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PRIVATE OR PUBLIC?

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PUBLIC v PRIVATE

– Who should own and/or control public transport ?

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The ownership and control of public transport in Great Britain (but not Northern Ireland) has changed considerably over the last twenty five years. A largely state owned function took over from a mix of private and public ownership in the 1960's but was replaced by an almost entirely private ownership structure in the 1980's and subsequently. Pre National Bus Company (1960's and earlier) the UK bus industry had been as follows:-

- Tilling Companies (state owned)
- British Electric Traction (BET Federation - private company)
- Municipal operators (state sector)
- Independent companies (private companies)
- Alexander/Scottish (state sector)

This was replaced from 1969 when parts of the previous structure was nationalised

- | | |
|----------------------------------|---------------------------------|
| ▪ Tilling Group | NBC |
| | National Bus Company |
| ▪ British Electric Traction | NBC |
| | National Bus Company |
| ▪ Municipals in PTE Area | PTE |
| | Passenger Transport Authorities |
| ▪ Municipals not in PTE areas | LA's |
| | Local Authorities (Municipals) |
| ▪ Alexander/Scottish | SBG |
| | Scottish Bus Group |
| ▪ Independents (Generally Small) | Remained independent |

The Transport Act 1985 led to two policy developments

- deregulation
- privatisation

The consequence in terms of ownership was to create dominant private groups reflecting the pre nationalisation (1946) position of percentage of buses in major private sector groups

- 1946 (50%)
 - BET
 - Tilling
 - Red & White
- 1980 (0%)
 - The big groupings were PTE's, NBC, SBG and Local Authorities. The private sector was represented by smaller independents

- 2006 (90%)
 - First Stagecoach Arriva
 - Go Ahead National Express Véolia

This clearly shows a trend towards a few large groupings with many very small companies in the bus industry.

Bus Franchising

The principle put forward in this paper is one the author wrote about extensively in the 1980's and 1990's and recognises the failure of private control, though not private ownership, of the bus industry. It argues that that an opportunity has arisen in Wales to tender bus services, and that this would provide an opportunity to test the operational and financial aspects outside London. The national long distance bus network in Wales (branded as Traws Cambria) may, under the Transport (Wales) Act 2006, be franchised as a whole to several operators by the Welsh Assembly Government (WAG). There are new routes which as an integrated whole cannot be provided individually.

Under the tendering process the public transport authority (WAG) will maintain controls over the quality of service offered. Tenderers would have to comply with all safety, maintenance and financial requirements under the public service vehicle licensing arrangements. The long distance bus (Traws Cambria) and rail (Rail Cymru) routes would be marked as an integral part of the Wales public transport network. Standard fares would be charged; "travelcards" (eg Flexipass), concessionary passes (eg Cerdyn Cymru) and all other similar tickets valid on Wales buses will be accepted. Contractors will be required to identify their vehicles to the public as operating a service on behalf of the Assembly Government.



This process differs considerably from the current Competition Act based approach where market forces determine the network, with competitive tendering restricted to loss making services only.

The London technique takes competition firmly off the road and keeps it as a paper exercise. The results will be continuity of service, integrated services, standard fares, but achieved, hopefully, at a lower cost.

Franchising therefore provides the best of both worlds

- public control and service specification
- private operation of the services

It recognises that a free market is unsuitable for surface public transport operations because

- their objectives may be related to social inclusion, reduction in congestion and environmental sustainability
- the real competitor is not often bus or rail companies but the motor car. This position is clearly not recognised by the current legislation
- it is difficult to combine the profit motive (a reasonable objective within a mixed economy in appropriate circumstances) and the public service objectives referred to above.

Competitive Franchising in Wales – an alternative framework for competition

The form of competitive tendering currently in use is intended to apply to loss making routes for which revenue support is required.

The perfectly competitive market conditions envisaged for other services could however result in a number of problems:-

1 Instability

It is possible under the free market arrangements for companies to enter and leave the market relatively quickly. A period of notice is required but in the case of a company leaving the market because of low or no profit, it is unlikely to continue to operate at a loss for a month, if that is the notice period. Even with a notice period, movements into and out of the market, especially in the early years when companies are testing market potential and profitability, will lead to instability. Most passengers require a stable supply with continuity of service in terms of routes, services, operators, fares and times but these will all be subject to change at short notice. This instability may last for some considerable period of time before a new equilibrium is established. In previous service reorganisations such instability has been shown to have a retrograde effect on levels of patronage.

