of fares after "the economics of road operation have determined which services operators will desire to continue."⁵⁷

The fact that many operators sought upward revisions to their fares prompted many of the Commissioners to comment on the issue of protection in the Reports covering 1932/33. The debate continued around how such protection should be given as no Commissioner questioned whether protection per se was legitimate. Beyond this year, protection was little mentioned in the Annual Reports and it must be concluded not a significant issue.

5.3 The influence of the railways

There can be no doubt that the railways suffered significantly as a result of the motor revolution. Estimates suggest that, in 1938, up to 250 to 300 million railway journeys were lost per year (out of an approximate total of 1230 million).⁽⁵⁸⁾ If journeys by private cars are excluded, the estimated loss decreases to 200 million journeys being made by road public transport rather than by rail.⁽⁵⁹⁾ However, road passenger transport was not the only contributor to the railways poor inter-war performance. The railways suffered from the depression which led to a fall in output of those goods, for example coal, that had traditionally been carried by rail and which would not have easily been carried by road. Perhaps more important, new industrial development did not compensate for the decline in traffic from the 'traditional' industries since their volume was lower and these newer industries tended to locate closer to their markets making road transport a better proposition.⁽⁶⁰⁾ It should be noted that road passenger transport did not only take traffic from the railways. Since large numbers of road journeys were over short distances and intra urban, the tramways would have been most seriously affected in these circumstances. Nor should it be forgotten that the advent of motorised transport (both public and private) generated many journeys that simply would not have been made by rail or by tram.

The railways argued strongly for control of the bus industry before the Royal Commission and this is the most likely reason for the inclusion in the 1930 Act of their rights of objection to proposed bus services. Nevertheless, the early Annual Reports do not give much evidence of strong railway opposition nor railway opposition having much effect on the decisions taken by Traffic Commissioners in relation to fares. In contrast, the tramway companies who also argued vociferously before the

CHAPTER FOUR

Royal Commission were frequently afforded protection as discussed in section 5.2 above.

As with other policy questions, the Traffic Commissioners began the decade with somewhat of an individualistic approach towards the treatment of railway objections in relation to fares. In the East Midland Area, the first reference to railway objections came in the 1932/33 Report when the Commissioners made this rather uncomplimentary reference:

"The railway companies submitted lists of fares which they contended showed that the suggested road fares were less than the railway fares between the same points, but after cross-examination the railway companies finally admitted they had fares less than those to which objection was being made by them. The Commissioners have had a considerable number of railway objections during the year in question, and in spite of the fact that they have repeatedly asked for objections to be particularised, they are still receiving the usual stereotyped objections from the railway companies in this Area."⁽⁶¹⁾

By comparison, the Yorkshire Commissioners took a more sympathetic view to railway opposition on fares. In their Report for 1933/34, these Commissioners had noticed that many express services had applied for fares reductions and in considering these applications, had commented:

"we have, of course, had to give careful consideration to such proposals having regard to the possible effect on their introduction on railway traffic"⁽⁶²⁾

However, it was in the 1934/35 Reports that the activities of the railways received most attention. The railways had apparently offered an increased number of excursions and tours at reduced rates and these special fares were sufficiently low for the bus companies running similar tours on parallel routes to experience decreased traffic. As a result, the bus operators applied for reductions to their minimum authorised fares. The Commissioners' reactions to these were typically varied. In Yorkshire the majority of applications were rejected because:

"the operators had not... evolved any uniform scheme of fare reduction."⁽⁶³⁾

CHAPTER FOUR

They did, however, concede that there was some merit in the applications and resolved to find a consolidated industry view. In contrast, applicants in the North Western Area submitted fare scales which had previously been:

"agreed amongst the operators of a similar class of service and by operators of regular service both road and rail."⁽⁶⁴⁾

The reason for this co-ordination was not given and it was certainly not experienced in any other Traffic Area as early as this. But, in general, as the railways acquired increasing interests in bus operations so their opposition to licence applications dwindled and much more of this co-operation and co-ordination was observed.

5.4 The standardisation of Fare Scales

From an early point in the decade, all the Commissioners appeared to be unanimous in aiming to create uniformity in fare scales. This quest for uniformity was prompted by an Inquiry, called by the Metropolitan Commissioner at the request of operators, to resolve difficulties caused by variation in fares of competing businesses. The Inquiry heard representations from road service associations, individual operators and the railway companies and led to the setting up of Regional Fares Committees specifically to co-ordinate the fares for express services radiating from London. The idea of Regional Fares Committees was copied in many Traffic Areas and led to greater uniformity over fares than might otherwise have been possible: the fares schedules proposed by the Committees had no statutory standing but were normally adopted by operators and authorised by the Commissioners.

In practice, it was the Metropolitan Commissioner who became most involved in the working of the Regional Fares Committees because he was jointly responsible for all routes starting or finishing in London. In the Report for 1932/33 he commented that

"it was not found feasible to fix a universal scale of fares based on any general scale of operating costs because of the

CHAPTER FOUR

differences in character of the routes, including physical features, traffic offering, the varying frequency of stages and the relative economy of vehicle time in the use of vehicles on different routes."⁶⁵

The Metropolitan Commissioner was thus the first to accept, albeit reluctantly, the non-feasibility of standard charging. However, this excerpt demonstrates how strong the desire was for standardisation of fares.

There are numerous instances of the Commissioners seeking the standardisation of fares. In the Potteries, for example, the West Midland Commissioners reported problems with fares in the Stoke on Trent area when the local Corporation claimed that fares were unreasonable. As there were a number of operators, the Commissioners negotiated to produce uniformity:

"All parties became agreeable to an average rate of 1d per mile, single fare, throughout the Potteries and district with no return fares, and the applications in question were decided broadly on this basis, except that existing ordinary return fares over 6d were not disturbed and no workpeople's fares were increased. The new fare tables are now on a logical scale and many anomalies have been removed, so that future review will be facilitated."⁶⁶

Another example from the year covered by the 1935/36 Reports came from Yorkshire. The Regional Fares Committee, at the request of the Commissioners, had considered fares for excursions and tours. On receiving their Report, the Commissioners discovered that the adoption of their proposal would lead to anomalies elsewhere in the Traffic Area. Consequently, the Commissioners resolved to review the complete fare structure:

"with the object of securing... that fares shall be compiled so far as is possible upon a common basis."⁶⁷

CHAPTER FOUR

However, this process of finding a common basis proved to be difficult and the revised fares for each district were finally based on those adopted for the "key" town of the district.

The desire for uniformity in fare scales was not limited to either excursion and tours or to England. In the Report for 1936/37, the Northern Scotland Commissioners reported their continued efforts towards the "stabilisation" of fares. They had established a basic rate which was related to the mileage travelled and this was applied uniformly to each type of bus operation. This process led to widespread reduction in fares but also to a few substantial fare increases. Two local authorities had objected to these fares increases and the Commissioners, in their last Report before the outbreak of war, were debating what action to take.

6. CONCLUSION

This chapter has concentrated on the development of road passenger transport, following the enactment of the 1930 Road Traffic Act, as seen by the regulators.

The most obvious theme that runs through each of the policies considered is the way in which, at the beginning of the decade, the Traffic Commissioners often took widely differing views and decisions but, as time passed, greater standardisation took place.

So far as industrial structure was concerned, the decade saw increasing concentration of the business in the hands of large operators in terms of absolute numbers although many still operated on the boundaries of the large operators and remained important. and the virtual demise of the small operators. It can also be clearly seen that the granting of road service licences was guided by an overriding concern for the co-ordination of services. Uniformity was also sought in the setting of fares and the protection of competing modes, whilst

CHAPTER FOUR

considered a necessity, turned out to be a troublesome problem in practice. On specific policy matters, such as local authority involvement and unremunerative services, the Traffic Commissioners attempted to take a 'common sense' approach although their solutions did not always appear sensible in the light of economic analysis.

Finally, one of the purposes of this chapter was to give the historical background so as to identify whether the economic theories of regulation have any applicability in the regulation of passenger-carrying vehicles. The relationship between economic theory and the historical evidence is considered next, in Chapter Five.

CHAPTER FOUR

NOTES TO CHAPTER FOUR

References to the Annual Area Reports for the Traffic Commissioners are given in terms of the Year of the Report, the Traffic Area and the Paragraph number of heading from which the extract or reference is derived.

1. In the Metropolitan Area there was only the one Traffic Commissioner concerned with express services to, from and through London since the 1924 Act had separately dealt with the organisation of local traffic. *The Traffic Commissioners dealt with stage carriage applications outside the London Transport 'Special Area' following the 1933 London Transport Passenger Act.*
2. 1930 Act Part IV Section 72(3)
3. 1930 Road Traffic Act Part IV Section 72(4)
4. Herbert Stanley Morrison (1888-1965) was involved in the Labour movement from an early stage. He was the circulation manager for the first official labour paper, The Daily Citizen, between 1912-1915. He was elected to the London County Council (LCC) and continued to serve on the LCC until 1945 and was its leader between 1934-1940. He had several early stints as an MP for Hackney South (1923-1924, 1929-1931, 1935-1945) before becoming MP for Lewisham East (later South Lewisham) from 1945-1959. He was Transport Minister in 1929 and later, in 1940, held the posts of Minister of Supply, Home Secretary and Minister of Home Security in the National Government. He was well known for his contribution to the Labour victory in the 1945 election and subsequently held the Cabinet posts of Lord President of the Council (1945-1947), Leader of the House of Commons (1947-1951) and became Foreign Secretary in 1951. Throughout the post war government he played an active part in promoting the nationalisation of transport, a field that he had written about (Socialization and Transport (1933)) and had been closely concerned with throughout his life in London (with the creation of the London Transport Passenger Board). He was a man of strong principles and, for example, voted against his own Party in Parliament when the London Traffic Bill (subsequently Act, 1924) was in passage attacking it for being a "Tory Bill" because it left London's transport in private control. On two occasions it looked as though Morrison was a candidate for the Labour leadership but was overtaken by Clement Attlee and later by Hugh Gaitskell. He became a life peer in 1959 and was well recognised as a great leader of the London Labour Party, the LCC and a great parliamentarian. (Sources: DNB, Who Was Who, Hibbs (1968), Barker & Robbins (1974))
5. Chester (1936) p72. (Source: Hansard, December 10 1930 Vol 246 C406)
6. Sir John Maxwell (1875-1946) was born in Northern Scotland and trained as a solicitor in Dumfries before representing the UK government in foreign parts. He was Assistant District Commissioner, Gold Coast 1902, a Travelling Commissioner in 1905 and a Provincial Commissioner in 1907. He acted as Governor (twice), Colonial Secretary, Attorney General and Solicitor General. He was Chairman of numerous Committees including the reorganisation of Municipal Government on the Gold Coast. Prior to his appointment as the Chairman of the Northern Scotland Traffic Area, he had no known connection with transport in the UK. He subsequently became a Regional War Transport Commissioner in the Second World War. (Source: Who Was Who)
7. William Chamberlain (1877-1944) (Knights, 1939) devoted the majority of his working life to transport. He started as an electrical engineer

CHAPTER FOUR

with the Corporations of Lancaster and Wallasey and with the Mersey Docks and Harbour Board. He then had higher management posts with the Electricity Department of Oldham Corporation before becoming the General Manager of Oldham's tramways in 1918. He moved to become the General Manager of Leeds tramways and from there to Belfast in 1928. He represented the Municipal Tramways and Transport Association on several occasions as their Chairman and Chief Witness notably, in the context of this thesis, before the Joint Committee of the House of Commons and House of Lords when the railways were trying to acquire road powers in 1928 and before the Royal Commission. (Source: Who Was Who)

8. Colonel Arthur Stanley Redman (later Brigadier) (1879-1963) obtained his first experience of transport on joining the Movements Directorate in the War Office as a commissioned soldier in 1914. After the war, he became Deputy Director of Railways in the War Office and for one year (1920/21) he was the Traffic Superintendant of the Somerset and Dorset Railway. After this he returned to the War Office and undertook several transport related assignments. He became a Traffic Commissioner on retirement. (Source: Who Was Who)
9. Sir Ernest Haviland Hiley (?-1943) joined the North Eastern railway in 1891 and occupied positions of District Traffic Superintendant at York, Divisional Goods, Mineral and Docks Manager first at Hull and later at Newcastle upon Tyne. He then became Passenger Manager for London in 1905. He left the North Eastern railway in 1913 to become the General Manager of New Zealand's railways. After the war he became a member of the Indian Government Commission on the administration of Indian Railways (1920); a member of the Royal Commission on Local Government in London (1921-1923) and was appointed to investigate conditions in Mexico (1923). He was later appointed to report on transport conditions in Rhodesia (1925) and subsequently became the Rhodesian Government advisor on Railway questions (1926) and the Chairman of the Rhodesian Railway Commission (1927-1928). (Source: Who Was Who)
10. Major-General Sir Reginald Ford (1868-1951) was the only Traffic Commissioner appointed whose background seems to be completely devoid of transport experience. He was a professional soldier and was promoted to Major-General in the first world war. He was already 62 when appointed to the Southern Traffic Area and three years later his appointment was not renewed. (Source: Who Was Who)
11. Gleeson Edward Robinson (?-1978) was trained and worked as a solicitor in London before becoming a barrister in 1920. He acted as the Secretary of the Clearing Office for Enemy Debts before becoming a British Member of the Anglo-German Mixed Arbitral Tribunal established under the Treaty of Versailles. He was the Metropolitan Commissioner for 15 years (1931-1946) before becoming the Chairman of the Road and Rail Traffic Appeal Tribunal (1946-1949). (Source: Who Was Who)
12. Archibald Henderson (1856-1962) was the son of an innkeeper at Straiton Inn, Edinburgh. He was educated in Edinburgh and at the City of London College. He worked as a clerk in various London offices before joining the London County Council Tramways Department in 1913. Two years later he became a union official for the Transport and General Workers Union. He remained an official until his appointment as Chairman to the Southern Scotland Traffic Area. He later became a member of the Road Transport Executive of the British Transport Commission (1946) (Sources: Bonavia (1987) and Who Was Who)

CHAPTER FOUR

13. For biographical details see Chapter Three note 60
14. 1931/32 Report; West Midland; Para 4 & 5
15. 1932/33 Report; Southern; Para 6
16. 1932/33 Report; South Eastern; Para 28
17. 1933/34 Report; Northern; Para 17
18. 1933/34 Report; Yorkshire; General
19. 1934/35 Report; West Midland; Para 12
20. 1934/35 Report; South Wales; Para 15
21. 1935/36 Report; West Midland; Para 19
22. 1936/37 Report; Northern; Para 13
23. 1937/38 Report; South Wales; Para 11
24. Aldcroft (1974) pp193-198
25. 1931/32 Report; Yorkshire; Para 9
26. 1931/32 Report; Yorkshire; Para 9
27. 1931/32 Report; Northern Scotland; Road Service Licences (8)
28. 1931/32 Report; South Wales; Para 1029.
29. 1932/33 Report; South Wales; Para 9
30. 1932/33 Report; Southern; Para 17
31. 1933/34 Report; West Midland; Para 9
32. 1933/34 Report; Northern Scotland; Public Sittings
33. 1936/37 Report; Northern; Para 13
34. 1933/34 Report; Northern; Para 17
35. 1936/37 Report; West Midland; Para 13
36. 1937/38 Report; South Eastern; Para 24
37. 1935/36 Report; East Midland; Para 20
38. 1937/38 Report; Northern; Para 17
39. 1933/34 Report; Western; General
40. 1934/35 Report; Northern; Para 21
41. 1935/36 Report; Western; Para 14
42. 1936/37 Report; South Eastern; Paras 24-25
43. 1934/35 Report; West Midland; Para 14
44. 1932/33 Report; West Midland; Para 2
45. 1935/36 Report; North Western; Para 6
46. 1932/33 Report; North Western; Para 18
47. 1932/33 Report; North Western; Para 18
48. 1932/33 Report; Northern; Para 12a
49. 1932/33 Report; East Midland; Para 19
50. 1932/33 Report; East Midland; Para 19

CHAPTER FOUR

51. 1932/33 Report; Northern Scotland; Variations
52. 1934/35 Report; Northern; Para 14
53. 1935/36 Report; Northern; Para 12
54. 1935/36 Report; South Eastern; Para 20
55. 1937/38 Report; North Western; Para 7
56. 1931/32 Report; Yorkshire; Para 12
57. 1931/32 Report; West Midland; Para 16
58. Aldcroft (1975) p38
59. Dyos and Aldcroft (1974) pp325-7
60. The decline of railway traffic during the inter-war period is not of direct relevance to this thesis. It is more fully discussed in Aldcroft (1968)
61. 1932/33 Report; East Midland; Para 22
62. 1933/34 Report; Yorkshire; Fares
63. 1934/35 Report; Yorkshire; Para 9
64. 1934/35 Report; North Western; Para 8
65. 1932/33 Report; Metropolitan; Para 22
66. 1935/36 Report; West Midland; Para 13
67. 1935/36 Report; Yorkshire; Para 11
68. The PSV licence was used to regulate the behaviour of the operator whilst the Certificate of Fitness (COF) concerned the fitness of the vehicle. Thus a COF was not valid without a PSV licence. The COF passed with the vehicle on sale but the purchaser then had to obtain a PSV licence for it. The PSV was the means used to discipline the operator - for example, if the vehicle was declared unfit it was the PSV and not the COF that was withdrawn.

CHAPTER FIVE

CONCLUSIONS ON PART I : THE PUBLIC CONTROL OF PASSENGER-CARRYING VEHICLES BY THE 1930 ROAD TRAFFIC ACT

1. INTRODUCTION

This chapter brings together the theory and empirical evidence in Chapters Two, Three and Four. Its purpose is to identify whether there was any economic rationale behind the original intervention in the road passenger industry by the Road Traffic Act, 1930, and whether or not economic theory adds to the historical perspective. This chapter therefore begins by summarising the relevant theory and evidence before bringing these together in the final section.

2. THE THEORY

2.1 Market Failure

If economic efficiency is taken as the yardstick to measure the performance of an industry then economic theory can readily identify market conditions whereby intervention, usually by government, might be required to achieve the optimal allocation of resources. These conditions are generally referred to as situations where the market 'fails' to meet the strong conditions of the 'ideal' world thus leading to economic inefficiency. These are summarised below together with the type of intervention that might be implied by each failure.

CHAPTER FIVE

(i) Structure of the Industry

If an industry exhibits increasing returns to scale there would be a tendency towards monopoly behaviour. The presence of a single seller or few sellers violates the 'ideal' world condition of many sellers with the result that output is lower than optimal and prices are above the efficient level of marginal cost for suppliers following a profit maximisation objective. The policy prescription would include measures to expand output and to reduce prices to marginal cost.

Intervention to create a quasi perfectly competitive market is not dependent on whether the industry is in public or private ownership. Thus the industry could be nationalised and given directions on its pricing and output levels or it could remain in private ownership and be subject to public control on pricing and output (as is common with recently privatised monopolies in the United Kingdom).

The more recent economic literature shows that an industry which exhibits increasing returns might not be a sustainable monopoly: if this is the case, profit seeking entrants would indeed make the market behave as if it was competitive and there would be no need for intervention on grounds of this market failure.

(ii) Cross subsidy

For an efficient allocation of resources, prices should be set to reflect marginal costs. Any deviation from this principle (unless constraints are present) whereby prices higher than marginal cost are charged on one activity to support charges below marginal cost on another would constitute market failure. The corrective policy would be to implement a system of marginal cost as in (i) above. This policy can be applied irrespective of the type of ownership of the industry.

CHAPTER FIVE

(iii) Imperfect Capital Markets

In the bus industry this would be revealed by existing operators frustrating the efforts of new entrants to the industry through their superior access to finance. Intervention in the capital markets to prevent imperfections is obviously a complex issue. Some form of quality regulation might ensure equal access to the market and thus be desirable as a form of intervention.

(iv) Imperfect Information and Externalities

Traditional economic theory assumes that in the 'ideal' world economic agents have full information on which to base their decisions. Whilst the co-ordination of services is often thought necessary because of imperfect information there is no convincing argument why, in theory, operators would not co-ordinate their services if they found that passengers wanted it within a competitive framework.

There are, however, two further cases where imperfect information leads to externalities which are particularly pertinent to the bus industry: that of safety and congestion. In the case of safety, perfect information would give the consumer a knowledge of the correct probabilities of future events such as injury in the event of an accident. However, in practice, the user is unlikely to perceive these risks correctly and thus be unable to signal a willingness to pay more for the operator who adopts safer equipment or working practices. Moreover, non-users can be affected by unsafe vehicles or unsafe working practices and unless the laws of compensation work perfectly so as to internalise the externality so that the risk of compensation is correctly perceived by the operator, there would be a case for intervention in the form of setting a safety standard.

CHAPTER FIVE

Congestion, as an externality, can also cause economic inefficiency by the marginal cost of a trip to a user falling below the marginal cost of that trip to society. The optimal policy response would be to impose a tax so that the marginal private and social costs are equated. If for some reason this is not practical, a system which restricted the absolute number of vehicles would indeed reduce congestion albeit with some loss of social welfare.

2.2 Economic Theories of Regulation

The more recent economic theories of regulation concentrate on the role that regulation achieves in practice. Three broad categories of theory can be identified under this heading: the public interest theories, the sectional interest theories and the capture hypothesis theories.

The public interest theories are the normative response to the positive economics discussed under market failure above. The particular contribution of these theories is the recognition that the very stringent conditions of the 'ideal' world are unlikely to be met in reality. Whether or not the public interest is served by a system of regulation will depend on the relative benefits and costs of the regulatory process which is implemented. Thus a system which imposes high costs for small benefits would be judged not in the public interest.

The sectional interest theories broadly argue that some regulatory activities by government appear to enhance the position of the regulated. Thus, particular interest groups may demand regulation because they hope to enjoy greater benefits from being regulated as compared to the benefits they could organise for themselves. This body of theory may therefore explain the presence of regulation in industries not subject to market failure.

CHAPTER FIVE

The theories based on the 'capture' hypothesis are based on the notion that even if a system of regulation is imposed to correct, for example a market failure, the regulators over time become 'captured' by the regulated and end up serving their interests. As noted in Chapter Two, this theory is difficult to separate from the sectional interest theories without some historical perspective of the industry under investigation.