2 Lack of co-ordination

The registration period envisaged is unlikely to provide WAG/County Councils with sufficient time to produce up to date, reliable timetables. Such timetables are of particular value to tourists and their disappearance would be a particular inconvenience to them. Tourism is an important sector of the Welsh economy. Co-ordination of services along individual corridors or on common routes prevents “bunching”

of vehicles at certain popular times, and provides for a more regular headway between buses. It is also regarded as a more effective basis for tendering than a system of registration alone.

3 Competition on subsidised routes

The majority of rural routes are either radial routes from a town centre extending beyond the urban area or inter-urban routes which also service urban areas at both ends of the route. The highest revenue yield per bus mile is in the urban areas, consequently any competition with subsidised rural services will be met on these sections of route. Deregulated competition will also be concentrated on high yield times of the day (eg from 7.30 am to 5.30 pm Monday to Friday) but will not supply the total capacity required. These competitors will abstract revenue from the subsidised rural service and the latter will have two possible options for its fares policy:-

- (i) if the subsidised service fares remain high, then a cross elasticity factor will result in passengers waiting for the lower fare vehicle. This will reduce patronage on the subsidised service and increase the subsidy level if the service level is to be maintained.
- (ii) if the subsidised service reduces its fare to compete on the urban section of the route, the internal cross subsidy within the route will be reduced and subsidy will be increased.

Where services are operated on a purely commercial basis they will be limited to the more heavily populated sections of such urban/rural routes. Any services into a town centre will be limited to those roads which are suitable for bus operation. It is likely, therefore, that subsidised and commercial services will operate along the same sections of road and both operators will pick up and set down along that road. The tendering operator for the subsidised service will find it relatively easy to forecast the costs of operation, but revenue will be dependent on the extent of the competition and this will be very difficult to predict, especially at the start of the scheme.

A county council would therefore have to choose between the two fares policy options for subsidised services described above. In either case, this would result in the withdrawal of services considered socially necessary or a new round of tendering with a possible increase in subsidy, unless the commercial operator considered that his return was insufficient (because the route did not yield enough revenue for several operators), and in the meantime gave notice of withdrawal.

4 Establishing demand patterns

If the public authority powers are to be restricted solely to registration through the Traffic Commissioners, then the county council role in collecting and making available market data will be removed. Smaller companies especially in early years will not have the resources or the expertise to

carry out the type of market analysis which the big groups have done. The passenger will not fully be aware of what services are available, and will not be able to demonstrate what he wants. Frequent changes resulting from an unstable range of services will lead a proportion of them to seek alternative travel modes.

A Competitive Franchising System

The objectives of such a system would be in line with those of the competition legislation:-

- enabling bus services to be provided in a competitive market
- reducing operating costs and revenue support levels
- making bus operations more demand sensitive improving value for money
- preventing large companies dominating the market

Such objectives could be achieved within a competitive framework yet reducing the instability referred to above. The franchises would be issued by the Welsh Assembly Government, the Scottish Executive (if similar legislation were applied there), the local authority (who would also be the co-ordination and subsidy authority) for a route, group of routes, travel corridor or small area. This is similar to the London Transport scheme which is closer to franchising than to deregulation, and its adoption suggests that there are variations between the two which could provide a better competitive framework than the one currently in use.

Competitive franchising will prevent a return of the pre-1930's situation with many operators, constant changes in timetables and passenger confusion. In the present state of the bus passenger market and given the presence of the car as an alternative, which was not so in the 1920's, many passengers are likely to change modes.

Its effect will be to take competition off the roads and instead establish pre-operational (supply side) competition under the aegis of the franchising authority. A form of competitive franchising can meet many of the operation and financial problems inherent in the current competition-based approach White Paper. It would:-

- allow competition;
- provide a more secure market for restructuring bus service provision;
- prevent instability
- enable the retention of the county councils' co-ordinating function, and the continuity of proper timetables and regular operations;
- provide value for money;
- take competition off the roads, but allow its full value to be achieved within a franchising system;
- enable a phased introduction of its proposals;
- allow alternative forms of competitive franchising to be pursued;
- allow for an integrated bus network;
- enable the subsidising authority to predict its

subsidy expenditure more accurately; efficiency can be achieved without the existence of an unstable market.