3. THE ORIGINS OF THE 1930 ACT

Whilst railway and tramway pressure is most popularly given as the reason for the original regulation of passenger-carrying vehicles, the historical evidence shows that the original motive for this legislation was the desire to control congestion and promote public safety. The concern for public safety, which arose as soon as discussions on congestion were begun, was aired in the early 1920s before the railways and trams were suffering significant competition from motor omnibuses. As with the railways nearly a century before, the initial government intervention was considered so as to reduce accident levels but intervention on these grounds led to official examination, and subsequent control, of other aspects of the industry.

The Hackney Vehicles Committee, convened in 1922, played a crucial role in the development of the omnibus industry. The London Traffic Act, 1924, relied heavily on the content of the subcommittee's interim report and the final form of the Hackney Vehicles Committee's Report laid the foundations for the Ministry of Transport's evidence before the Royal Commission. The interesting aspect of this Committee's performance was the considerable contribution made by the subcommittee. Chaired by Frank Pick, at that time joint assistant managing director of UERL which had a controlling interest in the London buses, the subcommittee primarily

CHAPTER FIVE

represented parties who would substantially benefit from the implementation of quantity licensing. Indeed, it was during one of the subcommittee's meetings that quantity licensing was first raised and it was then suggested that if additional safety standards were to be sought from operators then in all "fairness" they should be compensated for this additional and ongoing expense by having some sort of protection, or monopoly, on their routes. This point was agreed with alacrity. However, this is not to suggest that members of the subcommittee were reluctantly persuaded to concur with the view of their chairman as, in general, committee chairmen only make suggestions which they would feel would be acceptable although they can give a strong lead. Nevertheless, the organisation represented by Frank Pick stood to gain considerably from this proposal. Additionally, it should also be remembered that all members of the Hackney Vehicles Committee were initially committed to control of the industry: the purpose of the inquiry was to decide the scope and form of such regulation. Moreover, the way in which the subcommittee recommended regulation which favoured the existing operators directly may not have been entirely their fault: the composition of the Hackney Vehicles Committee necessarily excluded representatives of both the small independent operators (who were not organised) and the general public. The public, although sometimes suffering irregular services, would have undoubtedly benefitted from the wider choice of services offered at lower fares in a system where free competition and low barriers to entry encouraged operators to enter the market. However, the fact that regulation was accepted, in principle, as early as 1922, should not make it surprising that eight years later the Road Traffic Act was a measure that substantially protected the omnibus operator. More surprising was the way in which this legislation was claimed to be 'in the public interest'.

CHAPTER FIVE

So far as quantity licensing was concerned, the Royal Commission on Transport added very little in its birds eye view of the transport sector. It is from the Royal Commission that the popular belief concerning the origins of regulation comes. The evidence before the Commission suggests that both the railways and the trams were beginning to feel the pressure from road competition in 1927. This was certainly the case in London. The Royal Commission provided the forum for many spurious arguments to be aired. The most interesting from the quantity licensing point of view were the ways in which regulation, sought to protect the railroads and tramways, was justified: first, by claiming that vehicles had not "paid their way" and second, by the enormous fuss made about "unfair" competition. Since the Royal Commission heard witnesses from all parts of the transport sector, the subject of competition had a much wider hearing than before the Hackney Vehicles Committee, although not much change resulted from this new airing of views. As with the Departmental Committee, only the views of organised pressure groups were heard: Dyos and Aldcroft¹¹ suggest this could mean that the unanimity of opinion in favour of the restriction of competition was over-stated. No real evidence was put before the Royal Commission, as with the Hackney Vehicles Committee, to justify the quantity licensing subsequently incorporated in their Second Report and which formed the basis of the Road Traffic Act. Of course, railway and tram pressure had an influence and their evidence before the Royal Commission probably led to their rights, included in the Road Traffic Act, 1930, to object to new routes proposed by bus operators to the Traffic Commissioners for licensing. Indeed, increasing rail and tram pressure (and their deteriorating financial states) may have been the reason which persuaded the Government to give priority to a Traffic Bill in 1929, together with their concern for safety. It is worthy of note that the Chairman of the Royal Commission - as with Frank Pick on the

CHAPTER FIVE

subcommittee of the Hackney Vehicles Committee - made a personal contribution that has left its mark on the legislation by his proposal for the particular Traffic Commissioner system.

4. THE IMPLEMENTATION OF THE 1930 ACT

The structure of the industry changed considerably over the first decade under the 1930 Act. At the outset two characteristics dominated the industry. On the one hand the importance of the small operator and on the other, the influence of the large undertakings. By the end of the decade, the larger operator was dominant with the virtual demise of the small man on stage carriage routes. The process of change began almost immediately after the 1930 Act was on the Statutes: there were considerable numbers of amalgamations throughout the country. Initially this process was favoured by the Traffic Commissioners since they perceived it would bring gains from greater co-ordination. However, later in the decade concern over the drift towards large territorial companies was being voiced. The 1930 Act created a quasi monopoly for existing operators: it was thus difficult for potential operators to enter the market and this meant that operators who sold their assets achieved a premium over their value by the inclusion of an amount for 'goodwill'.

So far as the granting of road service licences were concerned, the Traffic Commissioners clearly felt their role was to create order out of chaos. With the emphasis given to co-ordination by the Royal Commission on Transport, this response was not surprising. Their Reports showed that this task was undertaken with zeal. One way in which order was attained was by the Traffic Commissioners giving preference to the larger operator. This, they argued, would lead to better co-ordination because the larger operator had access to greater resources. This approach was not, however,

CHAPTER FIVE

uniform. Some Commissioners attempted to create order by deciding the level of service that was 'needed' and imposed this on operators and public alike. 'Need' seemed to be defined as the state which avoided 'wasteful competition' and in every case the level of service which was imposed was manifestly poorer than that which the free market had yielded. Another part of creating order was the co-ordination of timetables. This was a task which all the Traffic Commissioners took seriously and led to meetings specifically to discuss co-ordination schemes in some Areas. By 1936 a standardisation of approach between Commissioners could be seen that was clearly absent at the beginning of the decade. The Traffic Commissioners originated from varying backgrounds and were appointed as administrators, rather than 'experts' and so the pattern of individualistic behaviour at the start of the legislation is not surprising.

Whilst the wording of the 1930 Act clearly invited the Commissioners to condone the practice of cross subsidy, their attitude towards the provision of unremunerative services did not always illustrate their understanding of this invitation. During the depression in the early part of the decade, many operators had sought consent to withdraw services through lack of patronage: by and large consent for this was granted. In the middle of the decade, the Commissioners became aware that requests to cease operation came primarily from the large operators. Moreover, the services these operators wished to withdraw were often those which they had taken over from a smaller undertaking and which they claimed could not be operated profitably. It is clear from the Traffic Commissioners' discussions that it was well appreciated that small undertakings had lower costs: it was this fact together with the increasing rate of requests for withdrawal of unremunerative services that led many of the Commissioners to lament the passing of the small operator.

CHAPTER FIVE

From an economic point of view, the Commissioner's ability to control fares was perhaps their greatest weapon. They not only effectively fixed the absolute level of fares but also went to great lengths to ensure uniformity. Uniformity was sought spatially: initially the Commissioners expressed the desire that fares should be the on the same scale within each Traffic Area but later there were signs that countrywide fare scales were to be encouraged. The Commissioners also sought uniformity between operators despite the fact, recognised by most of the Commissioners, that there were differences in costs between large and small operators. At the beginning of the decade a change in petrol prices well demonstrated the individualistic approaches to fare setting. No particular yardstick was put forward for the choice of fares except 'common practice' and some Commissioners objected to what today would be regarded as sensible marketing in the offering of, for example, return tickets at a discount to encourage greater utilisation and brand loyalty.

Another task which the Commissioners took seriously was the protection of other modes, notably tram and trolleybus, from the competition of the bus. Whilst the Commissioners debated this issue at great length at the beginning of the decade, the discussion was more about how protection should be afforded since the principle of giving protection was never much in doubt. The discussion on 'how' centred on whether buses should be prohibited from picking up passengers along the tram or trolleybus routes or whether the Commissioners should fix premium fares on buses over these routes. In practice, different Commissioners adopted each policy. No systematic 'protection' was afforded to the railway companies despite the way in which they, like the tramway companies, had complained before the Royal Commission. Limited protection was, however, given to the railways in respect of 'backbone' services where duplicate express bus services in the summer were restricted to a proportion of those operated on the same service in winter. This followed an Appeal decision made by the Minister in 1933.

CHAPTER FIVE

5. THE RELEVANCE OF THEORY

Examining events in a historical perspective allows economic theory to play two roles. First to consider whether the initial concerns, leading to the 1930 Act, were legitimate in economic terms and whether the measures contained in the Act consistent with these concerns. Second, was the implementation of the Act consistent with these initial concerns and/or economic theory.

In terms of the origins of the 1930 Act, the initial motivation for discussions on the regulation of the motor bus arose primarily out of concern for safety and congestion. As the 1920s progressed, different arguments were put forward in the evidence before the Royal Commission: these took the form of 'unfair' or 'wasteful' competition between modes of transport. Finally, in terms of motivations for the legislation, it is worth considering whether the sectional interest theories have anything to offer in the context of the motor bus industry of the 1920s.

Although congestion in London appeared to spark off initial discussions on the regulation of motor buses, the Hackney Vehicles Committee was set up specifically to consider safety measures. Indeed, during the life of this Committee, congestion was not mentioned as a reason for regulation. Safety, on the other hand, was an issue on which there was strong and increasing public feeling. Within the framework of market failure both the presence of congestion and concern over safety would be regarded as legitimate reasons for intervention although implying different forms of control. The latter would imply the need for some form of quality control in terms of setting safety standards: this was introduced as the Certificate of Fitness by the 1930 Act. So far as congestion is concerned, economic theory suggests that the first best solution would be to impose a tax which equates the marginal private and

CHAPTER FIVE

social costs of a trip: this was clearly not in the minds of advisors in the 1920s. One of the many second best solutions would be directly to restrict the number of vehicles which would lead to an indisputable loss of economic efficiency. However, whilst congestion was an issue in 1920/21, it did not appear in the discussions of the Hackney Vehicle Committee. It would therefore be difficult to attribute the quantity licensing provisions of the 1930 Act, which halted the accelerated growth of vehicles, to the motivation of controlling congestion.

In terms of industrial structure, there is no evidence from the 1920s of significant economies of scale, concentration of the industry or substantial barriers to entry that might lead to monopoly behaviour: the way in which large and small firms were in competitive coexistence suggests an industry closely approximating constant returns to scale. In the 1920s, as in present day operation, variable costs (particularly labour and fuel) accounted for a large proportion of operating costs which again supports the contention that the bus industry was one where potentially significant scale economies were unlikely. Indeed, although there would have appeared to have been a belief that sizeable economies did exist in the industry, this was not used as an argument for the industry's control⁽²²⁾.

The arguments put forward before the Royal Commission on 'unfair' and 'wasteful' competition can also be placed in an economic framework. These criticisms were made primarily by representatives of modes of transport in competition with the motor bus. From a theoretical point of view, it would be possible to argue that if the bus industry abstracted traffic from other modes which had substantial fixed costs then their average costs would rise and an inefficient distribution of traffic between modes would ensue. The validity of this argument rests upon at least two factors: the

CHAPTER FIVE

extent to which traffic was in fact being abstracted by competition from buses and the extent to which falling long run average costs were prevalent in the competing modes. In terms of abstraction, there can be no doubt that the trams and railways felt their traffic was being diverted to the motor bus. In terms of the structure of the industry, there is little evidence available to determine whether there were genuinely falling average costs. By the late 1920s, many of the tramways were, of course, in public ownership and making significant contributions towards rate income: their protests before the Royal Commission could alternatively be interpreted as coming from bodies which had made a significant investment in a mode which was becoming technologically inferior to the bus and therefore unable to compete. For the railways there has been more recent concern over the extent to which average railways costs do in fact fall with increased output: it is difficult however to ascertain whether this was also the case in the 1920s. It is clear from Chapter Three that the arguments of 'unfair' or 'wasteful' competition were responsible for the right of competing modes to make objections to the granting of licences rather than being responsible for the shape of the quantity licensing provisions embodied in the 1930 Act. In the implementation of the Act, the concept of 'wasteful' competition played a wider role than the control of traffic abstraction: this is discussed later in this section.

In terms of the economic theory relating to market failure, there would appear to be justification for the implementation of the safety but not the quantity licensing provisions of the 1930 Act. The first mention of quantity licensing arose during one of the Hackney Vehicle subcommittee's meetings when it was agreed that if additional safety standards were to be sought from operators then in all 'fairness' they should be compensated for this additional expense by having some sort of

CHAPTER FIVE

protection or monopoly on their routes. On the basis of who was represented on the Committee, it would not be unreasonable to make a case for the valid application of the sectional interest theory of regulation applying to the quantity control provisions of the 1930 Act. Operators, of which the largest and the organised, were well represented on this Committee and would have clearly benefitted from an arrangement of monopoly protection on their routes in exchange for meeting higher safety standards. The 'losers', the general public (consumers) and the smaller unorganised undertakings, were neither represented nor consulted. This is not to say that the industry saw the Hackney Vehicles Committee as a way of 'demanding' regulation to meet their own ends but it would be an explanation as to why they acquiesced to the implementation of control since they would have perceived longer term benefits arising from monopoly protection despite having to meet tighter quality controls.

In considering the implementation of the Act, there are a number of issues that merit discussion. First, the way in which the Traffic Commissioners considered 'wasteful competition'; second, the way in which fares were determined and finally, the issue of co-ordination.

The question of 'wasteful' competition was discussed more in terms of 'unnecessary' services than in terms of the abstraction of traffic from other modes of transport. In this context, it is difficult to put an economic perspective to the Traffic Commissioners' implementation of the 1930 Act. 'Wasteful' competition was interpreted to mean that competition had led to over provision. The Commissioners' response was to impose a level of service which was manifestly poorer than that which the free market had been yielding without any justification as to why the level they sought was superior. For example,

"on routes where, from our own experience and from the experience of the local police,... a 10 minute service... would adequately meet all reasonable requirements, we found it was by

CHAPTER FIVE

no means uncommon for a stage carriage to be passing every three minutes... Some drastic reductions had, therefore, to be made."⁴³

Although more recent economic theory contributions have debated where the competitive market will yield the optimum level of service⁴⁴, it is unlikely that these levels of abstraction were in the minds of the Traffic Commissioners when they cut the level of service provided by the free market. Another example of the Commissioners' elimination of 'wasteful' competition which would appear to lack economic rationale was the case of the 'main line' connecting the Five Towns of the Potteries. The West Midland Commissioner appeared most satisfied when reporting that he had prohibited buses waiting at bus stops until the next bus was in sight thus reducing the overall journey time by four minutes. This situation had emerged from a competitive market. With more recent empirical evidence, it is now well established that consumers value waiting time much more highly than in-vehicle time⁴⁵. The Commissioners were no doubt unaware of this fact but nevertheless imposed their condition without demonstrating, or asking the consumer, whether the faster journey time conferred greater benefits than the costs incurred by increased waiting time at bus stops. Thus, in terms of 'wasteful' competition it is difficult either to ascribe an economic rationale to the Traffic Commissioners' implementation of the Act in this respect or to match their implementation with regard to 'wasteful' competition to the discussions of 'unfair' or 'wasteful' competition before the Royal Commission.

So far as fares are concerned, there are two aspects that are worth considering in the context of the relevance of economic theory to the historical evidence: the way in which absolute fares were fixed and the issue of cross subsidy. For economic efficiency, prices need to be set at the long run marginal cost of providing the unit of output. in an

CHAPTER FIVE

industry with constant returns to scale, this would result in undertakings breaking even. The Traffic Commissioners recognised that differences in costs did exist both between larger and smaller undertakings and between urban and rural operation and yet this was not reflected in their behaviour towards fares. They attempted to establish a uniformly applied fare scale despite the fact that the 1930 Act only required the Commissioners to ensure fares were not 'unreasonable'. This practice of the Traffic Commissioners undoubtedly created a more substantial pattern of cross subsidy than might have otherwise been the case in the industry. For, whilst the Act invited the Commissioners to condone cross subsidy particularly in relation to unremunerative services, it is clear from the evidence in Chapter Four that they did not realise cross subsidy was a natural outcome of their desire for standard fares. The cross subsidisation invited by the Act was simply a way of making the monopoly protection overt: monopoly exploitation was to be created where there would otherwise have been none principally to provide unremunerative services.

The co-ordination of timetables was another function which the Traffic Commissioners undertook seriously in their attempts to create order. Whilst imperfect information does lead to market failure, it is difficult to understand why the operators would not have found it in their own interests to co-ordinate their timetables if it was in the passengers' interest to do so. It is possible that co-ordination was not carried out in the 1920s because the industry was growing so very rapidly and that, in this respect, the Commissioners hastened a process that would have happened in any case.

Overall, the implementation of the Act by the Traffic Commissioners could be summarised as making the industry appear orderly and responsibly

CHAPTER FIVE

run in contrast to the 'chaotic' growth in the 1920s in the belief that this would be better for both users and non-users. Uniformity and the trend towards larger operating units clearly made this task easier. There is, therefore, little evidence to support the applicability of the 'capture' hypothesis theory of regulation.

However, from the material discussed in this chapter, it is clear that there are substantial areas where misallocation costs would have accrued because of the implementation of the quantity licensing and other aspects of the Act. The public interest theory of regulation would require the direct costs of administration (Traffic Commissioners and Courts) to be added to these indirect costs; the costs would be compared with the benefits (principally the unambiguous benefits from greater safety) from the 1930 Act before assessing whether the system of control was in the 'public interest'. Unfortunately, there is insufficient quantitative information to carry out an analysis of this kind.

In conclusion, economic theory is clearly more sophisticated now than in the 1920s. Nevertheless, certain economic rationales can be attributed to the original motivation to pass the 1930 Road Traffic Act, notably safety. The other early concern, that of congestion, is more difficult to assess. It was not until the mid 1930s that it was suggested that a possible tacit intention of the Act was artificially to increase the concentration in the industry: such a policy would now be recognised as a second best solution to a problem of congestion. Economic theory can also provide a rationale for control on 'unfair' or 'wasteful' competition grounds as expressed before the Royal Commission but not as implemented by the Traffic Commissioners. Of the economic theories of regulation, the sectional interest theory appears to be pertinent in explaining the quantity licensing provisions of the 1930 Act. Whilst it is not possible

CHAPTER FIVE

to provide quantitative evidence to wholly support or reject the public interest theories of regulation, the 'capture' hypothesis theory of regulation would not seem to be particularly relevant.

CHAPTER FIVE

NOTES TO CHAPTER FIVE

1. Dyos and Aldcroft (1969) p382
2. Ponsonby, G J (1971) Discussion on paragraph 88 of the Second Report of the Royal Commission on Transport
3. Annual Report of the Traffic Commissioners, Yorkshire Traffic Area, Paragraph 9
4. For example Mohring (1972), Kay (1979) and Beesley and Glaister (1983). See also Glaister and Mulley (1983) p 125
5. Glaister and Mulley (1983) p 124

PART II

CHAPTER SIX

NATIONALISATION WITHIN AN ECONOMIC FRAMEWORK

1. INTRODUCTION

The purpose of this chapter is to establish a broad framework for the analysis of the nationalisation proposals embodied in the Transport Act 1947. This Act, as noted in Chapter One, made provision for the assets used in providing transport services to be transferred from the private to the public sector.

This chapter addresses two main questions. First, the specific impact of a change of ownership on the managerial incentive structure of the firm and second, the role that ownership plays within a firm's decision making process. In common with the earlier examination of the economic issues pertinent to regulation (Chapter Two), the treatment of ownership in this chapter will emphasise efficiency arguments. However, whereas the discussion on regulation concentrated on notions of allocative efficiency, this section will extend the concept of efficiency to include both allocative and x-efficiency. Thus, the first section looks at the question of ownership, the second section examines the role that ownership fulfils in the firm's behaviour in the market place before turning finally to the relationship between ownership and the internal efficiency of the firm.

Much of the theory reported here has developed recently as a result of the current Government's policy on privatisation. This more recent literature has concentrated on industries which are natural monopolies, for example, telecommunications and gas supply and distribution. In these industries the issues of competition and ownership have been inevitably

CHAPTER SIX

interlinked. In 1945, when it was proposed to nationalise transport, it was not seen simply as a way of controlling a natural monopoly (as discussed in Part I). Thus, it is necessary and indeed sensible to consider the issues of ownership and competition as separate issues.

2. THE QUESTION OF OWNERSHIP AND ITS IMPACT ON MANAGERIAL INCENTIVES

The nationalisation of transport envisaged by the 1947 Transport Act involved the transfer of assets used in the provision of transport services from the private to the public sector. In turn this meant that the entitlement to the residual profits from the operation of the different transport activities were also to be transferred between these two sectors. This change necessarily implies a difference in the relationship between those responsible for the firm's decisions and the beneficiaries of its profit flow.

In general, such a change in the allocation of property rights would normally lead to a different structure of incentives for management and hence to changes in managerial behaviour and company performance. This relationship, between management and the ultimate receiver of the residual profit flow, can be viewed as giving rise to a particular set of principal - agent problems. Within this framework, the management of firms within the public sector can be regarded as agents acting for the department of government to whom they are responsible or through a government department to the voting public. This contrasts with the management of a private firm who are agents for the shareholders or stakeholders of the firm. Thus a change in ownership inevitably leads to a shift in principals.

CHAPTER SIX

The empirical evidence⁽¹⁾ from relatively recent studies of industries under different ownership structures suggests that ownership does matter in the sense that changes in the structure of property rights are likely to have significant effects upon the firm's behaviour. It is, however, hard to be precise about the detailed implications of a change in ownership since both public and private firms exhibit a wide range of performance. It is also clear from this literature that the benefits/costs of any transfer in ownership will crucially depend on the relevant institutional framework (including any regulation for firms with market power) and the market structures of the industries in which the firms operate.

It is generally agreed⁽²⁾ that management incentive structures are the result of complex interactions and it is difficult to predict, at an abstract level, whether a movement from the private to the public sector would produce unambiguous gains or losses. This follows from an examination of the theory which suggests that there is nothing which would prevent a public sector enterprise from having as an efficient management incentive structure as the private sector nor that public ownership would be superior in this respect.

The impact of ownership *per se* is therefore difficult to establish. However, the nature of the ownership could affect more than the managerial incentive structure. The role it plays in achieving allocative efficiency or the efficiency of the firm in the market place is considered in the next section and the role of ownership in the internal efficiency of the firm is considered in the final section.