Characteristics of a Competitive Franchising System

- 1 Routes would be specified by the franchising authority and tenders invited from potential operators. Such routes might be profitable or unprofitable.
- 2 The operator awarded the contract would not have to face subsequent competition on the routes specified during the contract period.
- 3 The franchise would be granted on the basis of the lowest subsidy requirement for a specified group of services. An alternative is to allocate a specified amount of money for the service package and award the contract to the operator providing the highest service level.
- 4 The subsidy would be awarded for the whole of the contract period.
- 5 The contract period would be three to five years. The minimum period is determined by the operators' requirements to make a reasonable return on investment and the maximum period must allow for competitive re-advertising, sufficiently frequently to encourage the contractor to provide a quality of service required by the passenger and the franchising authority.
- 6 The right to develop subsidiary interests such as vehicle maintenance, advertising etc as profit making functions.
- 7 An operational plan and financial forecasts should be provided at the application stage. Performance can then be monitored against this plan.
- 8 Assets such as buses and garages, and employees, could be transferred from an operator losing a contract to the newly contracted operator at the end of the franchise period. This would provide further encouragement for a higher quality of capital equipment to be included in an operator's investment programme.
- 9 All revenue and profit, together with the agreed subsidy figure, could be retained by the operator in a shire county franchising arrangement. Alternatively the present Transport for London (TfL) process could be used. TfL receives all fares revenue and the operator receives an agreed sum for running the services.

The size of each franchised operation will be small enough to enable companies of varying size to compete, so achieving a particular White Paper objective.

Such a system of competitive franchising has features in common with that currently operated by the Department for Transport (previously the Strategic Rail Authority) for rail services. It has also been accepted as a suitable method for London's buses and has already been shown to a workable framework for competition and subsidy. In the free competitive market it is a common form of selecting operators for food retailing outlets. It is this parallel with the highly competitive and profitable franchised operations used by familiar high street companies such as McDonald's fast food chain, which

suggests its suitability for the competitive aspects of bus operations.

It would achieve the benefits of competition whilst providing greater stability and co-ordination of services. Such a scheme has wide support amongst a variety of organisations in Wales, and also in England and Scotland. The value of competition in public transport is accepted as a means of achieving better defined value for money from bus subsidies and the alternative outlined here is essentially about the detailed implementation of a competitive scheme.

The passenger railway has been franchised as a part of privatisation of train services. Considerable discussion took place on the form of privatisation and the belief was that network benefits (eg integrated timetables and tickets between companies could only be achieved if a franchising authority (OPRAF, then the Strategic Rail Authority and now the Rail Directorate DfT) was in place. Ironically no discussion took place between the Government and British Rail Management according to John Welsby, Chairman of the British Railways Board, at the time (BBC Radio 4 interview 2006). Rather than rehearse again the benefits and disbenefits of competitive franchising this article sets out key issues to consider.

Railway Ownership

- Who should own the track?
- Is rolling stock leasing appropriate?
- What is there left in a train operating company?

Competition for Franchises

- Thatcher/Major government objectives
- Private ownership
- Competition on the routes

Railway Operations

- Network timetable
- Network ticketing
- Discounts on journeys with several train operating companies

Marketing

- Private sector marketing skills – flexible tickets
- Need to fit with network tickets
- Contractual requirement for network tickets in franchise

Number of Franchise Applicants

1993/96 John McGregor, Secretary of State for Transport claimed 50 bidders
2006 6/7 Companies

Characteristics of a Competitive Franchising System

- Route/network “owned” by franchisor
- Routes specification from franchising body
- Franchise to lowest public cost operator
- No further competition on franchise route/network
- Subsidy for whole contract period (or mutually agreed changes)
- Operational plan and forecasts (performance monitored against plan)

- Private assets sold to new operator/franchising authority if franchise lost (value issue)
- Subsidiary activities can be developed
- Revenue/profit/subsidy allocation (between franchising authority and operator)
- Gross or net
- Achieves benefits of competition without disadvantages

Prospects and Question 1

Were the objectives achieved?

- Finance
- Adequate long term funding?
- Continuing subsidy
- Same criteria used for evaluation
- Road/rail?
- Safety costs – Who pays?
- Treasury financial guarantees?
- Allocation of joint costs eg Paddington station/Reading station

Prospects and Question 2

Has rail privatisation:-

- increased train frequency?
- at lower cost to the tax payer?
- with more modern trains?
- with faster higher speed trains?
- with high levels of infrastructure investment?
- and reduced journey times?

If the answer to all or most of these questions is ‘Yes’ then the current position in structural terms is appropriate. However, the financial regime imposed by the English Department for Transport, which involves operators making premium payments to the UK Treasury has already seen one franchise (East Coast Main Line – operated by GNER) become a management contract. This is not the approach taken by the Welsh Assembly Government, nor by the Scottish Executive, both of which have invested heavily in and increased subsidies for rail operation enhancement.

Conclusion

The benefits of competitive franchising far outweigh the ‘market forces’ ability to provide the best level of service and best value in terms of publicly financial subsidy. The objectives set for public transport are wider than the profitability of the companies. The increase in social inclusion, a reduction in congestion and the delivery of a sustainable environmental future are all objectives of the UK Government and the Welsh Assembly Government transport policy.

The private providers cannot however be expected to fund these additional elements – that is the role of the public authority. The contractual arrangement which best suits the provision of public services, brings all the benefits of competition and allows the private sector efficiencies to be achieved is competitive franchising as argued in this article.

The Evolution of Municipal Trading

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In 1883 Huddersfield Corporation became the first municipality to operate its own tramway, by special derogation from the Board of Trade, as no private contractor could be found to operate the system on acceptable financial terms.

Steam trams ran from 1883 until replacement by electric cars was completed in 1902.

[Source: Huddersfield Passenger Transport Group website, 2006]

Abstract

This paper examines the rise of Municipal Trading from the late 19th Century onwards, concentrating on municipal transport, in particular tramways and buses. The development and evolution of municipal trading undertakings is placed in the context of the prevailing legislative structures and political ethos. The story is taken forward through the period of growth and profitability, and examines the rise of competition and its consequences, firstly for municipal tramways and subsequently for the successor bus undertakings. The arrival of alternative ownership and managerial strategies is outlined, including nationalisation, combination under Passenger Transport Executives, municipally owned companies, public transport planning and co-ordination, public-private partnerships and outright privatisation. Conclusions are drawn with regard to the role of local authorities in business and to options for the future.

1 ~ Origins, context and political environment

Laski et al [1935, 11] considered the Municipal Corporations Act of 1835 to have "made possible the growth of the modern local government system". Prior to this, "when a town wanted some public service or improvement, it appealed to Parliament for a Special Act, and Commissioners were set up to undertake the supply of gas or the paving of streets or the making of sewers or whatever the special task might be" [op cit, 41]. The 1835 Act enabled but did not oblige the Commissions to transfer their powers to the town councils. By 1848, of the 125 incorporated towns with organised draining, cleansing and paving, in 30 (38%) the powers remained with Commissioners, in 29 (36%) they were vested in the council and in 66 (53%) the powers were exercised jointly. From the 1840s onwards, greater powers were given to authorities to provide certain services, including the provision of parks, libraries and museums, under their own local Acts, without resort to the Government. Although not municipal trading as such, these developments may be seen as steps in that direction. The distinction gradually evolved between municipal trade, the sale of a product to a voluntary purchaser, and the provision of a public utility, a free service to the whole body of ratepayers.

During the second half of the 19th Century, various pieces of legislation were passed that paved the way for local authorities to trade commercially, such as the Gas and Water Works Facilities Acts of 1870 and 1873, Tramways Act 1870 and Electric Lighting Act 1888. Previously, statutory powers, in the form of a Private Bill or Local Act were required to obtain authority to open up a public highway, for example for the purpose of laying mains, but henceforth local authorities were able to obtain the necessary powers under Provisional Orders. *Authorised undertakings* were created, which might either be local authorities, commercial companies, or mixed. Examples of the latter included the Manchester Ship Canal and Sheffield's public transport system.

The principal trading activities entered into by local authorities from this time onwards were water, gas, electricity and transport [Laski, op cit, 299-331]. Other activities included markets, burial grounds, ports, baths and wash-houses, some of which are still local authority run. Birmingham had a municipal savings bank and Hull

its well-known telephone undertaking, in which the City Council retains a minority shareholding.