CHAPTER SIX

3. OWNERSHIP, ALLOCATIVE EFFICIENCY AND COMPETITION

The 1930s and 1940s saw the beginning of the debate on the relative efficiency of market or centrally planned provision of goods in the economy. This debate was associated with the contributions of Hayek (1935 and 1940) and Von Mises (1944) who argued that a centrally controlled economy does not have the institutional means to ensure an efficient allocation of resources and with Lange (1938) who argued the opposite.

This literature together with more modern extensions identifies a number of reasons why public and private companies may differ in the way they satisfy consumer 'wants'. First, public companies may not in practice bear the full cost of not satisfying consumer wants: there is no notion of bankruptcy in the public sector and therefore the incentive to satisfy consumers is lessened. This is not strictly a function of the ownership structure but a reflection of government attitude towards public ownership. Second, public companies can suffer from political interference which can make them less able to respond to consumer demands. The arms-length policy anticipated by the Labour Government in 1945 would not have made this a serious objection to nationalisation. It is only the general post-nationalisation experience which highlighted this as a particular problem of nationalised industries and it is, or course, more a reflection of political attitudes than anything else. Finally, it is a common suggestion that public companies can supply goods and services either that the market would not or can supply goods at less than their 'market value' which would imply that the goods or services are being subsidised by taxes or government borrowings. If goods are provided by public bodies by allocative means other than the market, allocative inefficiency is almost inevitable and arises from the problems associated with demand articulation. There is no simple costless process which will aggregate the

CHAPTER SIX

diversity of individual preferences and the final outcome is determined by complex political bargaining.

Thus, in theoretical terms, ownership can be seen as being largely irrelevant to allocative efficiency. Public ownership could achieve allocative efficiency as easily as private ownership if it is free from political interference and subject to the forces of competition. The crucial factor which generates allocative efficiency, as seen in Chapter Two, is the presence of competition and there is no particular reason (other than political interference) why the public sector subject to competition should turn out to be any less allocatively efficient after nationalisation than before.

4. OWNERSHIP STRUCTURE AND X-INEFFICIENCY

Harvey Leibenstein (1966) pointed out that, as a consequence of the gradual refinement of economic theory, economists talked of the concept of efficiency as having the single meaning of allocative efficiency. Thus, the problem of the internal efficiency of the firm was largely ignored and it was assumed that any one firm was as 'efficient' as any other. It is not surprising that the use of this standard price theory model led to public ownership being seen as solving the inefficiencies arising from market failure during the post war nationalisation period.

The implicit assumption which underlies the allocative efficiency view of the firm within the standard model is that there is a central 'controller' who determines how inputs are to be combined so as to achieve cost minimisation. Leibenstein's contribution was to point out that this was a very naive view of organisational reality. Many of the factors which in practice contribute to inefficiency are due to problems arising

CHAPTER SIX

from the internal organisational process and that variations in costs between organisations can be expected and not be due to technological factors such as increasing returns to scale. Management and workers can to some degree pursue their own goals because the formal goals of the organisation are insufficiently well specified or because the full set of labour activities which are required to fulfil the goals are unknown.

To predict behaviour, irrespective of the ownership structure, it is necessary to examine carefully the constraints and opportunities faced by individual decision makers. One major difference between public and private enterprise is the difficulty of transferring equity holdings in the former: this has the effect of loosening the constraints on managers and workers by the suppliers of equity (the lack of threat of takeover, for example) which in turn produces 'slack' and reduces the incentive to lower costs or to adopt profit enhancing pricing schemes.

This potential for greater 'shirking' in the public sector does not necessarily mean that it has to be realised or that the supply of 'shirking' behaviour within the organisation is infinite because a monitoring process can reduce its effects. In theoretical terms, a simple utility maximising assumption would imply that individuals who desire career advancement, job security, the achievement of the organisation's target or any combination of these objectives, would be motivated to perform the functions of the residual claimant or 'shirker'. They would do this because detecting and correcting errors would be a conspicuous activity in fulfilling their utility function. Although the public sector is open to greater 'shirking' behaviour because of the lack of accountability to the ultimate equity holder, it is a problem that is surmountable with an appropriate organisational structure which maintains the accountability of individual units thus automatically monitoring and resolving the problem.

CHAPTER SIX

Moreover, because individuals are engaged in an internal competition for job advancement, they are also engaged in competition on external markets. Thus, they may seek jobs in other organisations and they face the threat of entry and competition from members of other organisations. Formal job markets for managerial positions encourage the development of formal and informal information networks which transmit signals concerning individual human capital and organisational efficiency.

The above arguments thus suggest that x-inefficiency is a function of competitive forces not of ownership. Nevertheless, the potential for x-inefficiency may be higher in public companies because the employees of the company know that their 'slack' behaviour will be paid for by the taxpayers/consumers. However, public sector companies need not suffer less competition than private sector companies and therefore there is no reason, *a priori*, to declare public sector companies to be more likely to be x-inefficient than privately owned businesses.

5. SUMMARY

This chapter has examined the three strands of economic theory which create a framework within which to discuss the evidence of the nationalisation of transport envisaged by the 1947 Act. Economic theory does not give unambiguous conclusions and modern empirical evidence is no more conclusive on how ownership affects the managerial incentive structures of firms. Otherwise, economic theory would predict that ownership is much less important than many commentators would suggest. In theory, provided a publicly owned business is subject to the same competitive rigours of the market place as an equivalent privately owned

CHAPTER SIX

firm, there is no reason for a nationalised industry to exhibit increased allocative inefficiency or x-inefficiency.

CHAPTER SIX

NOTES TO CHAPTER SIX

1. Keasey and Mulley (1986) includes a discussion of a number of studies comparing the efficiency of private and public companies. Further evidence is offered by Crain and Zardkoohi (1978) on the US water industry, Kitchen (1976) and Stevens (1978) on the US refuse collection.
2. Vickers and Yarrow (1988) summarise these in Chapter 2.

CHAPTER SEVEN

THE 1947 ACT : ITS UNDERLYING PHILOSOPHY, ITS PROVISIONS AND ITS ADMINISTRATION

1. INTRODUCTION

The purpose of this chapter is to provide the background for the examination of the empirical evidence on the effect of nationalisation on the public control of the bus industry.

The post war Labour Government was the first to be committed to such an ambitious policy of nationalisation generally. However, the idea that nationalisation was the solution to the 'transport problem' was not new. This underlying philosophy of the 1947 Transport Act is considered in the first section.

The second part briefly outlines the provisions of the 1947 Act before turning, in the third section, to the administration of the Act. The final section of this chapter sets the scene for the implementation of the Transport Act: Part I of this thesis left the bus industry at the outbreak of the Second World War. This chapter therefore concludes by providing information on the state of the industry at the point of time when the 1947 Transport Act was beginning to be implemented.

2. THE PHILOSOPHY UNDERLYING THE 1947 ACT

The policy of the Labour Party with respect to transport had been set out as early as 1932 when the statement "The National Planning of Transport" was approved by the Annual Conference. In 1938, Herbert

CHAPTER SEVEN

Morrison⁽¹⁾ published a pamphlet entitled "Britain's Transport at Britain's Service": this was a natural extension of his earlier work which had concentrated on the organisation of London's transport⁽²⁾. The election manifesto of July 1945, "Let us face the future", drew heavily on these previously published works and made the central issue, in relation to transport, one of public ownership. It was argued that without central ownership of transport assets the benefits of co-ordination and integration could not be achieved.

The Government's nationalisation policy was also supported by the trade union movement: their commitment to state ownership predated the formation of the Labour Party itself. The railway unions had in fact argued for the nationalisation of railways as early as 1894⁽³⁾ and this demand was first adopted as Labour Party policy in 1908. The idea of an 'integrated and co-ordinated national transport system' had developed from these early roots to wholehearted support for the full nationalisation of transport in 1945.

The Labour Party's proposals for transport were understandably vague in the election manifesto: this was not the forum for detailed exposition of their plans. It was, however, fairly clear that the intention was to model transport nationalisation on the London Passenger Transport Board (LPTB) established in 1933. The LPTB was a public authority responsible for all of London's road transport and headed by Trustees. It was not strictly a 'state owned' part of the industry since it was not accountable to the government in power nor did the state own the assets. The LPTB had in turn been modelled on earlier public authorities such as the British Broadcasting Corporation. Thus, the philosophy which underpinned the Labour Party's policy in the 1940s stemmed from ideas which had been voiced or practised earlier and it is therefore necessary to examine these

CHAPTER SEVEN

to identify the type of organisation and the benefits that were hoped to accrue from the nationalisation of transport.

The most important and influential contribution in this respect came from Herbert Morrison who had been Minister of Transport in the 1924-1931 Labour Government and was the Minister responsible for the overall nationalisation programme in the post war Labour Government⁽⁴⁾. Writing in 1933, at about the time of the creation of the LPTB, Morrison argued very strongly for the single ownership of transport assets so as to be able to achieve consolidation and co-ordination. He consistently stated that to have competition between rival private rail and road customers (both passengers and freight) led to inefficiencies that could not be solved in any other way. He recognised that a commitment to single ownership meant giving recognition to a monopoly and suggested that this was

"an ugly word under capitalist conditions but a sound one to apply in the public provision of a planned transport system"⁽⁵⁾

He also considered whether the ownership of the ensuing monopoly should be in public or private hands. He concluded that private monopolies could not be trusted to pursue the public interest if this deviated (as economic theory suggests it would) from producing the highest possible profits⁽⁶⁾ and would require significant public supervision and regulation to force it to serve the public good. Thus a public monopoly was seen as the solution and, he claimed, would give greater efficiency in management (a fact not supported by the more recent economic theory as discussed in Chapter Six).

A second strand of Morrison's theory was that a unified, comprehensive transport system would concern itself primarily with determining the most economical and efficient method of meeting a particular need. It was

CHAPTER SEVEN

therefore important that all modes of transport should be contained under the one umbrella to prevent wasteful competition between modes.

More important perhaps were his subsidiary arguments regarding the actual operation of the public authority or monopoly entrusted with the transport system. He maintained that to ensure efficiency, the industry should not be run directly by a government department: it should be run as a 'proper' business and be expected to pay its way. A second and related point was that if the monopoly was publicly owned, it should be headed by people appointed by the Minister on democratic grounds. He argued that somebody had to be accountable for the appointments not least because questions could then be properly asked of the Minister in Parliament should something go wrong⁷⁷. Morrison had suggested such a procedure for the LPTB initially but it was replaced by a process of appointing Trustees when the London Bill was adopted by the National Government after the demise of the Labour Government in 1931. In 1947 Morrison was keen to ensure that members of any new public authority should be appointed by the Minister to avoid this lack of public accountability.

The nationalisation policy adopted by the 1945 Labour administration is often interpreted as the Government having tried to implement a policy of "socialism in our day" without regard to profitability or efficiency. The examination of this earlier literature confirms that it was thought possible for a state owned business to be a sound business proposition as well as providing benefits over and above the making of profits. The perceived benefits included efficiency gains through co-ordination and integration, increases in the quality of service at the same time as achieving cost savings by reaping gains from unification, the provision of socially desirable but unprofitable services, improvements for the labour force by unimpeded trade union organisation together with providing

CHAPTER SEVEN

opportunities for able people to 'move up the ladder'. In summary, it was generally believed that state ownership would lead to better management and that Ministers and civil servants would prove to be adequate 'watchdogs' without needing to interfere⁽⁸⁾. In the light of the economic theory presented in Chapter Six, the issue of political interference is an important one. The philosophy on which the Labour Party built its policy clearly did not anticipate political interference and envisaged 'arm's length' control⁽⁹⁾. The role of politicians was to have only the following two objectives: first, to promote maximum public well being and public accountability and second, to protect the workforce of the nationalised industry.

Thus, the underlying philosophy of the nationalisation of transport was that transport services could be provided more efficiently by being under one ownership through the achievement of co-ordination and integration economies. The business of providing the nation's transport was not expected to be a loss maker on average and it was expected that it should be carried out by a body operating at 'arms length' from government although remaining directly accountable to it.

3. THE 1947 ACT

The 1947 Act was introduced by the post war Labour Government to fulfil its explicitly stated aim of achieving a nationally controlled transport system. The large parliamentary majority achieved in the 1945 election made it possible for the Government to implement these nationalisation proposals. The Bill was brought before Parliament in November 1946 and received Royal Assent as the Transport Act in 1947.

CHAPTER SEVEN

The Act set up a body called the British Transport Commission (BTC) which had the general duty:

"to provide an efficient, adequate, economical and properly integrated system of public inland transport and facilities"

In order to carry out this duty, the BTC was given powers to carry goods by road, rail and inland waterways although the actual responsibility for the day to day operation rested with five newly created Executives. These initially covered the railways, docks and inland waterways, road transport, London Transport and Hotels: the road transport Executive, as discussed below (see page 191), was subsequently split into a Road Haulage Executive and a Road Passenger Executive.

The 1947 Act was primarily concerned with the nationalisation of the railways, inland waterways, docks and road haulage. Indeed, the road passenger activities outside London were not automatically nationalised under the Act although provision was made for the BTC to purchase in this sector. However, from the 1st January 1948, when the former railway companies were vested in the BTC, the BTC acquired a substantial interest in road passenger undertakings in the form of the railways' shareholdings in bus companies. The BTC also acquired the passenger transport activities of the Balfour Beatty group, part of which were trolleybus undertakings, which the Government had gained incidentally upon the nationalisation of electricity. In addition the BTC negotiated, under the terms of Section 2(2)(f) of the 1947 Act, the purchase of the road passenger interests of Thomas Tilling, the road passenger undertakings of the Scottish Motor Traction Company, together with some smaller companies. The Act did not provide for a radical change to the structure of the bus industry. It did, however, oblige the BTC to examine the country's road passenger transport services and to prepare Area Schemes for the co-

CHAPTER SEVEN

ordination of all passenger transport to the Minister of Transport for approval. These are discussed in the next chapter.

The initial statutory and financial obligations imposed on the BTC (along with the other nationalised industries) were far from precise. This was partly due to a feeling that Governments should only issue general directions and the specific matters should be decided by the new public authority. Financially the BTC was expected to pay its way "taking one year with another" which implied that there must be a balance of surpluses and deficits over a not unduly prolonged period. In view of the way in which the capital was raised, using fixed interest stock, some degree of oscillation of surpluses and deficits was clearly necessary. In terms of charging, the BTC was required to provide what was demanded at the cheapest possible price although no statutory advice was given on how this should be achieved. In practice, as Chester ¹⁰ has pointed out, this lack of explicit direction, taken in conjunction with their statutory financial requirement and an injunction not to discriminate unfairly, led to a systematic drift towards average cost pricing and thus to cross subsidy. Although the contemporary academic literature gave significant attention to the role of marginal cost pricing in the optimal allocation of resources, it is clear that the politicians and administrators did not appreciate the inducement, placed on the nationalised industries by the statutes, of adopting pricing policies which led to significant increases in the level of cross subsidy.

4. THE ADMINISTRATION OF THE 1947 ACT

Although the 1947 Act did not make specific provisions for radically altering the control of the road passenger industry, changes in the ownership pattern inevitably followed the vesting of the railways in the

CHAPTER SEVEN

BTC. Moreover, the commitment to setting up Area Schemes for passenger transport throughout the country meant that it was important to have some idea of the structure of the BTC and how it worked in practice.

The BTC was set up as a policy-making body responsible for deciding and directing the general planning and provision of transport subject to directives from the Minister. Its primary task was to promote the principal objectives as set out by the 1947 Act. The BTC thus took a non-executive role with the management functions being carried out by the separate Executives as agents of the BTC. The final number of Executives was left to the discretion of the Minister although the Act itself specified five. Each Executive was responsible for the general management of the particular assets, owned by the BTC, assigned to them: the assets were initially divided by mode rather than by function.

The BTC had Cyril Hurcomb¹¹¹ as its Chairman. Hurcomb had worked closely with the Minister of Transport, Alfred Barnes¹¹², as his Permanent Secretary during the drafting stages and Parliamentary progress of the Transport Act. The Board of the BTC initially consisted of four other full time members from varied backgrounds and who were allocated specific areas of responsibility¹¹³. Sir William Wood¹¹⁴, previously the President of the LMS railway, was appointed with view to his being responsible for rates and charges; Lord Rusholme¹¹⁵, the General Secretary of the Co-operative Union received the portfolio of 'special enquiries'; John Benstead¹¹⁶, General Secretary of the National Union of Railwaymen, was responsible for labour and staff aspects and finally, Lord Ashfield¹¹⁷ was looked to for ensuring proper co-ordination between the different Executives and different forms of transport. Later, Sir Ian Bolton¹¹⁸ was appointed as a part time member in response to pleas for Scottish representation and to answer those who had suggested that additional

CHAPTER SEVEN

part-time members would widen the experience of the Board. The BTC Board were supported by Miles Beevor⁽¹⁹⁾ as the Chief Secretary and Legal Advisor, R H Wilson⁽²⁰⁾ as Controller.

These appointments deserve some comment. The average age of the full time members was 62. The youngest, John Benstead, was 50. Lord Ashfield, who at 74 was the most senior, was the only member who had considerable practical experience of running a transport business. One of the members, Lord Rusholme, had no previous transport or business experience. This team was expected to develop policy with respect to the whole of the nation's transport within an entirely new framework. It could be said that it did not augur well for the industry to have a management team which closely resembled a sinecure for the elderly and with a total lack of 'bright' younger people to follow on.

Following the appointment of members to the BTC, the Executives were steadily built up. The members of the Railway Executive were announced in September 1947 and confirmed formally on the 21st November 1947. This was followed by the London Transport Executive and the Docks and Inland Waterways Executive which were created only days before the 'vesting day' of 1st January 1948.

Although the legislation clearly intended that the Road Transport Executive (RTE) should be in place by the vesting date of 1st January 1948, its membership was announced shortly after and it was formally constituted in March 1948. The Chairman of RTE was Major General Russell⁽²¹⁾, a professional soldier, who had no previous experience of transport but had impressed Hurcomb when he had applied for the post of Deputy Secretary of the BTC. The industry, as reported by the trade journals, was somewhat taken aback by the appointment of someone so obviously lacking in transport experience but he soon became popular.

CHAPTER SEVEN

The rest of the full time membership of the RTE comprised Claud Barrington²² from a road haulage background, George Cardwell²³ who was then a director of the bus companies comprising Thomas Tilling Ltd, Harold Clay²⁴ and Archibald Henderson²⁵ both from transport trade union backgrounds as well as Henderson having had experience as the Chairman of the Southern Scottish Traffic Area. In addition, three part time members were appointed: William Beckett who had a non transport trade union background but had wide experience of municipal transport from a local government viewpoint, Percy Tapp who had played a prominent part in the wartime road haulage organisation and surprisingly, because of his publicly stated anti-nationalisation views, the then current Chairman of the National Road Transport Federation, Henry Dutfield²⁶.

Initially the RTE concentrated on the buying up of freight haulage businesses although some progress was made in examining the contemporary state of road passenger transport in the country as a whole. Their lack of attention to the bus companies and Area schemes stemmed from two causes. First, the BTC did not, at this early stage, formulate policy on what should happen to road passenger transport under nationalisation and second, the BTC continued to deal directly with their profitable Bus Groups much as if they were separate Executives. However, in July 1949, a major reorganisation of the RTE occurred so as to separate the functions of road freight and road passenger transport. The Road Passenger Transport Executive (RPE) was created and the RTE was renamed the Road Haulage Executive (RHE). This change created the facility for accelerating progress on the development of Area Passenger Schemes and allowed the RHE to devote its time completely to the freight sector.

The new RPE had George Cardwell²⁷ as its Chairman with the other members being W Vane Moreland²⁸, William Beckett from the original RTE

CHAPTER SEVEN

and James Amos⁽²⁹⁾ and Stanley Kennedy⁽³⁰⁾, both of whom were Chairman of nationalised bus companies. The membership of the RPE thus commanded very significant road passenger transport experience and their duty, delegated by the BTC, was to formulate Area Passenger Schemes. Their progress in this respect is the subject of the next chapter.

5. THE STATE OF THE ROAD PASSENGER INDUSTRY AT THE TIME OF NATIONALISATION

The road passenger transport sector as a whole underwent considerable growth during the Second World War. Moreover, there were technological improvements to what was then a relatively young industry. These improvements, when combined with the influence of the regulatory framework introduced by the 1930 Road Traffic Act, meant that the bus industry facing the newly formed BTC 1947 was very different in terms of its industrial structure from that of the early 1930s.

Whilst the principal concern of this thesis is the changing public control of the passenger road industry, it cannot be ignored that the operation and control of an industry is heavily influenced by its industrial structure. This section thus concentrates on changes that occurred between 1937 (the last year for which reliable figures are available prior to the war) and 1948/49 when the BTC was fully functioning (since consistent data for the war years are not available).

In terms of total road passenger vehicles, Table 7.1 illustrates the way in which there was significant growth over the war period. The increase of nearly 30% between 1937 and March 31st 1948 is substantial particularly when viewed against the increasingly stable numbers of

CHAPTER SEVEN

vehicles achieved towards the end of the 1930s (as discussed in Chapter Four).

Table 7.1

Number of vehicles (buses and coaches) outside London

	Nationalised	Total
1937	-	43 269
1948 (March 31st)	-	55 731
1949 (Year end)	12 262	62 080

Source: Munby (1978) Table B11.2

The increase in numbers of vehicles was associated with even higher increases in vehicle miles. This is shown in Table 7.2. Overall, vehicle miles increased by just over 50% between 1937 and 1949. However, if the mileage for nationalised sector is included in the private company sector for comparison purposes, the observed rate of growth in vehicle miles was higher in the areas served by local authorities (60%) than elsewhere (50%).

Table 7.2

Vehicle miles by ownership (buses and coaches) outside London in millions

	Local Authorities	Private Companies	Nationalised	All
1937	263	928	-	1 191
1949	421	913	487	1 821

Source: Munby (1978) Table B12.3

CHAPTER SEVEN

These increases in numbers of vehicles and vehicle miles are not surprisingly associated with substantial increases in passenger journeys as shown by Table 7.3:

Table 7.3

Passenger journeys by ownership (buses and coaches) outside London
in millions

	Local Authorities	Private Companies	Nationalised	All
1937	2 039.6	2 620.6	-	4 660.2
1949	4 545.0	3 473.0	2 098.0	10 116.0

Source: Munby (1978) Table B6.3

Thus total passenger journeys more than doubled over the war years with local authority passenger journeys growing at a slightly faster rate than private and nationalised operations taken together. These figures do, however, exclude journeys by tram and trolleybuses and it would be possible for some of the increase in passenger journeys by bus and coach to be accounted for by substitution between modes. However, the figures available⁽³¹⁾ reveal that 1947 was a peak year for tram and trolleybus journeys although these had by then only increased by 1.6% over 1937.

The breakdown of these passenger journeys, by type of service, is shown in Table 7.4. This is interesting for it reveals that contract journeys accounted for the fastest growth and a relatively modest growth occurred in the Excursions and Tours sector. However, these figures need to be kept in some sort of perspective: in absolute terms, the increase in stage passenger journeys was enormous - from 4.5 million to nearly 10 million and these stage journeys accounted for 97% of all passenger

CHAPTER SEVEN

journeys. Clearly this interval which included the Second World War encouraged greater movement by passengers.

Table 7.4

Number of passenger journeys outside London by type of service in millions

(% increase over 1937)

Stage	Express	Excursions & Tours	Contract
1937	4 553	18	20
1949	9 833 (+116)	44 (+144)	37 (+85)

Source: Munby (1978) derived from Table B6.5

Not surprisingly, the industry showed increasing profitability as Table 7.5 shows. In money terms, stage journeys provided 85% (1937/38) and 80% (1947/48) of all passenger receipts despite the fact that, as Table 7.4 shows, these journeys accounted for a much higher proportion of total passenger journeys. The greatest proportional increase in revenue occurred in the excursion and tour and contract categories. The surplus in 1947/48 was more than three times larger than that in 1937/38. However, deflating the figures by price indices show the increase to be less dramatic. Considering a number of deflators (for the retail price index changed basis in mid 1947), the rise in prices from 1938 (1938=100) to 1948 range from 150 to 216. Thus, on the most pessimistic basis, the surplus over all categories increased by a substantial 54%.

CHAPTER SEVEN

Table 7.5

Profitability in money terms (buses and coaches) outside London

(thousands)

	1937/8	1947/8
Revenue		
Passenger receipts: stage	42 202	95 159
express	2 274	4 393
excursions	1 427	4 968
contract	2 515	11 746
Other receipts	827	1 816
Total revenue	49 245	118 081
Total expenses		
(after depreciation)	42 521	95 751
Surplus	6 724	22 331

Source: Munby (1978) Tables B1.6 and B2.7

In terms of industrial structure, Table 7.6 shows how the size of company and vehicle fleet changed over the same period. These figures do, however, need to be treated with some care in their interpretation since the process of aggregating figures can mask underlying trends. Moreover, whilst the vesting of the railways in the BTC as from 1st January 1948 clearly altered the ownership and fleet structures of the bus industry because of the prior railway involvement in it, it is not clear how this change is reflected in the data.

A further difficulty in interpretation of Table 7.6 arises from the need to take account of particularly the increase in the overall number of vehicles in operation: the figures in Table 7.6 are derived from a

CHAPTER SEVEN

different source from those on which the earlier tables are based and the totals for the number of vehicles in use differ by nearly 14%.

Table 7.6

Vehicle distribution by size of operator outside London

Size of Operator	Up to 24 vehicles		25-99 vehicles		Over 99 vehicles	
	No of Operators	Total Vehicles	No of Operators	Total Vehicles	No of Operators	Total Vehicles
1936	532	5 366	111	5 511	72	21 985
1937	556	5 597	108	5 425	76	24 003
1948	798	8 492	147	7 113	97	34 398
1949	847	9 553	162	7 573	102	37 136

Source: Munby (1978) Table B13.2

Nevertheless this table, which is at least, constructed on a consistent footing, shows that there was both an increase in the number of vehicles and operators over the war period (from 740 to 1,111 operators when comparing 1937 to 1949) and that the small operator still formed by far the largest group in absolute terms.

It is not obvious, however, from Table 7.6 that there had been a major change to the large territorial companies of British Electric Traction (BET) and Thomas Tilling in 1942 nor the impact of this on the industrial structure on the bus sector. These conglomerates, together with the Scottish Motor Traction, were holding companies for many bus companies. The railways, when they had acquired powers to operate road vehicles in the late 1920s, invested largely in the going concerns of companies under the umbrella of these holding groups. Eventually the railways acquired an interest of about 40% in the vehicles operated by these associated companies although rarely did they acquire a majority holding in any one bus company. During the 1930s the two holding companies owning vehicles

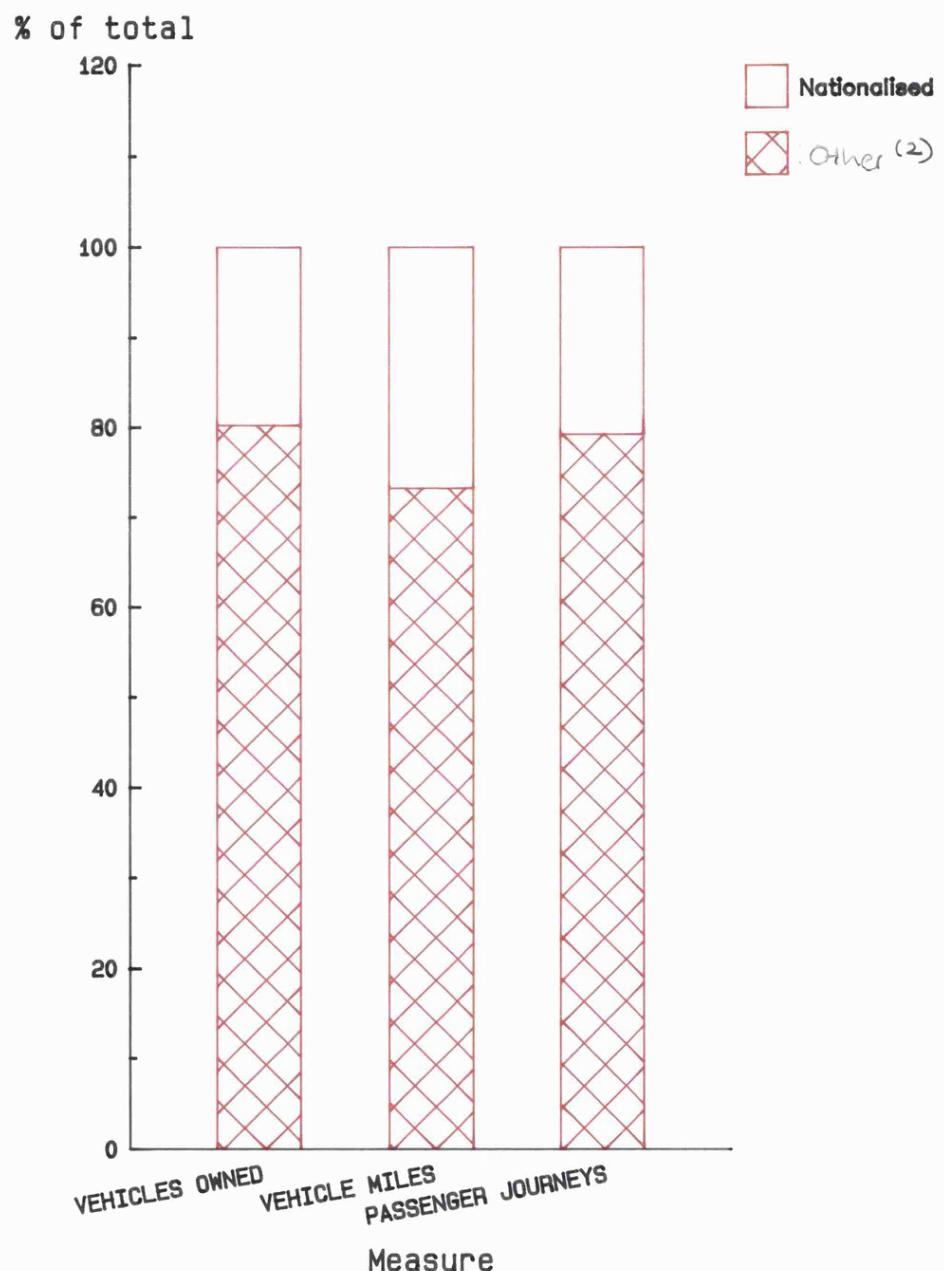
CHAPTER SEVEN

which operated buses in England and Wales (BET and Thomas Tilling) came closer together: in partnership they jointly owned a number of the larger companies and eventually formed the Tilling and British Electric Traction Ltd in which Thomas Tilling and BET nominated the Chairman in alternate years. Hibbs (1968) describes the partnership as uneasy but one which prevented railway domination of the road passenger industry⁽³²⁾

Uneasy or otherwise, the partnership was dissolved in 1942 with the member bus companies being assigned either to the Tilling or BET holding company. This event was important since each group's attitude to nationalisation was different. The Chairman of the Tilling Group, Sir Frederick Heaton⁽³³⁾, accepted the process of nationalisation as inevitable (known as "Harley" Drayton) whilst the Chairman of BET, H.C. Drayton⁽³⁴⁾ announced in 1945 that BET would oppose nationalisation vigorously. These views account for the ease with which the RTE was able to negotiate the purchase of the Tilling Group's assets when the 1947 Act became law whilst the BET group not only refused to sell their bus companies to the BTC but implemented actions designed to frustrate the development of the Area Passenger Schemes. This is discussed in more detail in the next chapter.

Tables 7.1 to 7.3 also illustrate the way in which the BTC acquired a substantial holding in the road passenger industry upon the nationalisation of the railways and the subsequent purchase of Thomas Tilling (November 1948) and the Scottish Motor Traction (March 1949). These are summarised in Figure 7.1 and illustrate the 'starting position' from which the RTE, and later the RPE, considered the creation of Area Passenger Schemes for road passenger transport. This is the subject of the next chapter.

FIG 7.1 MARKET SHARES: BUS & COACH INDUSTRY
1949 (1)



(1) It is not clear whether the data for the nationalised industries include the Scottish Motor Traction Co., acquired in March 1949.

(2) Includes private operators, and London and municipal operators.

Source: Munby (1978)

CHAPTER SEVEN

NOTES TO CHAPTER SEVEN

1. For biographical notes see Chapter Four, note 4
2. Morrison, H (1933)
3. Bonavia (1987) p1
4. For fuller biographical details see Chapter Four, note 4
5. Morrison, H (1933) p77
6. Interestingly Morrison noted that the LPTB could have been in this position if it had not been for Lord Ashfield's control of it. Although a 'capitalist' in Morrison's books, he had high regard for Ashfield's involvement in the co-ordination of transport in London.
7. Morrison, H (1933) p139
8. Morrison, H (1933) pp284-287
9. Morrison, H (1933) Chapter VIII
10. Chester, D N (1950)
11. Sir Cyril Hurcomb (1883-1975) graduated from Oxford and went into the Secretary's office of the Post Office in 1906. He was the Private Secretary to the Post Master General in 1911 before becoming involved in the administration of transport. He began his transport career as Department Director and Director of Commercial Services during the First World War. He became Permanent Secretary at the Ministry of Transport in 1927 and retained this post until 1938 when he became Chairman of the Electricity Commissioners, a post he held until after the war when he was once again Permanent Secretary in the Ministry of Transport. During the Second World War he was first Director General of the Ministry of Shipping and retained the same rank when this Ministry was joined with Transport to form the Ministry of War Transport in 1941. He became Chairman of the BTC in 1947 and was created a life peer in 1950. He was greatly interested in nature and ornithology and played a prominent part in their national and international societies during the 1950s and 1960s.

Source: Who Was Who

- 12 Alfred Barnes (1887-1974) was a designer by trade having acquired his art education at the Northampton Institute and the LCC School of Art and Crafts. He was a Co-operative sponsored Labour MP for South East Ham between 1922-1931 and 1935-1955 and held his first Government office as Lord Commissioner of the Treasury 1929-1930. He became a Privy Councillor in 1945 on appointment to the post war Cabinet as Minister for War Transport and remained as the Minister for Transport from 1947 until the fall of the Labour Government in 1951. He was Chairman of the Co-operative Party from 1924-1945 and is recognised for his important contribution in developing the Co-operative movement into a political force.

Source: Who Was Who and Bonavia (1987)

13. Bonavia (1983) pp40-42 records that Hurcomb, in a minute to the Minister, described the various tasks which would need to be undertaken by the members appointed to the BTC. There is no record of how the people were selected to fulfil the posts outlined by Hurcomb. However, after the BTC had met several times, Hurcomb 'allocated' roles relating to future policy of the BTC. These, not

CHAPTER SEVEN

surprisingly, fell into Hurcomb's initial categories for all members except Lord Rusholme. In this allocation he was assigned "special enquires" whereas the initial specification had included a member devoting themselves to technical problems including Research and Development. No member was appointed with the technical or scientific background to take on this portfolio.

- 14 Sir William Wood (1883-1959) joined the Accountants Department of the Midland Railway in 1898 where he remained until he became Director of Transport Accounting in the newly created Ministry of Transport in 1919. He returned to the LMS in 1924 and became its Vice-President in 1930. On the premature death of Josiah Stamp in 1941, he became the LMS President.

Source: Who Was Who.

15. Lord Rusholme (1890-1977) was made a life peer in 1945 when he was President of the Co-operative Congress. Prior to this, as Robert Alexander Palmer, he had served with the Manchester Regiment during the First World War. Before being appointed to the BTC he had served on numerous committees on a wide range of subjects including the Labour Committee for Business Training and the Committee on Proceedings in Matrimonial Causes. He was a Fellow of the Chartered Institute of Transport.

Source: Who Was Who

16. John Benstead (1897-1979), later Sir John, was in the Navy during the first World War. After the War he joined the railways and became an active trade unionist. By 1943 he was the General Secretary of the National Union of Railwaymen.

Source: Bonavia (1987)

17. Lord Ashfield (Albert Henry Stanley) (1874-1948) was the son of a coach painter in Derbyshire. His early years, however, were spent in Detroit, USA, where he was educated and then entered the Detroit Street Railway Company as a messenger and odd jobs man. He rose rapidly through the company and in 1903 left Detroit to take up the post of Assistant General Manager of the tramways department of New Jersey's Public Corporation. In 1904 he became the Head of this Department and by 1907 he was in charge of the Corporation. He left America in 1907 to become General Manager of the UERL in London. By 1910 he had become the Managing Director of the Underground Company and all its associated companies. He became a coalition unionist MP for Ashton under Lyme in 1916 and was the President of the Board of Trade in Lloyd George's first Government. In 1919 he retired from Parliament and became the Chairman and Managing Director of the UERL and its subsidiaries; a post he held until 1933 when the London Passenger Transport Board was created and he became its Chairman. He was knighted in 1914 for his services to London's transport and became a life peer in 1920. He, along with Morrison, believed that a single authority was the solution to co-ordination and integration of transport in London although he was not so keen that this single authority should be publicly owned.

Sources: DNB, Concise DNB and Who Was Who.

18. Sir Ian Bolton (1889-1982) was an accountant by training and a partner of a large firm of Chartered Accountants in Glasgow.

Source: Bonavia (1987)

CHAPTER SEVEN

19. Miles Beevor (1900-) was trained as a solicitor but left private practice to become Chief Legal Advisor for the LNER in 1943. He became its Chief General Manager in 1947 before being appointed to the BTC.

Source: Bonavia (1987)

20. R H Wilson (1905-) was a trained Scottish Chartered Accountant. He worked in private practice until the Second World War when he joined the Treasury (1940-41). He then transferred to the Ministry of Transport and later became Under Secretary at the Ministry of Transport. He returned to non government employment at the end of the war and he served on the post war Royal Commission on the Press in 1946 before being appointed to the BTC.

Source: Bonavia (1987)

21. Major General Russell (1899-1971) was Commissioner in 1918 in the Royal Engineers. He served throughout the world. In the Second World War he was Director General Movement and Transport in India and was Transportation advisor to the S E Asia Special Commissioner.

Source: Who Was Who and Bonavia (1987)

22. Claude Barrington (1893-1960) went straight from University into the Gloucester Regiment in 1916. He started a road haulage business in Bristol in 1921 and later extended these activities to Birmingham and London. He was instrumental in the formation of Transport Services Ltd in 1936 until it was sold to the BTC in 1948. During the Second World War, he served first as the Chief Road Haulage Officer and later as Director of Road Haulage in the Ministry of War Transport.

Source: Who Was Who.

23. George Cardwell (1882-1962) joined the Brush Electrical Engineering Company as a premium pupil in 1901 and was transferred as one of the company's engineering staff in 1904. In 1907, he became General Manager of Hartlepool's trams. This was the first of several tramway posts in different parts of the country until 1917. In 1917 he was commissioned in the Royal Engineers. After the war, in 1919, he became General Manager of the Macclesfield Branch of British Electric Traction which subsequently became the North Western Road Car Company. He left this post in 1930 to become an Executive of Thomas Tilling in 1930. Between 1932-1948, when he joined the RHE, he was Chairman of seven of Tilling's companies which were sold to the BTC in 1948.

Source: Who Was Who.

24. Harold Clay was recognised as the Labour Party's expert on road transport. He began his political career as a member and later Area Secretary, of the Yorkshire Branch of the TGWU. He eventually became the Union's Assistant General Secretary. He was also Chairman of the London Labour Party, a President of the Workers Educational Association and, in the Second World War, a member of the Board which reorganised the fire services.

Source: Bonavia (1987)

25. For biographical details see Note 12 of Chapter Four.

26. Henry Duffield (1885-?) joined the family's cartage business at the age of 16. He saw the change from horses to motor traction just before the First World War and the business eventually became a

CHAPTER SEVEN

limited company in 1937. He was the Chairman of the National Road Transport Federation, the Road Haulage Association and of the Joint Industrial Council for the road haulage industry.

Source: Bonavia (1987)

27. See Note 23 above for biographical details.
28. W Vane Moreland (1884-?) was involved in the transport world all his life. His First World War service was with the Railway Operating Division. After the War, he moved to trains in Nottinghamshire and Derbyshire before switching to buses by joining the Midland General Omnibus Company. His first contact with municipal transport came in 1926 with a move to St Helens Corporation and in 1932 to Leeds City Transport where he remained until 1949. During his work he had been much concerned with the replacement of trams by buses.

Source: Bonavia (1987)

29. James Amos began by running a local bus service in a converted lorry after the end of the First World War. With expansion and amalgamation he eventually became Chairman of the Scottish Omnibuses Ltd which owned over 4,500 vehicles.

Source: Bonavia (1987)

30. Stanley Kennedy was a bus manager with long service within the Thomas Tilling Group.

Source: Bonavia (1987)

31. Munby (1978) Tables B6.1, B8.1
32. Hibbs (1968) pp127-200

33. Sir Frederick Heaton (1880-1949) took an active part in the inauguration and development of provincial motor companies. He founded in 1918, the Road Transport and General Insurance Co Ltd on behalf of Thomas Tilling. He eventually became Chairman and Managing Director of Thomas Tilling and Chairman of many other companies associated with road passenger transport. He negotiated the sale of the Tillings Group to the BTC but died shortly after its completion.

Source: Who Was Who and Hibbs (1968).

34. Harley Drayton (1901-1966) left school at 15 and joined the finance company which acquired the British Electric Traction Company in 1920. Within BET he was involved in the divestment of trams and investment in buses and subsequently became its Chairman in 1945. Who Was Who lists him as the past Chairman of four concerns and Director of a further four which ranged from a South American Railway Company to a provincial newspaper company.

Source: Who was who, Bonavia (1987) and Hibbs (1968).

CHAPTER EIGHT

THE PREPARATION OF ROAD PASSENGER AREA SCHEMES

1. INTRODUCTION

This chapter examines the progress of the British Transport Commission (BTC) in fulfilling its obligation to prepare Area Passenger Schemes for the Minister's approval, as laid down by the 1947 Act.

This chapter relates the developments chronologically. The first section considers the choice of the Northern Area as the first Scheme to be prepared and the type of Scheme envisaged for submission to the Minister. In the second section, the progress in the preparation of the Northern Scheme is investigated in more depth before turning, in the final part, to the preparation of Schemes for the rest of the country.

2. THE CHOICE OF AREA AND TYPE OF SCHEME

2.1 The choice of Area

The creation of the Area Schemes, envisaged under Section 63 of the 1947 Act, were originally under the auspices of the Road Transport Executive (RTE) of the BTC. Their principal preoccupation was however with the voluntary and compulsory acquisition of approximately 4000 road haulage undertakings into private ownership.

Nevertheless, as early as February 1948, the RTE was considering the best way to proceed with passenger operations and agreed to instigate the general review of existing services throughout the country stipulated by the 1947 Act¹¹. By June, the RTE had come to a preliminary agreement

CHAPTER EIGHT

whereby the country would be divided into twelve areas (eleven in England and Wales and one in Scotland) for the purposes of devising Schemes.

The RTE also considered, somewhat briefly, the type of Scheme implied by the 1947 Act: this is discussed in more detail in the next section. However it is important here to note that the legislation did not require a change of ownership but the RTE had concluded that a transfer of ownership of all road passenger undertakings to BTC would in fact be necessary⁽²⁾ if they were to fulfil their duty to promote:

"the co-ordination of the passenger transport services serving the area, whether by road or by rail, and the provision of adequate, suitable and efficient passenger road services to meet the needs of the area"⁽³⁾

They envisaged that their task would necessarily occur in a series of sequential stages which, in June 1948, they saw as beginning with the acquisition of certain passenger undertakings (notably Tilling, the Scottish Motor Traction Co (SMT) and R L Young whose negotiations were in progress) and ending with the complete co-ordination of all passenger services throughout the country.

It was clear that the BTC was awaiting the transfer of the Tilling and SMT groups in particular before announcing the Area for which a Scheme would first be drafted. Early discussions on prototype Schemes appeared to hinge on which and how many acquisitions were voluntarily made. They agreed that if Tilling was first acquired, it would make the choice of the South Western or Eastern Areas most likely but if the SMT and Youngs Express were acquired in advance of Tilling then a Scheme for the whole of Scotland could be drafted⁽⁴⁾.

On consultation, the BTC advised the RTE not to publish the provisional map of the country broken down into Areas until the first Scheme was ready (although permission to disclose this was granted in

CHAPTER EIGHT

September 1948⁽⁵⁾). The BTC agreed that the number of operators that were voluntarily acquired should influence the Area chosen for the first Scheme. It was Cyril Hurcomb⁽⁶⁾ who was first to mention the choice of the north eastern part of the country as the first Area Scheme and this was clearly decided well in advance of the formation of the Road Passenger Executive on 5th July 1949.