In the early 19th Century, competition had been looked upon as the right way to ensure the efficient and economical provision of services, but towards the middle of the century, opinion was shifting in favour of municipal control or regulation. Motives for the change were based on the experience of competitive supply, for example of gas. Shortcomings were identified in the quantity and quality of supply and there was poor consumer protection. There was a need for expanded services, which it was perceived that private companies would be unable or unwilling to provide, a desire to co-ordinate street-works and a wish by municipalities to benefit from the profits to be earned [Laski, op cit, 303-309].

The evolution of the collectivist philosophy partly arose as a result of services that had been considered as luxuries increasingly being viewed as essential, such as the supply of gas for lighting and even of piped water on a continuous basis; and therefore to be made available to the complete population as a right. Opinions were expressed both for and against municipal trading, with a tendency towards polarisation along political lines. The Fabian Society publishes numerous pamphlets setting out the case for municipal involvement in a wide range of trading activities, which are considered below. Whilst some opponents of municipal trading were private sector industrialists [see in particular evidence from Garcke, below], others represented conservative, libertarian organisations such as the Liberty and Property Defence League, established in 1882, Industrial Freedom League [1902], Anti Socialist Union and London Municipal Society [1894], which "were supporters of extreme *laissez faire* policies" [Hietala, 1987].

2 ~ Case studies across the spectrum

Contrasting perspectives on municipal trading are to be found in the literature of the late 19th and early 20th centuries. Porter [1902], an American addressing the British Association's Economic Section introduced the fundamental idea of the founders of the USA: "a form of government that would interfere as little as possible with individual effort and enterprise" and went on to state that railways and large cities' undertakings should be left "to make their advent with as few restrictions or obstacles as possible". Porter considered that in the 1840s and 1850s "an epidemic similar to the present fervour for municipal trading" had caused cities and states in his country "bankruptcy and ruin", with local authority and state bonds for railways going in default. As a consequence, the US government introduced debt limit clauses, generally of 5-10% of the assessed value of property, with the outcome that few American cities owned or operated tramway, gas or electricity companies. Porter observed that this had not stopped the supply of such local utilities; there were 20,000 miles of street railways, mostly electric, paying taxes on capital for using the streets and bringing "as much revenue to the municipal treasury as the profits of your best-managed municipal enterprises".

Porter criticised the fare policies of English municipal

tramways, contending that the policy of low short distance fares of 1d or even ½d resulted in financial losses and increased taxation. Even where profits were earned, they often vanished when the "stern test of shareholders' dividend warrant is applied to them". Emile Garcke – was it he who invited Porter to the British Association, one wonders? – contended that municipal enterprises should cover all their costs, including those of municipal taxation foregone and contributions to a sinking fund for depreciation. Any profits should be applied either to price reductions or to increasing the sinking fund contribution, but not to rate reductions.

Suthers [1903], writing in a publication of the Socialist and Literary journal *The Clarion*, expressed a preference, on behalf of citizens and ratepayers, for "keeping the profits and advantages of or tramways to ourselves", rather than giving them to "outside dividend hunters". Suthers considered the evidence that municipal undertakings were cheaper, better and of more benefit to citizens to be "so overwhelming it seems almost ridiculous to ask the question" and that campaigners against municipal tramways used "lies, misleading statements, fallacious arguments [to] frighten citizens into voting against municipal tramways".

The case for municipal trading was made by Smart [no date], the Independent Labour Party [ILP] candidate for Huddersfield, to the Manchester Labour Party. Smart wanted the "attention of every Socialist directed to the Municipalisation of Monopolies that are ripe for corporate control: gas, waterworks, electric lighting and power supply, the tram and omnibus service". He considered municipal clothing departments should be created to make uniforms for the police, workhouse inmates, etc, that are "too frequently made in the sweating dens of Leeds and the East End of London". Trams and omnibuses "should certainly come under communal management and be worked for public convenience, not the dividends of idle shareholders". Smart considered Huddersfield's trams to be well managed and only to be capable of more economical operation by means of longer working hours and lower wages. He supported the principle of subsidies and cross-subsidisation: "In Huddersfield some lines pay, others not" and said the public favoured supporting losses from the rates. The concept of subsidising a private operator was clearly not in his mind: "If run by the private sector for profit, the unremunerative part would be discontinued". He also favoured a flat fare for any distance – which he called the "Democratic Penny" – with any loss made up from the rates.