At the end of September 1948, a preliminary meeting was held between the RTE and representatives of the County Councils Association, the Association of Municipal Corporations and the Urban District Councils Association. This was followed by an agreement to invite representatives from the north east to meet the RTE at the beginning of November. By December, therefore, the choice of the Northern Scheme as the first Scheme under Section 63 of the 1947 Act was well established with conferences taking place in Newcastle with the local authorities.

It is not entirely clear why the Northern Area was selected in preference to the South Western or Eastern Areas. Whilst the purchase of Tilling's certainly gave the BTC a large holding in this Area through the acquisition of United Automobile Services, it was obviously not the first choice on this score alone. It is purely speculative but there are two further reasons why Hurcomb may have suggested the Northern Area. First, many of the local authorities had Labour majorities and it may have been thought that they would support Government policy over nationalisation. Second, it could have been argued that in choosing the Northern Area which included Newcastle upon Tyne, the BTC was taking account of the recommendations of the Report of the Royal Commission on Local Government in the Tyneside Area (1937) which recorded:

"In view of the evidence given and the need for further and better travelling facilities for the public, we decided that a *prima facie* case had been made out for the establishment of a Passenger Transport Board..."⁽⁷⁾

CHAPTER EIGHT

2.2 The Type of Scheme

A subcommittee of the RTE was set up in January 1949 to draw up a draft of the Northern Area Scheme. The principles governing the Scheme had been under discussion for almost a year by this time. This section therefore concentrates on the ideas which were raised prior to the setting up of the subcommittee which acted essentially as a "drafting" body.

The first point to establish is the influence or otherwise of the parliamentary figureheads in the policy formulated by the BTC. The relationship between the BTC and the Ministry of Transport was good. As Bonavia (1987) explains⁽⁸⁾, the harmonious relationship was largely due to the long period in which Hurcomb, Chairman of BTC, had worked with the then Minister of Transport, Alfred Barnes, as his Permanent Secretary. Nevertheless, the ongoing functioning of the BTC could not rely solely on this personal bond for a political reshuffle could easily occur although, as it happened, Alfred Barnes remained Minister of Transport throughout the life of both Labour Governments despite movements between Ministries by other Ministers. A working party was created to examine the formal relationship that should exist between the Ministry and the BTC and this concluded:

"The common intention embodied in legislation for socialisation has been that a Board should be set up to run the industry on commercial lines` on behalf of the community. The Minister concerned has a responsibility for the general efficiency of the Board, which however cannot be judged from isolated facts but must be judged as a whole...The Minister is not responsible for day to day administration...The Government regard this large degree of independence for the Board in matters of day to day administration as vital to their efficiency as commercial undertakings"⁽⁹⁾

It would seem, therefore, that the investigation and decision as to the format of Area Passenger Schemes was left entirely to the discretion of the BTC. The way in which the Government did not take a lead in this matter is further supported by evidence presented by Bonavia (1987) who

CHAPTER EIGHT

quotes Wilson, the Civil Servant in charge of the progressing of the Transport Bill through Parliament, as saying:

"when I was put on the job, ministers had already decided that railways and canals and long distance haulage (whatever they might mean) should be nationalised (whatever that might mean) and that something unspecified should be done about buses and docks"¹⁰,

For buses, as with docks, the Bill presented to Parliament only contained references to "Schemes" and it would seem that this was to mask the fact that the Government had not really any idea what specifically they wished to do.

Between June and September 1948, in discussions between the RTE and Hurcomb, consideration had been given to the suggestion from the RTE that local authority Associations be consulted. The consultation was to discuss the broad outline of policy relating to Area Schemes on the basis of a set of assumptions agreed between the BTC and RTE. Assumptions proposed by the RTE included:

"(a) that there is agreement that there must be a transfer of ownership to the Commission

(b) that the control of policy cannot be divorced from ownership and those upon whom financial responsibility rests must also be in the position of determining the broad lines of policy: divided responsibility is not possible...

(c) that the proposals put forward by the RTE are designed to provide for central control over broad questions of policy with the maximum measure of devolution in the field of operations."¹¹

Hurcomb responded to this initial draft by saying that the assumptions went "too far". They precluded alternative Schemes involving a financial partnership or joint boards rather than a complete change of ownership and he did not wish to rule out these as possibilities. Successive drafts passed between the BTC and RTE and finally, in March 1949, RTE's view prevailed over ownership:

"It was agreed that this [ownership] was a crucial question and after discussion the recommendation was accepted that ownership of all assets must be vested in the Commission because it is essential to deal in the same way with all Local Authorities in

CHAPTER EIGHT

the area operating passenger transport, and because unified ownership by the Commission is necessary to make a satisfactory financial scheme and to secure effective integration of road and rail services"¹²).

Whilst debating this point the RTE had continued to draft other aspects of a potential Scheme for approval by the BTC before meeting the local authority Associations. They discussed how decentralisation might work by the Executive's Policy of managerial functions being delegated down through the Area to the local management who would be in closest touch with local public needs. It would seem at this stage, the RTE were trying to avoid setting up an Area Board for each Scheme. They talked rather vaguely about:

"the consultative machinery provided for in the Act would be supplemented by non-statutory machinery at Depot, District and Area levels, this machinery would provide for close contact between management and transport users at all levels and be made effective by becoming an accepted part of the Executive's organisation"¹³.

However, the RTE were fairly convinced that the local authority Associations would raise the question of Area Boards and they made contingency plans starting from:

"that in their preliminary examination [the RTE] had given consideration to the creation of Area Boards but had felt that public needs would be more adequately met by making effective use both of the statutory and of the supplementary machinery for consultation. This machinery could be more comprehensive and give a wider representation than an Area Board that must be necessarily limited in size."¹⁴

It was agreed that, if pressed, the RTE should agree to re-examine the question of Area Boards without giving any guarantee over the outcome. Moreover, they agreed that should this happen, it would be wise to indicate the limited role that an Area Board could play in the Scheme. If ownership rested with the BTC and broad questions of policy and management with the RTE, the powers of any Area Board would be limited to recommendations.

CHAPTER EIGHT

It looked very much as if the RTE suspected they would be fighting a rearguard action so far as Area Boards were concerned. In the final part of their briefing for the meeting with the local authority Associations a range of questions that could be considered by the Area Boards was included to discuss with the Associations should a proposal for an Area Board be raised. The questions that it was considered appropriate for an Area Board to consider covered new routes or services, extensions or alterations to existing services, types of vehicle and the interavailability of tickets with other Areas and with British Railways. The RTE concluded that the most important principle to maintain throughout their meeting with the local authority Associations was the way in which ownership must be transferred to the Commission and that with ownership must go financial responsibility. Thus control of policy and management would rest with the RTE under their powers of delegation from the Commission. They recognised that Area Boards could be worked into their plan but felt, even if Area Boards existed, additional non-statutory consultative processes would still be required to give adequate representation at all levels.

The RTE's fears were realised in their meeting with the local authority Associations on September 9, 1948. The minutes of this meeting record that the only real discussion was on the subject of Area Boards. Moreover, it became very quickly evident that all present expected the Area Boards to make decisions and be non-advisory. Apparently, the ideas as to the exact form and function of the Area Boards were not precise and the minutes of the meeting recorded that the minutes only provided an attempt to synthesise the views expressed:

"(a) Either the Commission or the Boards might own the assets; if the Commission owned the assets they might be leased to the boards who would pay thereto a rent covering interest and depreciation.

(b) The Area Boards should have financial autonomy with a certain responsibility (undefined) to the Commission; at the

CHAPTER EIGHT

same time no indication was given as to how the profits should be disposed of or who should bear the losses;

(c) The Area Manager would be the servant of and appointed by the Area Board but the appointment should be subject to the approval of the Road Transport Executive;

(d) The staff would be solely responsible - through the Area Manager - to the Area Board.

(e) Districts would be in charge of District Managers responsible through the Area Manager to the Area Board; District Managers would be assisted by Committees that would be purely advisory in character;

(f) The Area Boards would include persons drawn from local authorities; nothing definite was said as to the method of their appointment but it was apparently felt that this would be provided for in the Scheme; no clear indication was given as to whether it was thought that members should be nominated by or drawn from local authorities but some appeared to envisage the former;

(g) Some expressed the view that members of the boards should be unpaid and others that there should be both full time and part time members but no definite common view emerged on this point;

(h) It was generally agreed that there should be certain 'reserved subjects' upon which Area Boards would be bound to act on the directions of the Executive; those subjects would include fares, measures for integration of services, inter area services and questions of major policy; no indication was given as to how this could be reconciled with the claim to financial autonomy referred to in (b) above.

(i) Central purchasing was envisaged possibly with a measure of standardisation but it was clearly felt the Area Boards should be the sole arbiter on questions such as type of vehicle, make of vehicle and replacement programmes.

(j) Not all Area Boards need be exactly similar in pattern."¹⁵

It can be seen from this formidable list that the views of the Associations could be summarised as expecting the Area Board to be the Agent of the BTC and take all the powers that the RTE had hoped to retain themselves! For reasons which are not obvious from the BTC files, the views of the Association prevailed. No doubt this was partly due to the feeling that if decentralisation was believed in, then it should not be left in the RTE's hands to do everything bar turn the buses out of their depots.

CHAPTER EIGHT

There is no doubt that the wording of the 1947 Act suggested modelling Area Schemes on the London Passenger Transport Board (LPTB) created by the London Passenger Transport Act of 1933. As has been seen this Act had set up a public authority which had jurisdiction over a specified area within which no other person or undertaking might provide a public road service local to that area (other than taxis) without the Board's written consent. This meant, of course, that those railway services which remained with the main line railway companies were not under the control of the LPTB. The Act did make provision for the transfer of a large number of bus companies to the Board but this did not include all those operating within the Board's area of jurisdiction. Subsequently, the bulk of those undertakings not transferred by the Act were acquired following the Board's refusal to grant them permission to operate. Essentially then, the LPTB developed to own virtually all the road vehicles operating within its Area. The initial Scheme developed by the RTE did not therefore look very different from the model developed for, and used in, London. The RTE envisaged that they would hold powers similar to the LPTB. They did not, however, take into account the way in which the RTE could never be aware of the different circumstances prevailing throughout the country and the different problems associated with attempting to co-ordinate thinly populated areas, urban networks and long distance services.

Moreover, the RTE were extremely slow in formulating policy over bus operations. The acquisition of road haulage was clearly a priority as Government commitment to its nationalisation had often been publicly stated. After the meeting with the local authority Associations in September 1948, the only progress that was made before the RPE was created was the final agreement that a change of ownership to the BTC

CHAPTER EIGHT

would be required and the choice of the Northern Area for the pilot Scheme. As Bonavia (1987) states⁽¹⁶⁾, it is surprising that the BTC waited until June 1949 before formally creating the RPE which, it was hoped, would quickly progress the work on the Northern Area. The progress of the Northern Area Scheme is discussed in the next section.

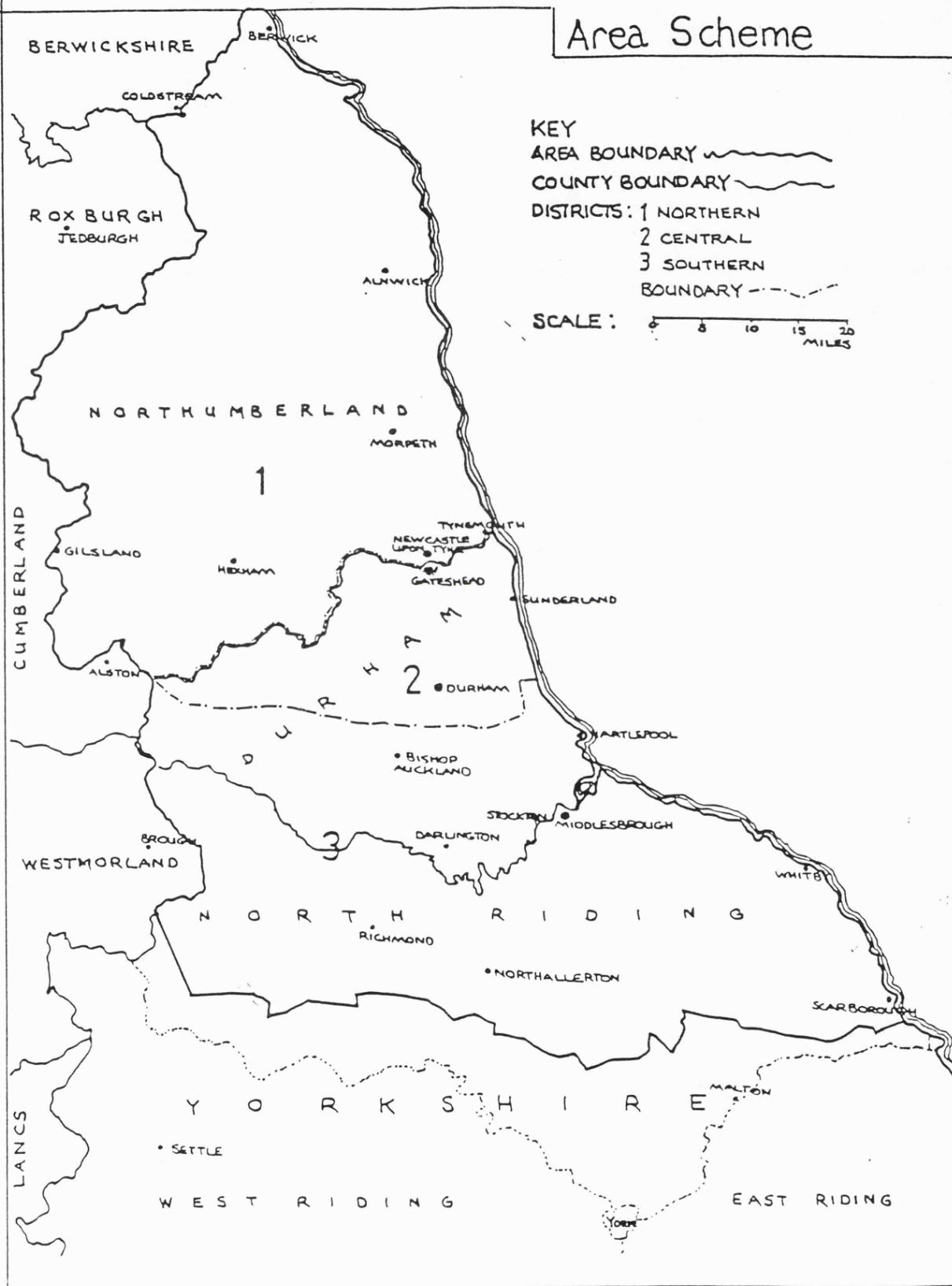
3. THE NORTHERN AREA SCHEME

3.1 The Scheme in Outline

The Scheme, once prepared along the lines agreed between the BTC and the RPE was published in the form of a "Precis" in August 1949, two months after the first meeting of the RPE. Comprehensive circulation of this Precis was undertaken. Those consulted included the thirteen local authorities who, under the Act, were obliged to be consulted as well as the 129 non-municipal operators whose passenger road transport undertakings it was proposed to transfer to the BTC, 63 undertakings not to be transferred to the BTC whose passenger road services would be permitted to continue subject to certain conditions (being services within or partly within the area but originating and terminating outside the area) and 55 local authorities outside the Area who were interested in services operating into the Area.⁽¹⁷⁾

The geographical area covered by the Scheme included Northumberland, County Durham and the northern part of the then North Riding of Yorkshire. The exact boundaries are shown in Figure 8.1. These boundaries did not match any of the other administrative areas of the north east: the Northern Traffic Area did not cover so far into Yorkshire but included the then counties of Cumberland and Westmorland. Milne (1951) suggests that the title "Northern Area Scheme" is somewhat inappropriate given its

FIGURE 8.1: Proposed boundaries for the Northern Area Scheme



CHAPTER EIGHT

spatial coverage and suggested⁽¹⁸⁾ that there had been an earlier draft which had included Cumberland and Westmorland. There is no evidence available from the RTE, RPE or BTC minutes or papers to support this contention. The evidence available suggests that it was thought that the definition of boundaries was a short term problem given that eventually the whole country would be covered by Areas Schemes and that it was more important, in the first instance, to create Areas which were sensible on traffic flow grounds and size from an efficiency of administration point of view.⁽¹⁹⁾

This logic, of defining boundaries in relation to traffic flows, had been used in the creation of the Traffic Areas under the 1930 Road Traffic Act and it had taken several years of "fine-tuning" to devise boundaries which met the Traffic Commissioners' satisfaction. However, there are two factors which might explain why the Scheme boundaries were different from those of the Traffic Area. First, the Pennines separating the north west and north east of the country at this point do form a natural barrier and tend to mitigate against frequent east west movements: this reason would support the logic of taking account of traffic flows. The second is that whilst Cumberland was dominated by services provided by Cumberland Motor Services Ltd (part of the Tillings Group⁽²⁰⁾), Westmorland was within the territory of a BET company, Ribble Motor Services. The majority of Ribble's services fell outside the Westmorland County and their services, if included in the Scheme, would have fallen into the category of being operated by an undertaking operating "mostly without" the Area and thus would have been excluded from the nationalisation process. Hence, on pragmatic grounds, the boundaries might have been delineated on the basis that it would be sensible not to have a large operator within the Area who

CHAPTER EIGHT

was not nationalised (Ribble) and it would clearly have lacked credibility to include Cumberland but not Westmorland on traffic flow grounds.

The objective of the Scheme was stated as to promote:

"the provision of adequate, suitable and efficient passenger road transport services to meet the needs of the area"⁽²¹⁾

The only reference to how this might be done was by simply delegating this duty to the Area Board! In fact, the Precis was almost exclusively concerned with the procedure for bringing the passenger road transport undertakings of the Area into public ownership and with the setting up of the new organisation to operate these services, once acquired. The Precis had three appendices. The first listed the undertakings and vehicles proposed to be taken over by the BTC and operated by the Area Board as its agent: this category accounted for about 90% of all undertakings and over 95% of the vehicles in the Area. The second listed 209 services (largely express or special services) operated by 61 operators whose assets would not be purchased by the BTC: these ran within or partly within the Area and would have required permits from the Area Board to continue operations. The final appendix listed six services of four undertakings which passed through the area (but originated and terminated outside it): these too would have required permits to continue. As no other operator would have been able to provide services unless a permit had first been obtained, the Area Board would have been established as a territorial monopolist in the provision of road passenger transport within its boundaries.

The Constitution of the Area Board followed the pattern adopted for the other industries nationalised by the Labour government. The Chairman was to have been a full-time administrator (as with the Traffic Commissioners in the 1930 Road Traffic Act) with the remaining Area Board members part-time. It also provided for not less than seven and not more

CHAPTER EIGHT

than eleven members in addition to the Chairman and these part-time members were to be appointed by the BTC:

"from amongst persons who have had wide experience and shown capacity in local government affairs, in passenger transport (whether by road or rail), in financial matters, in administration, or in the organisation of workers. At least one member will be a person with not less than six years experience in local government within the Area."⁽²²⁾

For administrative purposes, the Area was to be subdivided into three districts: the Northern District (Northumberland plus Gateshead); the Central District (northern part of County Durham excluding Gateshead) and the Southern District (southern part of County Durham and the part of the North Riding within the Scheme Area). Each of the Districts would be the responsibility of a District Manager under the direction of a General Manager who would be responsible to the Area Board. Through this delegation of responsibility, the RPE hoped to create "the greatest possible degree of decentralisation."⁽²³⁾

Passengers were to be represented by a tiered system of Consultative Committees. At the lowest level, each District was to have a Transport Users Consultative Committee consisting of six to nine people selected from a panel put forward by the District's local authorities. At the Area level, passenger interests were to be covered by the statutory consultative machinery laid down by the 1947 Transport Act in the form of an Area Transport Users Committee covering all forms of transport. The Area Committees were part of a two tier system where the higher tier was the Central Consultative Committee for Great Britain, again set up by the 1947 Act.

The position of the Area Board, vis à vis the BTC, was that of agent. Thus the responsibility for policy decisions lay with the BTC which delegated matters relating to Passenger Transport to the RPE. The Area Board was required to keep accounts and to render annual statements to

CHAPTER EIGHT

the BTC although there was no indication that the Area Board would have any large measure of financial independence. The Precis also made it quite clear that the Area Board would have had no responsibility for fixing fares: the 1947 Act required the BTC to produce a Charges Scheme and road passenger fares would have been included in this Scheme.

The Precis therefore detailed the organisation designed to "co-ordinate" passenger transport facilities within the boundaries of the Northern Area. It did not give any indication of what this process of co-ordination meant. To gain some understanding of the gains intended from the Northern Area Scheme, it is thus necessary to examine the RPE's discussions in more detail.

3.2 The RPE's perceived benefits from the Northern Area Scheme

Although the Precis was silent on the mechanism by which the objective, stated in its introduction, was to be achieved the RPE was quite clear on the benefits they hoped would follow from its implementation. These were discussed in a confidential memo (entitled "Advantages of the Scheme"⁽²⁴⁾) brought before the RPE on the 9 September, 1949, shortly after the circulation of the Precis to interested parties.

The opening paragraph stated that the Scheme was intended to promote and facilitate co-ordination so that public need could be met to better advantage. It recognised that in the previous twenty years, arrangements had been made between companies, companies and Municipal operators and road and rail concerns which had promoted co-ordination. It was hoped that the Scheme would continue and expedite this process. Their rationale was that the Scheme could achieve:

"a degree of co-ordination and overall efficiency that is not possible whilst ownership is dispersed amongst some 200 operators...Under one ownership and administration it should be possible to ensure that the resources as a whole are deployed to the best advantage."⁽²⁵⁾

CHAPTER EIGHT

The memo then listed the changes it anticipated the Scheme would bring. Whilst reading somewhat like a lengthy aide memoire for the members of the RPE, the discussion clearly shows that detailed knowledge of the Area had been acquired and that sources of potential inefficiency had been identified. Not surprisingly, many of the benefits were thought to accrue from the way in which the Scheme brought all undertakings into common ownership. These included the elimination of artificial boundaries between the territories of existing operators which represented obstacles to complete co-ordination and the abolition of protection in both its forms (protective fares and prohibition of picking up) which had been instituted by the Traffic Commissioners under the 1930 Road Traffic Act and discussed in Chapter Four.

They also envisaged much more wide ranging changes including the extension and improvement of through running facilities so as to avoid the need for interchange. The example of United's service from Spennymoor to Easington Lane was given: they identified the potential for this being extended at both ends to provide a thorough facility between Bishop Auckland and Sunderland via these points and argued that it was not then possible because of territorial agreements between Northern and United at the Sunderland end and other operators at the Bishop Auckland end.

Through bookings were envisaged and common ownership was argued to improve the situation for passengers by allowing, for example, return tickets to be used on every vehicle on the route. The case of the Newcastle to Bishop Auckland route was cited. This was then operated by Northern General and United jointly and the OK Motor Services with the former offering a half hourly service and the latter an hourly service. Both undertakings issued return tickets but there was no interavailability

CHAPTER EIGHT

on the return journey:

"owing to the sectional interests involved and the necessity for the separate undertakings to retain their respective goodwill and business established over the years."⁽²⁶⁾

It was argued that one of the biggest obstacles to co-ordination had been the reluctance of any operator to accept the accountancy method of another for apportioning revenue from through fares and interavailability of tickets. This had prevented the 'give and take' required by co-ordination and the situation had been frozen on the basis of "what one has one holds".

The proliferation of bus stations was a further concern. In Newcastle, the largest City in the area, there were (and still are) more than one bus station: Worswick Street owned by Northern General ($\frac{1}{2}$ mile to Haymarket), Marlborough Crescent ($\frac{3}{4}$ mile to Haymarket) and Haymarket which were owned by Newcastle Corporation. The situation was further complicated by the existence of a city centre stand in Newgate Street to which some operators had access because of working agreements with the Corporation. The RPE saw one of the benefits of the Scheme as being the co-ordination of bus services at a central bus station on land perhaps close to the central station so as to avoid changing terminals.⁽²⁷⁾

They also anticipated greater co-ordination between road and rail services and this was a duty assigned to the Area Board in the Precis. It should be noted that this was a completely new point. In London, for example, the LPTB was not required to co-ordinate with railway services. The co-ordination they envisaged was to include a greater measure of synchronisation between arrivals and departures, the provision of tickets which were interavailable between road and rail facilities in a locality and the use of rail premises by buses. The RPE attributed these benefits to the common ownership of both railways and road passenger transport:

CHAPTER EIGHT

they argued that road undertakings in general had not favoured interavailability with rail for fear of losing their traffic and it was only those bus undertakings in which the railways had had a financial interest that had previously entertained such an idea.

On the operational side, various benefits were seen to accrue. The pooling of vehicle resources was envisaged so enabling better use of the available vehicle stock. It was proposed that vehicles could be moved between locations with vehicles serving peak requirements in urban areas during the week and being moved to special outings to the coast and the augmentation of country services at weekends. An estimate of between 20 to 30 percent of vehicles were identified as being idle at weekends when there was no journey to work peak to satisfy. This was not a new idea. As early as 1911 in London, special excursions were being run on Sundays.⁽²⁸⁾ Further economies were hoped to come from factors such as reducing the proportion of vehicles kept as spares to cover vehicles out of action for repair and maintenance and the elimination of accountancy work to apportion receipts and mileage expenses between companies then operating schemes of interavailability. The pooling of technical knowledge within the Area was acknowledged as another benefit together with the rather pious objective of raising the technical standards of all to the level of the highest. Moreover, it was stated that a reasonable amount of standardisation would enhance efficiency and reduce costs. Whilst, no doubt, some of these economies would have been forthcoming, the Area Board would have inherited a wide variety of different vehicles from the hundreds of operators they planned to buy out⁽²⁹⁾: operational economies in terms of maintenance etc. would only have been fully realised if and when a pattern of central purchasing had standardised the fleet. Further savings were seen to accrue from the abolition of the Traffic Court system

CHAPTER EIGHT

which was regarded as an expensive way of setting up new services because operators opposed services in order to protect their own business. Finally, the training and welfare of staff was mentioned, albeit briefly, as being more convenient to introduce and easier to operate under one management. Quite what was in the RPE's mind in this respect was not made clear by the memo.

The emphasis throughout the memo was on co-ordination and it dealt primarily with the co-ordination of road services. Road and rail co-ordination was mentioned but only briefly. As Milne (1951) points out⁽³⁰⁾, the ideal of a co-ordinated network of road and rail services had been (and arguably still is) the goal of transport planners for many years. The achievement of this ideal (see Chapter Three) was a stated objective of the Royal Commission in recommending the basis of the 1930 Road Traffic Act as well as being the objective of this Northern Area Scheme. However, to talk of a co-ordinated network of road and rail services as the answer to the passenger transport problem was to try and solve the problem merely by stating it. The real problem was in working out, in practical terms, what co-ordination actually meant. For road operations, the memo discussed in this section clearly attempted to address the problem of road passenger transport co-ordination although the perceived benefits would appear to be small given the technology of the industry. But the way in which road and rail services would be co-ordinated was not discussed in any depth. Milne (1951) analysed the possibilities for road and rail co-ordination within an economic framework. He defined co-ordination between the two modes to be the integration, referred to by the BTC, in which transport was combined to give "a single whole"⁽³¹⁾. He stated that, as the great majority of journeys by bus were for distances up to five miles and that over these short distances the bus had a decided

CHAPTER EIGHT

advantage over the train, the scope for co-ordination between road and rail over these journeys must be limited. He argued that there would be greater potential for road-rail integration over longer journeys because the railways showed advantages over the bus. Thus, if it was deemed more efficient for the railways to carry the longer-journey passenger, railway fares for equivalent journeys would need to be reduced towards the level of the current bus fares so as to take up the available capacity of the railways. Milne concluded that the problem of co-ordination of road and rail services was reduced to the need to fix the relative fares between modes: a matter which was outside the remit of the Area Board and the RPE because of the way in which a National Charges Scheme was required by the 1947 Act. Milne's analysis is interesting for one further reason: the way in which it was frequently advocated that each mode 'had its place' and that co-ordination was simply a matter of making sure that the 'right' traffic went by the 'right' mode. Today, it is more widely accepted that quality of service plays a significant role in the consumer's decision process and that it is understandable that there is consumer demand for slower and cheaper long distance bus journeys as well as for the (usually) faster and more expensive train journey.

3.4 The progress of the Northern Area Scheme

As it was only the concept of an Area Passenger Transport Scheme that was included in the 1947 Transport Act, any Scheme which was prepared would have needed to pass through a complex parliamentary and other procedures before being implemented. This is shown by the provisional timetable for the Northern Area, drawn up by Miles Beevor in September 1949 and shown in Table 8.1.

CHAPTER EIGHT

Table 8.1

Provisional timetable for Northern Area Scheme

Stage	Action	Date
1	Circulate Precis	27 August 1949
2	Closing date for representation	31 October 1949
3	Submit to Minister	25 November 1949
4	Consideration by Minister	25 November 1949 - 1 January 1950
5	Period for objections	1 January 1950 - 9 February 1950
6	Instructions to Counsel and arrangements for Public Inquiry	10 February 1950 - 9 March 1950
7	Public Inquiry	16-30 March 1950
8	Submission of Inspector's Report to Minister	14 April 1950
9	Consideration by Minister and the making of the Order	15-30 April 1950
10	Special Parliamentary Procedure	1 May 1950 - 30 June 1950
11	Final Order made by Minister	1 July 1950
12	Scheme made effective	1 August 1950
13	Undertakings in Appendix A being vested in BTC	1 August 1950 - 30 September 1950

Source: PRO: AN56/62: E/18

Some of these stages were more involved than appears at first sight. For example, the period between stages two and three would have involved the RPE and BTC in considering the representations made to them, carrying out further consultations as required and the completion of the drafting of the Scheme ready for submission to the Minister. Similarly, the timetable allowed the Minister just over a month to consider the Scheme initially, the Inspector of the Public Inquiry two weeks to consider the transcripts and produce a Report and the Minister two weeks for his deliberations following the Inspector's Report. Finally, the timetable allowed one month between the Final Order and the Scheme being effective: during this period all the appointments were to be made and the administration set up. It is not surprising that the timetable was

CHAPTER EIGHT

described as being optimistic! Even so, with optimism, the parliamentary and other procedures were anticipated to take a minimum of a year.

In practical terms, even in September 1949, there were events forecasted to delay the process: first the drafting of the Scheme by the end of the year was dependent on information from local authorities about legislative matters on trams and trolleybuses and second, it was feared that the date of the Final Order in July 1950 could be significantly delayed if one or more of the objectors took steps to take points of legal construction, on the Sections of the 1947 Act relating to Area Schemes, before the Courts for decision. In the event, the process was indeed much more drawn out than this provisional timetable envisaged.

By the end of September 1949, the timetable was already beginning to slip. A meeting of the RPE agreed that the timetable would need amendment if any stage became protracted. At the same meeting they agreed to recommend to the BTC that the transfer of undertakings be spread over five months (rather than the two originally envisaged)

"owing to the complications which are inevitable and the general shortage of suitable accountants, valuers and engineers to act for the Commission."⁽³²⁾

and Mr Evans (from United Automobile Services) was delegated the job of mapping out a specific timetable that planned for each undertaking to be vested in the BTC and to order these to the Commission's advantage.

Although not overtly stated, the RPE obviously recognised that the probability of meeting the target dates was slim for at the same time they considered the next best date to aim for. They concluded:

"In order to allow time for any necessary reorganisation and economies to be introduced prior to the peak traffic season in any one year, and to enable the Commission to reap the benefit of summer traffic in the first year's operation by the Board, endeavour should be made to transfer as many important undertakings as possible during the two or three months preceding Whitsun [1951]."⁽³³⁾

CHAPTER EIGHT

In effect, one month into the timetable a delay of a further six months was already envisaged.

On the 9th November, 1949, the RPE submitted a memo to the BTC on the representations from bodies statutorily consulted under the Act. Responses were received from Northumberland, Durham and the North Riding of Yorkshire County Councils and the County Borough Councils of Newcastle upon Tyne, Gateshead, Sunderland, Tynemouth, South Shields, West Hartlepool, Middlesbrough and Darlington. Of the County Boroughs, only Gateshead and Tynemouth did not act as municipal operators. The Durham and North Riding County Councils did not indicate whether they opposed the Scheme in principle but Northumberland initially approved the Scheme and later reversed this decision following an election which changed the Council's representation. Of the County Borough Councils, Newcastle, West Hartlepool and Darlington were opposed to the Scheme and particularly against the proposed transfer of their own undertakings although they signalled their willingness to co-operate to further co-ordinate services within their boundaries. Tynemouth was also strongly opposed but Gateshead and Sunderland agreed in principle to a Scheme being prepared. Sunderland, South Shields and Middlesbrough confined their representations to suggestions regarding the administration of the Scheme, particularly in relation to the perceived lack of local control, and made no comment as to the proposed transfer of their undertakings.

Some of the local authorities response can be attributed to the way in which transport undertakings, then very profitable (see Table 7.5 p196), made considerable contributions to rate income. In the post war period, all operating municipal authorities for whom figures were available, showed positive contributions to the rates ranging from relatively small amounts (£3790, Middlesbrough 1946/47) to large sums (£19,938, West Hartlepool

CHAPTER EIGHT

1948/49). Clearly there were adverse implications for the rates if undertakings providing such surpluses were to be transferred to the BTC. Perhaps for this reason, although many of the local authorities had controlling Labour Party groups, the proposed Scheme did not meet with local authority approval.

Strong criticism also came from municipal operators affected by the Scheme in Stockton and Scarborough. Scarborough made the strongest objections and identified their main concern to be the question of fares.

They argued:

"it is abundantly clear that the Government intends to subsidise rail transport from the profits of road transport, which will ultimately lead to a consolidated scale of fares. This in turn will not mean a lowering of rail fares but a raising of bus fares."⁽³⁴⁾

The contention, that buses were to subsidise the railways was a commonly held view based on the accurate belief that the Charges Scheme prepared by the BTC would suggest uniform fare scales across modes. The question of fares was not within the remit of the RPE and no discussion with respect to fares was ever officially minuted. However, as early as November 1948, some preliminary thought had been given to passenger charges in connection with the Railway and London Transport Executives by the "Charges Committee" of the BTC. The RTE had considered the paper submitted by the Charges Committee for, at that time, road transport was still within their auspices. The paper suggested that there were many anomalies between road and rail fares and that:

"if the present opportunity is to be taken to secure some measure of broad equality of charges for travel...there must be some rationalisation of the fares structure upon the simplest practicable lines."⁽³⁵⁾

This was interpreted as a need to evolve a common level of charges so that road charges were not lower than rail charges, particularly over short distances, since whilst road operations were often working at full

CHAPTER EIGHT

capacity, rail services often had spare capacity. This, of course, should have been expected to be the case because in many cases railway stations were relatively inaccessible. Motor buses had, in practice, replaced the horse buses which had provided the shorter journeys which the railways rarely had produced.

The paper fell short of suggesting whether railway fares would fall or bus fares would rise. In this respect, therefore, the Charges Committees' suggestions would not appear to be based on the economic principle of equating the price to the long run marginal cost of provision. This paper, however, caused outrage within the RTE when it was considered. In preparing a memo for submission to the BTC they concluded:

"The policy of 'broad equality of charges' for road and rail as indicated in the memo is open to severe criticism particularly in view of the steep increases in road fares that would almost certainly be involved: even if railway rates were to be reduced to the level of road rates it cannot be assumed that passengers will thereby be diverted from rail to road. Moreover, the principle is apparently based on the assumption that the total volume of traffic will remain the same whereas the fact is that the manipulation of fares, instead of diverting passengers from road to rail, may result in the complete loss of a substantial volume of traffic. Road facilities at present fares, create traffic that can easily disappear altogether."⁽³⁶⁾

Their analysis of the situation was, of course, what economic theory would predict: raising fares would cut demand and if the solution to the spare capacity on railways was to reduce railway rates then their weak financial position would be further exacerbated. After this discussion it was recognised that in practice, fares were unlikely to be substantially altered as a result of Area Schemes being introduced. Although the BTC were required by the 1947 Act to prepare Schemes of Charges within two years of it becoming law, freight charges were considered a priority and by December 1948 it was recognised that an extension to this period would be needed.⁽³⁷⁾ In the event, no formal Charges Scheme, even for freight, was devised before the process of integration envisaged by the 1947 Act

CHAPTER EIGHT

was reversed by the Conservative Government elected in 1951.

Nevertheless, these early discussions laid the foundation for the type of objection forwarded by Scarborough.

The BET group under the leadership of Harley Drayton, was hostile to the prospect of nationalisation as discussed in Chapter Seven (p198). BET, through Northern General, also made strong representation. They put forward the view that the Precis contained no indication of the grounds on which the BTC had decided that the Scheme was necessary "in the public interest" and asked for information to be supplied:

"with details as to the respects in which it is suggested that their services are either insufficiently co-ordinated or inadequate, unsuitable or inefficient to meet the needs of the area, and as to how it is thought that the Scheme will remedy these defects (if any)." ⁽³⁸⁾

These objections were based on the interpretation of the word "may" in Section 63 of the 1947 Act. This section provided that the BTC "may" prepare a Scheme and opponents thus argued this did not confer a duty on the BTC to do so but, on the contrary, laid an obligation on the BTC to show that a Scheme was necessary.

The final set of objections came from the independent operators. These operators had been circulated by the Secretary to the 'Independent Bus Operators' Conference' which had taken place on the 19 October, 1949. Apparently, at this Conference, the Secretary had pointed out that it was essential for every operator to submit observations and recommended that these should refer first, to the way in which the Precis was not precise about what was intended; second, that from such facts as were disclosed in the Precis it was not devised in accordance with the 1947 Act; third, the proposals affecting undertakings not to be transferred to the BTC were "harsh, impractical and unnecessary" in relation to the permit system and finally, that no arguments had been advanced in support of the desirability

CHAPTER EIGHT

or necessity of a Scheme. As a result, many of the independent operators made representations along these lines treating the Precis as something to which a standard form of objection should be lodged rather than a step in the consultative process.

As a result of these representations, the RPE took legal advice concerning the legitimacy of their actions in formulating a Scheme. This advice suggested that the word "may" in relation to the preparation of Area Schemes related only to the time of submission and did not relieve the BTC of the general duty to prepare Schemes having reviewed the passenger road transport services in the country. This advice they passed on to the BTC.

The objections to the Northern Area Scheme were well orchestrated in the local press. Shortly after the Precis was circulated, the independents were invited to organise themselves by attending the conference just referred to. This action was spearheaded by representatives from four of the larger independents; Primrose Coaches, Venture Transport, Hall Brothers and OK Motor Services, and gained the headline "Bus firms prepare to fight State".⁽³⁹⁾ These four independents accounted for 182 of the 1124 vehicles scheduled to be bought from independent operators (see Table 8.2 below). The National Union of Ratepayers also held a conference: their concerns were listed as the weakening of local government through the transfer of power to the BTC; a suspected increase in road fares through using road passenger surpluses to subsidise railways and the confiscation of local authority assets without suitable compensation.⁽⁴⁰⁾ The local papers also record the local authorities views: Newcastle City was very much opposed and Northumberland County Council reversed its initial favourable response because of a change in political control. The only response in favour was recorded from the non-operating Council of

CHAPTER EIGHT

Gateshead: they approved the plan by 23 votes to 13 with one of the members supporting having said:

"Gateshead people had cried for years for decent transport. Under nationalisation they would laugh because they would get it."⁴¹

The BET group also took less direct action to protect its operating subsidiaries covered by the Northern Scheme (principally Northern General). They sponsored the Omnibus Passenger Protection Association (OPPA) which employed full-time organisers to whip up public opinion against the BTC's proposals. The emergence of the OPPA caused the RPE some initial concern as they believed it was organised by the Conservative Party through a company called Press Secretaries Ltd. Later they came to the conclusion that BET was at its root and that their confusion had been created by the head of Press Secretaries being an ex-Conservative Central Office employee.

The most interesting press feature appeared in early December 1949 with the contrasting views of the general manager of BET's Northern General and a representative of the Transport and General Workers' Union (T&G). BET's view naturally consisted of opposing the Scheme on various grounds. First, it was argued that the 1947 Act did not give the right to nationalise; second that:

"...both the Minister of Transport and Sir Cyril Hurcomb, Chairman of the Transport Executive [have] indicated that their object in acquiring road passenger transport is to take the profits, which they have already hinted they propose to augment by increased fares,...to wipe out the losses of the railways...there is every reason to suppose that under Government management road transport will soon be in the same financial straits of the railways."⁴²

The argument then turned to the way in which the municipal operators were only to be paid their outstanding debts on their undertakings⁴³ and concluded that the central organisation of road transport would lead to it becoming a "political cat's paw".

CHAPTER EIGHT

The T&G viewpoint was essentially that public ownership was in the public interest as demonstrated by the success of municipal operations. Complete public ownership would allow fuller co-ordination, better representation for passengers and wages and conditions of employment for staff. On the question of fares, the union representative argued that multiple private ownership did not always mean cheaper fares and quoted a local example whereby one undertaking had proposed a fare of 3½d for a new journey and, following objections from another operator, this was fixed at 4d. He also pointed out that BET's slogan on their buses "This bus is not yet nationalised" was, in fact, untrue as the nationalisation of railways had substantially brought it into public ownership. His conclusion is worth quoting at some length since it was unusual to see views so much in favour of the Scheme being published in the press:

"...the objection that public ownership would create a monopoly comes particularly strange from the very people who have spent years building up a private monopoly, during which time many people, no doubt equally imbued with 'enterprise' have been squeezed out of business.

Those small operators who at the moment are associating with the anti-nationalisation propaganda of the big combines should remember the days when the same big combines sought to run them off the road - and would do so again...And without any compensation such as the Government is offering today.

What is the OPPA doing to justify its name? Too busy protecting the interests of the private industrial owners who obviously do not want to lose a very lucrative investment... Finally, I think it must be admitted that an industry which has been quite properly described as the life-blood of the nation is, in the public interest, safer and better in the hands of people who can be called to public account if need be."⁽⁴⁴⁾

The only change in principle to the draft Scheme as a result of the consultative process was a response to the lack of local control. The RPE agreed to augment the representation on the Area Board by persons with relevant local government experience from one to three persons. This recommendation was forwarded, by the RPE, to the BTC together with the draft Scheme and the timetable for the transfer of undertakings prepared by Mr Evans of United on 5 December 1949.

CHAPTER EIGHT

Shortly after this, the RPE minuted discussions which indicated that the BTC had queried the necessity for the substantial number of undertakings to be transferred to the Commission at the outset of the Scheme's operation. The RPE's original proposals are shown in Table 7.2 below:

Table 8.2

Undertakings proposed for transfer to the BTC

Undertakings	No	Trams	Trolleybuses	Motor Vehicles	Total Vehicles
Municipal	9	169	331	550	1 050
Joint Board	1	-	16	14	30
BTC	3	-	-	1 021	1 021
BET	7	77	-	748	825
Others	117	-	-	1 124	1 124
 TOTAL	 137	 246	 349	 3 457	 4 050

Source: PRO: AN56/9

It is not clear why the BTC forced a review at this stage although Milne (1951) estimated⁽⁴⁵⁾ that over 40% of the operators scheduled for transfer were primarily concerned with coach work although concurrently operating one or two stage services. The result of the review was that the RPE attempted to reduce the number of undertakings to be immediately purchased.

In selecting candidates for non-transfer the RPE decided that the basis must be:

"that the undertaking did not, in the initial stage, lend itself to integration with the overall Scheme. There would be no detriment or disadvantage to the Commission's interests by exclusion, and that, as far as could be foreseen with the information available, the operation of the undertakings selected would prove unprofitable to the Commission in the initial stage."⁽⁴⁶⁾

On this basis, the RPE excluded 39 undertakings owning 253 vehicles from transfer at the outset of the implementation of the Area Scheme. All these came from the 'other' group in Table 7.2 so that the revised

CHAPTER EIGHT

takeover list became 98 undertakings owning a total of 3,797 vehicles comprising 246 trams, 347 trolley buses and 3,204 motor vehicles. The projected financial result of the undertakings remaining in the 'other' group were thus improved so that 19 undertakings (owning 427 vehicles) were predicted to produce, on average, 75% of United's performance whilst the remaining 59 undertakings (owning 444 vehicles) were predicted to make no profit and potentially a loss⁽⁴⁷⁾. Overall, the projected financial result was more optimistic: with the revised list of operators being acquired, a capital expenditure of £13.4 million was envisaged, and net revenue of £592,300 giving a return on the capital invested of 4.4%⁽⁴⁸⁾.