Smart and others favoured the municipalisation of numerous other trades, for a range of reasons:

- Bakeries to combat the horrifying conditions of bread production: damp, sewage, floods, stench, "no sanitary convenience for the men", "heaps of flour dust and old bread...lie for weeks...egg shells and refuse thrown...abound in life...water closets inside the bakehouse...circumstances that admitted of the baker's boy supplying a regular supply of meal worms to a bird fancier have not entirely disappeared". Whereas municipal bread factories were "clean, sanitary, mechanised and free from

deleterious and innutritious compounds with which the bread of private enterprise is so notoriously adulterated". The Fabian Society [Tract No.94, 1900] pointed to "injurious" working conditions, adulteration, short weight and to the Master Bakers' Associations keeping prices artificially high, and cited as a precedent the London County Council's operation of bakehouses in five asylums.

- Coal yards to combat exorbitant prices and price rings
- Laundries, which were already seen in London and on the continent, to combat poor health due to steam and moisture in the home
- Farming to guarantee scarce food supplies in war time
- Drink traffic: "the brewers and distillers are the greatest enemies with whom we have to deal". Pickles [no date] observes that the brewers' and publicans' philosophy of "getting rid of as much drink as possible" would be countered by eliminating the private interest. The Fabian Society [Tract No.86, 1898] advances a comprehensive case for municipalising drink traffic, for reasons including the trade's profitability, poor product quality, near monopoly, political power and, of course, discouragement of excess drinking

Lest one should think Smart was going too far, he did warn his audience to "beware rash enthusiasm to municipalize everything". The generally cautious and careful LCC, he stated "has had a bad attack of the fever lately" and "has seriously proposed to start a municipal pawnshop. It might as well attempt to start a municipal brothel". The Fabians [Tract No.91, 1899] however, did support the municipalisation of pawnshops.

Short [no date] advocated municipalisation of milk supply because of the need for a pure, adequate supply, to reduce the baby death rate (which had risen due to malnutrition and disease, attributable to adulterated and contaminated food and watered down milk) and to end the wasteful duplication of delivery rounds. The Fabian Society [Tract No.90, 1899] referred to the private supply of milk as "Death in the Milk Pail". Fabian Tracts are consistently good at presenting precedents for the municipalisation policies they favour; in this case Nottingham's supply of milk from its own cows to its own hospitals is put forward as an example of a good way to begin - with public institutions.

Pearson [1898], a member of the Sanitary Committee for Bristol, said that when drainage had first been "forced on municipalities as a public duty by population density", this had been seen as "the first step on the downward course leading to the pit of socialism"; but he reassured his audience that at the present time "few regard it in this light". Concern was expressed in a Fabian Tract on *London's Water Tribute* [No.34, no date] at apparent profiteering by private sector water suppliers. It was stated that it cost £700,000 to supply London with water, but that London pays £1,700,000 "because of dividends to

shareholders".

The Fabians [Tract No.35, no date] also favoured the municipalisation of London's docks, on the grounds that leaving them in private hands brought the "punishment" of casual labour and deterred decent labourers, and markets. Uncertain employment was seen as a greater problem than low wages in the docks. The precedents of the public sector Mersey Docks & Harbour Board and the Thames Conservancy [which was responsible for the River, but not the associated docks] were noted with favour. Poor accommodation at and the dispersed nature of London's markets was criticised. The Fabians recommended the LCC be designated the Central Market Authority for the whole of London, which would enable the capital to have decent market accommodation, as seen in the publicly controlled markets of Leeds, Bradford and Les Halles, Paris.

In 1900 [Tract No.97] the Fabian Society recommended municipal takeover of Thames passenger steamers, whose operation in private hands was described as "intermittent". The successful operation of municipal steamships on the Mersey was praised, including a rapid return to profitability after the temporary setback caused by the opening of the cross-river Mersey Railway. In further tracts [Nos. 92, 94, 95 and 96] the Fabians also advocated the municipalisation of slaughterhouses, bakeries, hospitals and fire insurance.