It is not clear how the RPE estimated the financial results in the absence of concrete information being available. The only indication comes from the RPE's statement that they had examined the routes "in the light of known operating factors in the area". More surprising is that they should have predicted such poor results when the undertakings were clearly being transferred as going concerns: it was almost a tacit statement that the economies derived from the Scheme would not offset the known higher costs of larger undertakings.

The undertakings deleted from the plans for transfer fell into two categories. First, services which operated in 'deep country' or excursions and tours or those which were on the boundary of the Area Scheme: some of these were annotated as being potential for transfer later. The others were more interestingly labelled, for example, as "one man local circular, would not stand full wages" (Mersons, Morpeth); "predecessor went bankrupt a few months ago. No use to the Scheme" (Calvert and Cessford); "two day market service, unnecessary service generally" (Dickenson, North Tyne); "three stage services for workmen and believed in poor financial position...United considers services should be scrapped" (Hardy, Darlington);

CHAPTER EIGHT

"spasmodic services would prove a liability if acquired" (Jewitt & Son, Spennymoor).⁽⁴⁹⁾ Quite what the politicians would have made of this analysis on their plans for nationalisation is not clear!

Clearly the RPE anticipated that the withdrawal of these undertakings from proposed transfers would be queried. Their discussions included the defence that:

"the Commission would undertake to consider transfer on the basis of the terms of the Act and that after the Scheme takes effect, there would be a review of excluded undertakings..."⁽⁵⁰⁾

These revisions were approved by the BTC on 10 January 1950 and the Scheme was subsequently submitted to the Minister on 1 February 1950, nearly three months behind the originally timetabled date.

The Minister responded with several comments four months later, none of substantial principle but nevertheless the subject of protracted correspondence. The most important was the decision to consider further the administrative organisation of the Area Scheme before resubmission to the Minister. The RPE envisaged that the Area would be divided into three divisions, each being divided into suitable districts each of which were to be further subdivided into depots. The divisions were to be based on Newcastle, Sunderland and Darlington and their sphere of operation closely approximated what had been described in the Precis as Districts. It was envisaged that a division would be responsible for the working of 1,100 - 1,500 vehicles (equivalent to a very large bus company) and would have been operated largely as a separate section of the Area undertaking. It would have kept its own accounts and records which would have been summarised into one comprehensive statement for the whole Area. A number of districts were envisaged for each division: Newcastle was to have two (Newcastle and Blyth), Sunderland three (Bensham, Sunderland and Durham) and Darlington two (Scarborough and Middlesbrough). Each of these

CHAPTER EIGHT

districts was to have a number of depots. The detailed planning of the Area organisation of the Northern Scheme was a lengthy process and it was not until March 1951 that the BTC considered the RPE's proposal. The BTC's response, as indicated by Miles Beevor, its Chief Secretary, was:

"my Chairman feels that a detailed discussion of your proposals at our next informal meeting would be premature...He is of the opinion that while the operational Scheme proposed for the Northern Area appears to be sound, the Area and Divisional organisation in some respects may be too elaborate."^(s1)

It is not clear what was meant by a discussion being premature: it was twelve months since the Minister had made his initial comments. The statutory period for objections planned originally for January 1950 had not yet been opened and the RPE had been discussing the arrangements for over a year. However, the proposed organisation was certainly set out in some detail and included charts indicating the chain of responsibility down to the number of inspectors located at each depot: for a bus operation of the size proposed by the Area Scheme the organisation was not over-elaborate, merely detailed.

The Northern Scheme was finally resubmitted to the Minister on 25 June 1951, thirteen months after it had previously been submitted. The Scheme had not changed in principle and much of the 'on the ground' organisation had been worked out. The only major problem identified by the Minister was the way in which the Area Board would be responsible for setting fares only for those services operating under permits: the fares on the Board's own services being set by reference to the national set of charges identified by the BTC. It was concluded that this would not be a serious problem in practice.

Following the Minister's comments, a public enquiry was held in Newcastle in June 1951. At this, opposition was spearheaded by Newcastle and was added to by the other local authorities. Although a draft Order

CHAPTER EIGHT

was formulated⁵², this opposition may well have put an end to the Scheme if the General Election on 25 October 1951 had not returned a Conservative government committed to stopping any further plans for nationalisation.

Quite why the progress on the Northern Area Scheme slowed down after such an enthusiastic start in the Autumn of 1949 is not really clear although the objections of the local authorities and other profitable bus operators obviously contributed to the slowness. These parties of course stood to gain from any actions, on their part, that caused delay. The BTC, headed by Hurcomb, played into their hands by taking an inordinate time to come to any decision. Bonavia (1987) attributes some of the slowness to the way in which all members of the RPE were part time and the majority were otherwise fully occupied with their positions as chairmen or members of Bus Group Boards and/or directors of bus companies.⁵³ In addition, the General Election of February 1950 which reduced the Labour Party's majority to seven, must have had an inhibiting effect on the BTC and its Executives so that it would have been more difficult if not impossible to ignore public opposition to the Northern Area Scheme..

4. THE PREPARATION OF AREA SCHEMES FOR THE REST OF THE COUNTRY

Early in the RPE's discussions, it was agreed that progress on other Area Schemes should proceed alongside their plans for the Northern Area. On 17 October 1949, a letter indicating the BTC's intention to formulate an Eastern Area Scheme was sent, together with a map, to relevant local authorities. After their observations had been received, the proposed Eastern Area was further subdivided and the RPE began serious consideration of a Scheme for East Anglia: this was initially based on

CHAPTER EIGHT

proposals for BTC controlled companies rather than an Area Board which was felt impractical in this more sparsely populated area.

However, slow progress was made on this Scheme too. This would appear to be the result of a re-evaluation of the type of Scheme that would be appropriate. There is no real indication as to why the RPE was invited by the BTC, at a special conference on the 6 March 1950, to reconsider the type of Area Scheme which could in practice be implemented. It is likely the adverse reaction in the Northern Area (particularly from the municipal operators) persuaded the BTC that further Schemes along the same lines would have no better success. It is clear that the RPE did not volunteer to undertake such a review since they report that:

"we have approached the task in a spirit of willingness"⁽⁵⁴⁾

The starting point for the review was the identification of major factors governing the type of Scheme; these were reported as the existing distribution, areas and characteristics of operation of the current passenger road transport undertakings, the distribution of population, the physical and spatial characteristics and:

"the probable general character of rationalisation of passenger road transport undertakings, if and as they are generally dealt with under the 1947 Act, to the intent that the most efficient and economic administrative structure may be brought into being within a reasonable time."⁽⁵⁵⁾

As a result of these factors, they decided that areas of the country could be regarded either as a conurbation or an area of "mixed rural and large towns" type or an area of "mixed rural and small towns" type.

Birmingham and South Staffordshire (population of 2.3 million), South Lancashire (population of 4.6 million) and West Yorkshire (population of 3 million) were placed in the conurbation category. The "South Lancashire" conurbation was in fact the combination of south east Lancashire (based on Manchester) and south west Lancashire (based on Liverpool); it was argued

CHAPTER EIGHT

that on population grounds each of these could be expected to stand alone (2.5 and 2.1 million respectively) but that greater economies would accrue from joint operation as well as avoiding local jealousies centred on the two largest cities. In the middle category areas similar to that covered by the Northern Area Scheme would be placed: essentially those parts of the country which contained significant rural areas but also contained a large town such as Newcastle, Nottingham or Bristol. The smallest category would cover everywhere else: parts of the country which were either wholly rural or where towns were smaller: for example, Chester, Worcester or Norwich.

The first question of principle that followed from these divisions related to the conurbations. Should they be treated on a stand-alone basis in a similar manner, but on a smaller scale, to London or should they form part of a larger geographical Area Scheme and thus reduce the number of size categories to two. Being unable to resolve this problem, the RPE decided to consider both options.

For conurbations, if treated separately, the RPE identified two possible types of Scheme. First an "Executive" vested in the BTC similar to the London Transport Executive which would acquire all existing road transport operations. The BTC would retain control of financial policy, fare fixing and other major policy matters. The alternative was a "Municipal Joint Board" where the ownership of the collaborating undertakings would be retained by the individual local authorities, the division of local and long distance services being made between this Board and the municipal operators and the Board exercising general supervisory co-ordinating control under the direction of the BTC. For the "mixed rural and large town" areas, three options were identified. First, Schemes similar to the Northern Area; second, essentially the Northern Area Scheme

CHAPTER EIGHT

but with joint ownership and control between the local authorities and BTC for municipal services and finally, the Northern Area Scheme amended to create a pooling arrangement between the municipal operators and the BTC. For the "mixed rural and small town" areas only one option was put forward: the creation of BTC controlled companies.

The RPE identified the advantages and disadvantages of each type of Scheme. With the exception of the conurbations where numerous advantages were put forward in favour of the London type Scheme, the pros and cons revolved around the possible reactions of the local authorities. For example, in the middle size category, the Northern Area type Scheme was seen to "give rise to the strongest municipal opposition" whereas the two alternatives had the benefit of affording a high probability of conciliating the opposition but at the cost of creating unnecessary complications. Nevertheless, it was acknowledged that joint boards had in the past worked satisfactorily and although such a proposal would involve higher administrative overheads, it could at least be operational. The greatest disadvantages of the alternatives to the Northern Area type Schemes were given as yielding difficulties in the establishment of a national fares policy and integration with the railways. For the more rural areas the RPE recognised that BTC controlled companies did nothing to mitigate municipal opposition but argued that there was no alternative since the undertakings were too small to benefit from the joint board alternative.

The conurbations received most attention so far as the analysis of pros and cons were concerned. For the London type solution, the clear favourite of the RPE, numerous advantages were given. First, the conurbations were substantially similar (although on a smaller scale) to London and thus deserved similar treatment. Second, the area boundaries

CHAPTER EIGHT

could be defined so that the conurbation formed a homogenous area with a high proportion of dense traffic. Third, it would have led to a very high level of decentralisation. Fourth, the profitable character of the traffic would provide funds to run expensive services in thin rural areas and finally, by treating municipal operators differently on account of their size would split the local authority opposition. On the other hand, the London type solution would have meant additional Executives for the BTC and thus an increase in overheads. Against these, the alternative conurbation Scheme would have appealed strongly to the municipal operators and would have avoided the complications of the transfer of property. These benefits were nevertheless offset by the severance of ownership and control (a subject on which the RPE felt strongly) and would have led to substantial accounting complications as well as preventing the BTC operating a policy of cross-subsidy between "rich and poor" areas. Moreover, the retention of ownership by the municipals was regarded as imposing practical operating difficulties because of the need to redefine the roles of existing municipal officers, such as the Town Clerk, in relation to any joint board.

It is clear from discussions between the RPE and the BTC that the stumbling block to the Area Schemes were the municipal operators. On the one hand, there was concern to avoid 'stand up' opposition as in the Northern Area. On the other, it was agreed that whatever was done initially should leave the way open for municipal operations to be taken completely into the Scheme at a later date. As a potential alternative it was suggested that municipal operators could initially be included on a permit basis within each Area Scheme: this would give some advantages since it would allow the removal of protective fares and movement towards

CHAPTER EIGHT

the co-ordination of road and rail passenger services and would perhaps lead to easier integration into the Schemes later.

With debates such as these on the type of Area Scheme to be employed continuing into 1950, it is not surprising that so few Area Schemes were produced⁵⁵⁵. First, the RPE had found that the hard fought for, and fundamental principle, of BTC ownership and control was creating insuperable problems in implementation. Moreover, the creation of different Schemes throughout the country must have seemed contrary to the spirit of the 1947 Act to provide uniformity as well as taking expediency and pragmatism to its limit.

CHAPTER EIGHT

NOTES TO CHAPTER EIGHT

References to material held at the Public Record Office (PRO) are made using the PRO's indexing.

1. PRO:AN54/1 Minutes of meeting held on 3 February 1948
2. PRO:AN54/3 Document dated June 3 1948
3. Transport Act, 1947, Section 63
4. PRO:AN54/4
5. PRO:AN56/67 E/128
6. Chairman of BTC. For biographical details see note 11 to Chapter Seven.
7. Report of the Royal Commission on Local Government in Tyneside Area (1937) para 256
8. Bonavia (1987) p60
9. PRO:MT33/472
10. Bonavia (1987) p7
11. PRO:AN54/3 Document R95
12. PRO:AN56/67:E128
13. PRO:AN54/3
14. PRO:AN54/3 Para 12
15. PRO:AN54/3
16. Bonavia (1987) p100
17. PRO:AN56/8
18. Milne A.M. (1951) p310/11
19. PRO:AN54/1 and para 10 of the Precis
20. After the division of the BET and Tillings group in September 1942, Cumberland Motor Services come under the management of Tillings although it had previously been under the management of BET.
21. Precis para 1
22. Precis para 13
23. Precis para 20
24. PRO:AN56/8 Memo dated 8 June 1949
25. PRO:AN56/8 Memo dated 8 June 1949 para 1
26. PRO:AN56/8 Memo dated 8 June 1949 para 6
27. No new bus station was ever built close to the railway station but a substantial amount of co-ordination has since been achieved with the creation of the Passenger Transport Authority. Bus stations in Newcastle upon Tyne now have services which, by and large, serve the same geographical area.
28. Barker and Robbins (1974) p185

CHAPTER EIGHT

29. Holding, D (1979) discusses many of the operators (and their vehicles) who ran services within the boundaries of the proposed Scheme.
30. Milne, A.M. (1951) pp314-320
31. First Annual Report of the Transport Commission para 38
32. PRO:AN56/9:E/47 para 4
33. PRO:AN56/9:E/47 para 5(b)
34. PRO:AN56/9:E/79
35. PRO:AN54/4:Memo P1
36. PRO:AN54/4:R/218
37. PRO:AN54/4:RC/35/48
38. PRO:AN56/9:E/79 Part C
39. Northern Dispatch, 14 September 1949
40. Evening Chronicle 8 November 1949, Journal and North Mail 9 November 1949. Headlines "Ratepayers to start Bus War", "Northern Transport not in Public Interest". The lack of compensation referred to the way in which the transfer of municipal operators to the BTC was proposed to be on the basis of extinguishing net debt. In Newcastle, for example, the municipal undertaking had a book value of £3M and an outstanding loan of £45,000: the reason for objection is therefore quite clear from these figures.
41. Newcastle Journal 3 November 1949
42. News Chronicle 14 December 1949
43. See note 40 above
44. News Chronicle 14 December 1949
45. Milne, A.M. (1951) p331
46. PRO:AN56/9:E/123 para 3
47. PRO:AN56/9:E/123 para 10
48. PRO:AN56/9:E/144
49. PRO:AN56/9:E/123 Appendix B
50. PRO:AN56/9:E/123 para 4
51. PRO:AN56/10:E/473 letter dated 2 March 1951
52. PRO:MT33/477 File No PRV 71/10/14
53. Bonavia (1987) p102
54. PRO:AN56/69:E/207 para 6
55. PRO:AN56/59:E/207 para 7
56. By the end of 1951, the Northern Area and the three Schemes for the Eastern Area were in preparation. Some initial progress had been made in relation to meeting the local authorities involved in the South Western Area where the BTC already had working relationships with the only two municipal operators (Plymouth and Exeter). Preliminary thoughts only had been given to Schemes covering the Isle of Wight, Scotland and the North West of the country.

CHAPTER NINE

CONCLUSIONS ON PART II : THE PUBLIC CONTROL OF PASSENGER-CARRYING VEHICLES BY THE 1947 TRANSPORT ACT

1. INTRODUCTION

This chapter brings together the information presented in Chapters Six, Seven and Eight. The purpose is to identify whether any useful insight is gleaned from the historical evidence by its consideration within an economic framework. The chapter begins by summarising the relevant theory and evidence before concluding with the relevance of economic theory in the analysis of the historical evidence.

2. THE THEORY

The 1947 Transport Act was the fulfilment of the Labour Party's policy on the nationalisation of transport. It is therefore important to examine the role of ownership in the performance of a firm or industry. Of particular interest is whether a theoretical framework can predict the superior efficiency of public or private firms. In common with the examination of the economic issues pertinent to regulation in Part I, economic efficiency is taken here as the yardstick in measuring the performance of the firm or industry. However, whereas the discussion of regulation concentrated on allocative efficiency, the issue of ownership requires that the concept of efficiency be extended to include both allocative and the internal efficiency of the firm, x-efficiency.¹¹

CHAPTER NINE

Three issues in particular are important in establishing a theoretical framework for analysing the potential benefits or costs of the transfer of privately owned and run assets to the public sector. First, whether such a change in the entitlement to the residual profit flow has a predictable impact on the managerial incentive structure. Second, whether ownership has an impact on allocative efficiency and finally, whether ownership affects the internal efficiency of the firm.

2.1 Ownership and its impact on managerial incentives

A change in ownership from the private to the public sector inevitably leads to changes in property rights and, in particular, a change in the entitlement to the residual profits of the assets which have changed hands. Modern economic theory uses a principal-agent framework to establish a framework for this type of problem and to attempt to answer the question as to whether a change of ownership would lead to significant changes in the behaviour of management.

Within this framework, a change of ownership will necessarily lead to a shift in principals: from the private shareholders to the government body controlling the new public sector activity. However, economic theory cannot predict whether such a transfer would produce unambiguous costs or benefits. More recent empirical evidence does not help resolve this difficulty: it demonstrates that whether or not management incentive structures, which are the result of complex interactions, deteriorate or improve upon a change of ownership depends on the relative merits of the signalling process before and after the change. Thus the impact of ownership *per se* is difficult to establish unambiguously from both a theoretical standpoint and from empirical evidence.

CHAPTER NINE

2.2 Ownership and Allocative Efficiency

In theoretical terms, ownership is largely irrelevant to allocative efficiency in the sense that allocative efficiency is primarily contingent on the degree of competition. Economic theory suggests that public undertakings can achieve allocative efficiency just as easily as private companies provided they are free from political interference and subject to the forces of competition. As was seen in Part I, economic theory demonstrates that the achievement in allocative efficiency is contingent on the presence of competition. *Ceteris paribus*, therefore, there is no reason why the public sector should be less allocatively efficient than its private sector counterpart before nationalisation.

2.3 Ownership and the internal efficiency of the firm

The concept of x-inefficiency was the first recognition of the fact that firms do not have the identical internal efficiency attributes assumed by standard price theory. Indeed, as a result of x-inefficiency discussions it was recognised that many of the factors which in practice contribute to inefficiency arise from the internal organisational process and that natural variations between firms in this respect should be anticipated.

An examination of x-inefficiency reveals that, like allocative efficiency, it is a function of competitive forces rather than ownership. However, the potential for x-inefficiency may be greater in public companies because its employees may anticipate the consequences of their 'slack' behaviour, which create internal inefficiencies, will be paid for by taxpayers or consumers. Nevertheless, there is no *a priori* reason to expect public companies to be less efficient than private undertakings if they are subject to the same level of competition.

CHAPTER NINE

2.4 Summary

Economic theory suggests that ownership *per se* is not the most important determinant of the internal and external efficiency of a firm or industry. In practice, the nature of the operating environment is much more important in the achievement of economic efficiency. In particular, if this environment is competitive, then both allocative and cost efficiency will ensue. However, a principal-agent framework cannot give such a clear cut answer on whether the effect of a change in ownership on the management incentive structures could be beneficial: the theory can only demonstrate that such changes in property rights will lead to differences in behaviour. In practice, of course, the issues of competition and ownership are inter-related and depends on whether the industry in question is a natural monopoly although, in the case of the transport sector taken as a whole or the bus and coach sector taken separately, this would not seem to be particularly relevant.

3. THE 1947 ACT

The underlying philosophy of the 1947 Act was that nationalising transport would lead to greater efficiency in the provision of transport services. The increased efficiency was thought to be derived through the way that single ownership would release benefits from co-ordination and integration. The new public authority owning the transport assets was not expected to be a loss maker on average and it was envisaged that it would be directly accountable to Parliament but be operated at 'arms length' from it.

When the Transport Bill was brought before Parliament in 1946, it provided for the creation of the British Transport Commission (BTC) which

CHAPTER NINE

was to act as a non-executive, planning authority. The day to day management of the BTC's assets was delegated to the newly formed Executives who were the agents of the BTC. The Act became law in 1947 with the date of 1st January 1948 being set as the day when the railway companies' assets were vested in the BTC. From the same date, the BTC acquired a substantial interest in road passenger undertakings in the form of the railways' shareholdings in bus companies.

Although the general management of the BTC's assets were carried out by its Executives, this did not include the responsibility for setting fares. This task was statutorily assigned to the BTC who were required to compile a national system of charges covering all modes and functions of transport.

The 1947 Act did not specifically make arrangements for any change in the public control of road passenger transport. It did, however, oblige the BTC to examine the country's bus provision and to prepare Area Schemes to co-ordinate and integrate these services. Thus the Act created the potential for very significant changes in the public control of road passenger transport.

The BTC and the Road Transport Executive (RTE) appeared to assign priority to acquisitions on the road freight side. Indeed, progress was initially very slow on examining the road passenger sector. Fifteen months after vesting day, a new Executive was created, the Road Passenger Transport Executive (RPE), with the specific aim of accelerating the plans for Area Passenger Schemes. The splitting of the Road Transport Executive into two Executives by function was new: prior to this each Executive (other than London Transport) had responsibility for a single mode.

CHAPTER NINE

4. THE STATE OF THE BUS AND COACH INDUSTRY ON IMPLIMENTATION OF THE 1947 ACT

The interval created by the Second World War meant that the industry being nationalised by the Labour Government was very different from that which had existed at the end of the 1930s decade. For buses and coaches, the number of vehicles, vehicle miles and passenger journeys had substantially increased. Moreover, the absolute number of actual operators had increased along with this increase in output. The substantial stake of the railways in this industry meant that the BTC was a significant bus operator even before it acquired the large bus undertakings of the Thomas Tilling and Scottish Motor Traction holding companies. However, the war had also seen the break up of the largest combine of bus operators (Tillings and British Electric Traction (BET)) and, because of BET's well articulated opposition to nationalisation, the BTC faced a formidable opponent in BET when contemplating the public ownership of road passenger transport.

5. THE PREPARATION OF ROAD PASSENGER AREA SCHEMES

The creation of Area Schemes was initially part of the RTE's remit. Although the RTE was primarily concerned with acquisitions in the road freight sector, it did make an early start in contemplating the type of Scheme that could be proposed. However, progress was slow and by the time the RPE was created, only two points of principle had been agreed. First, although not required by the Act, the RTE had proposed and the BTC had eventually agreed that a change of ownership in favour of the BTC was necessary. Second, the first Area Scheme should be drawn up for the north eastern part of England, and was called the Northern Area Scheme.

CHAPTER NINE

The BTC had complete discretion as to the format that Area Schemes could take. The 1947 Act itself only referred to "Schemes" and it is generally contended that the Government had no specific views on format. Initially, the RTE had envisaged they would undertake the executive function in respect of road passenger transport: this was abandoned fairly early on under pressure from the local authority Associations in favour of an Area Board acting as agents of the Executive.

A Precis of the Northern Area Scheme was published in August 1949. This set out the mechanism for the acquisition, by the BTC, of bus companies within the Area's boundaries. The Precis met with vigorous opposition from all bus companies and many of the local authorities in the Area. This opposition never calmed down before further progress on the Scheme was abandoned on the election of a Conservative Government in 1951.

Whilst the 1947 Act and the Precis were not specific about how the objectives of co-ordination and integration would be achieved, this was a subject considered deeply by the RPE after it was created. The evidence suggests the RPE developed an intimate knowledge of the territory covered by the proposed Northern Area Scheme in respect of road passenger transport. However, very little consideration was given, practical or otherwise, to road-rail co-ordination.

Progress on the Northern Area Scheme was slow for two main reasons. First, because only the concept of a Scheme was embodied in the Statutes, any Scheme which was prepared would have required complex and lengthy parliamentary and other proceedings: the most optimistic estimate for these proceedings was twelve months and, in the event, this optimistic timescale proved impossible to adhere to. Some of the delays could be attributed to the less than dynamic management of the BTC but the legal framework certainly meant that there was a long period between the design

CHAPTER NINE

and implementation stages. Second, progress appeared to be frustrated by the BTC changing its view on fundamental issues: in part this was likely to be due to the long and sustained opposition to the nationalisation proposals and in part to the much reduced Labour Party majority which followed the General Election in February 1950 which inhibited the BTC's ability to forge ahead with unpopular actions.

Whilst the Northern Area Scheme was regarded as the prototype, it was initially envisaged that Schemes for the rest of the country should progress alongside plans for the Northern Area. Initial progress was made on an Eastern Area Scheme but further progress was hindered by the BTC forcing a review of general principles in March 1950. The RPE comprehensively reviewed the country's characteristics and indentified different types of Scheme that could be implemented along with their respective advantages and disadvantages. The outcome of this slow progress was that the Conservative Government, elected in 1951, found very little concrete progress had been made in the drafting, let alone the implementation, of Road Passenger Area Schemes.

6. THE RELEVANCE OF THEORY

The policy of nationalisation stemmed from a belief that unification in ownership would lead to benefits arising from co-ordination and integration. This section first examines the theoretical basis for such an assertion before turning to consider economic theory's contribution in the analysis of the provisions fo the 1947 Act and its implementation.

In drawing up its policy, it is clear that the Labour Party could not anticipate the benefits from co-ordination or integration being achieved without all transport assets being in single ownership. This arose from

CHAPTER NINE

their central proposition that wasteful competition occurred between modes when they competed with each other for traffic and it was argued that single ownership would ensure that each mode would be used for transporting the traffic for which it was most suited. This argument, when translated into economic terms, is that the transport sector is not subject to perfect competition and thus inefficiencies arise: unification is the way in which these inefficiencies can be internalised to make the use of scarce resources more efficient. It was certainly true (and still is) that transport services did not operate in a perfectly competitive environment but economic theory would not suggest, *ceteris paribus*, that single ownership would internalise any inefficiencies that were present. Economic theory suggests that for an efficient allocation of resources, price should be set equal to the marginal costs of provision of the good or service and lack of adherence to this principle was likely to be a much more serious source of 'wasteful competition' than would have occurred through the diverse ownership structure existing prior to nationalisation. The railways were severely restricted as to the charges they could make and the bus and coach sector were administered under a system which sought standard pricing throughout the industry as its goal. Thus, this is one area in which the Labour Party's policy would appear to lack economic rationale although, to be fair, a national scheme of charges was required to be devised under the 1947 Act: this is discussed in more detail below.

The commitment to single ownership was accompanied by the requirement that this ownership should be in the public rather than the private sector. This was motivated by the understanding that unification would lead to a monopoly in the provision of transport services and, if in private ownership, such power could be used to the detriment of the consumer unless under significant government control. Moreover, great benefits were

CHAPTER NINE

believed to accrue from a transfer to public ownership in terms of economies in operation and management. Essentially, this part of the Labour Party's philosophy confuses two points on which economic theory can make a contribution. First, in terms of ownership, it is reasonably clear that the nature of ownership is largely irrelevant to the internal or external efficiency of the firm particularly as it was envisaged that the new transport organisation was to be operated at 'arms length' control from the government: efficiency is much more contingent on the operating environment and whether or not this is competitive. Thus it was unlikely that any significant benefits would accrue simply through a change in ownership. Second, to create a single provider of a particular good (transport in this case) does not automatically confirm the technology of a natural monopoly upon it: that of genuinely falling average costs. Moreover, to require a natural monopoly to price efficiently at marginal cost would imply long run losses. Nevertheless, a single seller of a good not subject to government controls and protected from new entrants could have used discriminatory pricing to extract additional consumer surplus which would not only lead to inefficiencies but have been contrary to the public interest.

Although it was not explicitly stated, one interpretation of the desire for public ownership could have been the intention of allowing society to benefit from the residual profits of the transport sector. It was envisaged that the new transport authority would not be a loss maker: any profits would derive to the state rather than private shareholders if the assets were owned by the public sector. Both the railways and the road passenger sectors were profitable at the time the Labour Party's nationalisation policy was being created in the early 1930s. In the post war period it was becoming increasingly clear that the railways were

CHAPTER NINE

heading for severe financial problems and the profits of the larger bus companies were not as high as they had been (but were far higher than they were to become). However, whilst seeking the benefits of profits was not an explicit intention of government policy, it would be difficult to argue it had no relevance especially when considering the way in which the RPE eliminated companies from transfer to the BTC: the criteria appeared to be simply whether or not the excluded firms were profitable.

Whilst Labour Party policy expounded the benefits which would follow integration and co-ordination, it did not specifically address what integration and co-ordination meant in practical terms nor how these benefits could be realised. From the preparation of the Northern Area Scheme, it is clear that benefits were envisaged as accruing from the co-ordination of bus services. However, the benefits identified by the RPE arose largely from the removal of restrictive practices developed between competing operators and would not have required single ownership to achieve them: these included the extension of services across different operators' territories, the inter-availability of tickets and the simplification of terminal points. However, the preparation of the Northern Area Scheme also showed how little attention was given to road-rail co-ordination and this could easily have led to at least similar benefits. In this respect again, the lack of appreciation of the importance of efficient pricing led to significant opportunities being lost.

Integration as a policy was, like 'co-ordination', not well specified. A policy of integration could have taken a number of forms: traffic could have been diverted to the most suitable mode either by 'directive', by physically adapting the network so that one mode is developed as another is contracted or by adopting a charges policy which favoured a mode for particular traffic. The latter form would, of course, be automatically

CHAPTER NINE

achieved if marginal cost pricing were adopted. The BTC did not effectively distinguish between integration and co-ordination and considered them simply as part of a single policy of combining parts of the transport system so as to create a single 'whole'. Their view, in part, was due to the legislative framework within which they were obliged to work: the 1947 Act specifically excluded the physical direction of traffic to a particular mode and was committed to providing a full range of alternative services for the consumer.

Moreover, tangible progress with integration/co-ordination was ironically hampered by the Act which specifically sought to promote it. Whilst the 1947 Act did not specify which mode was to take which traffic, Morrison's earlier writings suggested that integration/co-ordination should be sought functionally. Progress with integration/co-ordination was frustrated by the way in which policy and management were split between the BTC and its Executives and compounded by the way in which the Executives were initially established to administer each mode separately.

Even when the RTE was split into its two functional counterparts, road passenger transport was separately administered from rail passenger transport and thus inter-modal integration/co-ordination would have been more difficult, if not impossible, to achieve as each executive viewed integration/co-ordination from very different standpoints⁽²⁾. In addition, as Bagwell (1974) points out⁽³⁾, the fact that members of the Executives were directly appointed by the Minister gave them an independence of outlook towards the BTC and the other Executives that was not directly compatible with policies of integration/co-ordination.

Economic theory stresses the signalling role that prices play in the efficient provision of goods and services. The 1947 Act made specific provision for a national scheme of charges to be prepared by the BTC and

CHAPTER NINE

prescribed that a draft scheme of freight charges was to be submitted to the Transport Tribunal within two years of the Act becoming law (August 1949). By mid-1949, an extension to this date was sought and, in fact, no charges scheme was completed before the Conservative Government took office in 1951. Quite why there was such a delay was not clear since the BTC, in 1948, made a statement which showed they appreciated the importance of charging in achieving an integrated freight policy. On the passenger side, the Charges Committee produced a preliminary paper as early as 1948. This suggested that road and rail fares should be equated at least over short distance travel although it did not confirm whether bus fares should rise to railway fares or vice versa. The RTE replied in strong terms that they did not feel this would promote integration or utilise the spare capacity of the railways. Economic theory would support the RTE's contention. Throughout the subsequent preparation of Area Schemes, no further reference was made to the preparation of a national charges scheme and the only reference to fares confirmed that these were outside the RTE's jurisdiction. Although many commentators lament the non-appearance of national charges schemes, the evidence from the passenger side would suggest that these would have significantly impeded the development of integration/co-ordination policies had they been based on common charges and not related to the long run costs of provision by each mode.

The BTC did appear to be primarily concerned with its policies on the railways and road haulage. However, as Bonavia (1987) indicates, the BTC were probably in a better position to make progress with the co-ordination of road passenger services than in the freight field⁽⁴⁾. The BTC acquired very significant holdings of bus operations on the vesting of the railways. London Transport was also vested in the BTC and within a very short period

CHAPTER NINE

of the operation of the Act, the BTC purchased Tillings and Scottish Motor Traction. Moreover, although BET refused to sell to the BTC, the BTC had shareholdings (arising from the railway's previous involvement) in a number of the BET owned companies. Why then did the Area Passenger Schemes fail to make sufficient progress to be implemented?

One possible reason lies in the Act itself and its administration. The Government did not have any clear views of what would be involved in an Area Passenger Scheme and thus the BTC were left to formulate a complete policy in this respect and the team appointed to carry out this task did not appear to have the entrepreneurial spirit normally associated with thriving businesses. The BTC's lethargic progress may not have been wholly their fault: the Act prescribed very definite action in respect of railways and road haulage and much of their early work was devoted to fulfilling this task. In addition, any Scheme which was devised would have been required to undergo lengthy parliamentary procedures and this would have inevitably caused delay. Progress was hampered initially by the RTE being responsible for both road haulage and road passenger transport and yet the BTC took over a year before specifically creating the RPE. The RPE's progress was in all probability further hindered by the way in which its members were all part-time and, in their time away from the RPE, four out of the five members were concerned with the management of large and successful bus companies as chairmen or members of their Boards. Moreover, the reduced Labour majority which followed the General Election in 1950 may have induced a feeling of 'running out of time' since the Schemes had a long lead time from initial drafting to implementation.

In practical terms, however, the progress was probably substantially curtailed by the vigorous opposition to the nationalisation proposals embodied in the Precis for the Northern Area. The transfer of all assets

CHAPTER NINE

to the BTC was seen by the RTE and RPE as fundamentally important to secure the co-ordination benefits of the Scheme. In theoretical terms, it would appear unnecessary to have insisted on BTC ownership and with hindsight, the experience of the more recent Passenger Transport Areas created under the 1968 Transport Act have shown that the important feature of co-ordination is to have only one body responsible for it. However, at the time, the RPE were convinced that public ownership was all important and this raises the question as to whether the opposition could have been handled any better. Why, for example, did the RPE not restrain the BET's campaign against nationalisation through the BTC's representation by, for example, ensuring that representation was by top level personnel rather than lowly regional officers whose only remit was to ensure that the business was well run. So far as the municipals were concerned, nationalisation of their transport assets would have had a significant impact on their Rates: this was largely due to the unfavourable system of compensation embodied in the Act. Again, with hindsight, this particular obstacle could have been alleviated.

There is no doubt that the fruition of the Northern Area Scheme, together with Schemes for the rest of the country, would have created the biggest move towards integration/co-ordination under the 1947 Act. With the evidence of the intervening years from the Passenger Transport Areas (PTAs) created for the conurbations it is clear that regional passenger transport authorities, an idea which had appealed to Alfred Barnes when he was drafting the 1947 Act, do have an impact on providing integrated and co-ordinated public transport as shown by the PTA's success in a much less profitable environment.

Whilst economic theory is clearly more sophisticated now than in the 1940s and there is now much evidence on the experience of public sector industries, it must be remembered that the Labour Party was a pioneer in its post-war nationalisation programme. Nevertheless, economic theory can

CHAPTER NINE

identify areas where the nationalisation policy in respect of transport had shortcomings. The most important of these was lack of political awareness of the importance of pricing as a legitimate weapon in achieving the integration and co-ordination that was sought. Ownership itself was a major issue at the time but economic theory would suggest that the securing of a competitive environment and the employment of better managers would have achieved many of the potential benefits attributed to public ownership. The only real benefit of public ownership, if economic efficiency is attained, is that society would have received the profits arising from transport provision and this was not explicitly stated as an aim of the 1947 Act.

CHAPTER NINE

NOTES TO CHAPTER NINE

1. The theory outlined in Chapter Two is also of relevance here since it explains the importance of and the conditions which would lead to a competitive market.
2. Bonavia (1987) p95 writes of the different views towards integration as follows: "Railway managers (and the railway trade unions) were prepared to welcome it only if it meant the diversion of long-distance freight from road haulage to the railways, as they assumed that the Act intended - a view *not* shared by the Road Haulage Executive or by the haulage section of the Transport and General Workers Union"
3. Bagwell (1974) p305
4. Bonavia (1987) p100

CHAPTER TEN

CONCLUSIONS

1. INTRODUCTION

The main objective of this thesis was to examine what actually happened in the process of developing and implementing two major Acts of Parliament concerned with the public control of the road passenger transport and to place these firmly within an economic context. In the process of this discussion, a continuous period of more than twenty years in the development of the industry is considered: from the origins of the 1930 Road Traffic Act to the implementation of the 1947 Transport Act.

In undertaking this task, the research has included the consultation of primary sources which have not long been available, together with the wealth of empirical evidence supplied by personal interview as well as more conventional research material. This has led to a re-interpretation of the origins of the 1930 Road Traffic Act and a fuller insight into the nationalisation process introduced by the 1947 Transport Act insofar as it concerned road passenger transport.

Parts I and II have, however, considered each of these Acts of Parliament in virtual isolation. One of the purposes of this chapter is to bring together information from both parts by highlighting some of the more important differences and similarities in approach and implementation of the two pieces of legislation: this is considered in the first section. The final section identifies areas where further research would broaden the scope and extend our knowledge beyond the objectives of this thesis.

CHAPTER TEN

2. THE TWO ACTS

The principal connection between Part I and Part II is that they tell of the sequence of events which occurred in the bus and coach industry over a period of rapid development. The two parts sharply contrast in the way that the 1930 Road Traffic Act was fully implemented and indeed remained virtually unchanged for fifty years after it was passed whilst the provisions for buses and coaches embodied in the 1947 Transport Act never came anywhere near fruition.

Both Acts were passed in an attempt to solve what politicians of the time described as the transport 'problem'. The 1930 Act, although it concerned only road passenger transport, emerged from one of the Reports of the Royal Commission on Transport following their review of the whole transport 'problem'. Likewise the 1947 Transport Act was seen as the solution to the transport 'problem' of the 1940s. Lack of co-ordination and integration was the common theme of the period under discussion. However, the approach to this was understandably different in each piece of legislation. In 1930, the Act's administrators sought to create an orderly industry in the hope of creating co-ordination whereas the post-War Labour Party's policy was based on avoiding what they perceived as the shortcomings of the 1930 legislation and building on the success of the London Passenger Transport Board, created in 1933, in co-ordinating and integrating most of London's transport.

In many ways it is not surprising that the ideal concepts of co-ordination and integration, sought by both Acts of Parliament, were not achieved. If co-ordination is taken as meeting demand with real resource minimisation, then it is important, particularly in view of the relative longevity of transport assets, that policy should be based on sound estimates of demand. However, the nature of demand in the transport

CHAPTER TEN

sector gives rise to serious measurement problems and it is clear from the evidence that looking to the future was not a prominent feature in the preparation of either piece of legislation. Both pieces of legislation were created to cure the present on the evidence of the past and no serious consideration was given to the role of buses and coaches in the development of future events. Indeed, both the Traffic Commissioners and the British Transport Commission (BTC) expressed surprise on more than one occasion at the expansion of demand in the transport sector: the former when demand continued to expand despite the economic depression and the latter at the sudden and sustained growth of the private motor car. Moreover, the problem of co-ordination cannot be overcome simply with information on the demand for a single mode of transport even if it were to be available since significant cross elasticities exist between modes. To a large extent, lack of success in these key objectives can also be attributed to the emphasis placed on trying to influence the structure of the industry rather than concentrating on the economic forces to which the industry must respond. As Munby (1968) aptly commented:

"Politicians and civil servants are biased in favour of 'institutionalism', the belief that economic problems can be solved by altering institutions rather than laying down policies to achieve given ends"¹¹

Both Acts of Parliament are subject to this criticism. Furthermore, the 'institutionalism' inevitably meant that the attempts at co-ordination and integration were at a fairly crude level and implemented with no clear end in sight and with no real means of measuring success.

The 1930 Road Traffic Act had non-party political origins in developing from concerns over safety and congestion in the early 1920s. The Hackney Vehicle Committee which laid the foundations of the Act was conceived during Lloyd George's Coalition Government but continued under Bonar Law's Conservative administration. The Royal Commission on Transport

CHAPTER TEN

which produced the final form of the 1930 legislation, was created with all party support. In contrast, the 1947 Transport Act was the result of specific party political policy. The Labour Party advocated the advantages of the socialisation or nationalisation of industries: the Transport Bill attracted significant opposition in both Houses of Parliament with the Conservatives objecting primarily to the terms of compensation. Related to this point is the timescale from first conception to implementation: for the Road Traffic Act this accounted for the best part of ten years whilst the 1947 Act had become law within two years of the Labour Party taking office.

With hindsight it is easy, of course, to point to fundamental flaws in the preparation of legislation. Nevertheless, economic theory does identify major problems in the thinking behind each Act. On economic efficiency considerations, the 1930 Act lacked judgement in giving monopoly rights to existing undertakings and erecting significant barriers to entry to potential new operators. This inevitably led to additional misallocation of resources over the pre-1930 organisational framework. It did, however, introduce a common and uniformly applied safety standard which would be justified by reference to economic theory. The 1947 Act was based on a philosophy which emphasised the importance of ownership in the efficient provision of transport services: this is not supported by economic theory.

More importantly, both Acts intended road passenger transport to operate in a less competitive environment than had previously been the case: economic theory indicates that, *ceteris paribus*, this would lead to a decline in economic efficiency.

Both Acts showed a lack of understanding of the role of pricing in the achievement of economic efficiency. In the administration of the 1930 Act, the Traffic Commissioners sought to establish a uniform fare scale even

CHAPTER TEN

though they recognised that variations in costs occurred between operators. The philosophy underpinning the 1947 Act did not place any importance on the role of fares. The Act itself did make provision for national schemes of charges but such evidence as exists suggests that this too would have been based on an average, not marginal costs. In some senses, the actions of the Traffic Commissioners were more 'forgiveable' since they were administrators without economic guidelines in this respect. In the case of the post-War Labour Government, politicians were clearly not aware of, or chose to ignore, the growing economic literature on significance of pricing which by 1945 (in contrast to the late 1920s and early 1930s) was well established. The BTC did undertake work on the national scheme of charging but, like the Traffic Commissioners, they did not have economic behaviour laid down as part of their guidelines.

In conclusion, reference to new primary sources has allowed both a new interpretation of the origins of the 1930 Road Traffic Act to emerge and a fuller insight into the developments which followed the 1947 Transport Act. Moreover, the provision of an economic framework has permitted greater analysis not only of the individual Acts but of the similarities and differences between them.

It is hoped that the research presented in this thesis has not only expanded our understanding of the history of these Acts but has provided information and analysis which will enhance the decision making and legislative processes of the future.

3. FURTHER WORK

The objective of this thesis was to examine the events, between 1930 and 1950, which influenced the public control of road passenger transport

CHAPTER TEN

and to place these firmly in an economic framework. However, no thesis would be complete without the identification of its own shortcomings nor plans for extension in further work.

First, in examining the historical evidence within an economic context, this research has not concentrated on the detail of issues in the wider economic and social environment which have an impact on the public control of road passenger transport. To take one example, the way in which spatial patterns of towns emerge will be a function of transport opportunities that are available and these, in turn, would have been affected by changes in the public control of buses and coaches. Thus analysing the impact of changes in public control of this industry to a wide range of social and economic issues is clearly one area where further research could be productive.

Second, this thesis has concentrated on issues relating to economic efficiency. However, equity issues and a discussion of 'winners and losers' as a result of the changes implemented by the 1930 and 1947 Acts would also be interesting to pursue. Furthermore, in theoretical terms, it is somewhat limiting to examine the policy of co-ordination of transport without reference to the way in which resource allocation between transport and the other sectors of the economy: such an extension would clearly enhance the theoretical basis of this work.

Third, to include some analysis based on political theory could enhance our understanding of the events which occurred in two ways: by providing explanations of how issues *per se* become important to politicians and by giving greater insight to the complex personal and political interactions that underpin all legislative procedures.

Finally, in an ideal world, this study would have been able to compare the beginnings of the public control of road passenger transport with more

CHAPTER TEN

recent policies in the same sector. Two measures in particular would be worthy of consideration. First the creation of Passenger Transport Areas for the country's conurbations which were designed to further co-ordination and were introduced by the 1968 Transport Act. Second, the deregulation of buses and coaches under the 1980 and 1985 Transport Acts. However, one of the major contributions of this research lies in the greater insight gained from consulting government sources. As these are likely to remain unavailable for the more recent events through the thirty year rule, this extension must be part of a much longer term plan.

CHAPTER TEN

NOTES TO CHAPTER TEN

1. Munby (1968) p136

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