In Pearson's words [op cit, 1898], municipal trading should "be for the provision of those necessities of civilisation which are so large as to be beyond the power of individual effort to supply and which do not form part of any Government Department". For the most part, other commentators supported the similar principle of municipalising products that had a social value and were used throughout society. Exceptions were the trade in alcoholic drink, where the objective of municipalisation was to curtail abuse and the evil consequences thereof; and some support in the case of pawnshops, where the overriding objective was to reduce the scale of an 'undesirable' trade. This philosophy appears not to have extended to any support for the concept of municipal brothels.

Sometimes municipal trading took place 'incidentally', as in the case of the supply of milk to asylums in Nottingham referred to above. Another example arose from the trade in the by-products from refuse collection, such as sales to farmers as fertiliser, in Glasgow from 1862. By the early 20th Century, the dumping of sludge etc. on leased land had evolved into the purchase of several farms, the last acquired as late as 1940. Produce was mainly consumed in the city's own stables, but the farms traded profitably and were only sold off in the 1960s [Campbell, 2006].

Hull Telephones

An interesting and long-lived example of municipal trading is provided by Hull telephones. The Telegraph Act 1899 allowed municipalities to set up their own telephone systems under licence from the Postmaster General. Local authorities were given the power to establish their own telephone networks to compete with

the American owned National Telephone Company [NTC]. Hull Corporation was awarded its licence in 1902. In 1911 the Postmaster General secured a monopoly of UK telephone services, buying out the NTC and many local authority owned services, which had fallen foul of poor planning or commercial failure. Hull's bid for a new licence was made conditional on purchasing the NTC network in the city.

The council approved the purchase and the service survived as the sole municipally-owned telephone company. The structure of the service remained unchanged until 1987, when Hull City Council announced plans for a Municipal Company to be formed. A new licence was issued under the Telecommunications Act 1984, to the council's wholly owned operating company, Kingston Communications (Hull) plc, which became effective in 1988. In 1998, the company offered services outside its network area for the first time in 96 years, providing telecommunications services to customers in towns and villages across East Yorkshire where demand for its unique low cost packages – including untimed local calls – was high.

In 1999, the Kingston Communications Group was floated on the Stock Exchange. Whilst the era of complete municipal ownership ended, today, there are still 40,000 shareholders in the region and Hull City Council retains a 43.9% stake in the company [Kingston Communications plc, 2006].

3 ~ Tramways

The Tramways Act 1870 (Section 4) authorised a Provisional Order for the construction of a tramway to be obtained by the local authority of any district. Alternatively, an order might be obtained by "any person, persons, corporation, or company, with the consent of the local authority". Where the promoter of the tramway was not the local authority, the latter had the power of compulsory purchase after the expiry of twenty-one years (Section 43). It was normal practice for the operation of any tramway promoted by a local authority to be contracted out to a commercial company.

Section 19 of the 1870 Tramways Act permits, but does not require, a local authority to subcontract operation of the tramway it has promoted ("the authority *may* [emphasis added] demise to any person, persons, corporation or company the right of user") and further states that "nothing in *this* [emphasis added] Act contained shall authorise any local authority to place or run carriages upon such tramway". In Chapter XIV of Laski [op cit, 321], William A Robson suggests that the wording of Section 19 "obviously" does not veto the operation of a tramway by a municipality, but merely defines "the limits to the powers conferred" by the particular statute. Perhaps he was relying on Section 10 of the Act, which indicates that details of the "nature of the traffic for which the tramway is to be used" are to be set out in the Provisional Order. A similar interpretation was made in evidence to the 1900 Joint Select Committee on Municipal Trading; that the intended effect of Section 19 "was not to prevent local authority operations, but to require them to

obtain a Special Act or Provisional Order to do so". Robson maintained that the embargo on local authority's working a tramway was only subsequently imposed by means of amendments to the Standing Orders of both Houses of Parliament.

In 1879, a House of Lords Select Committee had still only felt able to recommend the municipal ownership, construction and maintenance of tramways, but that their operation should continue to be by private companies [Joint Select Committee, 1900]. Robson observed that "the attitude gradually changed" and in 1882 the Huddersfield Corporation Act gave the Board of Trade the power to authorise a local authority to operate a tramway, if no suitable lessee could be found. Thus in 1883 Huddersfield Corporation became the first municipality to operate its own tramway, popularly stated to be because no private contractor was prepared to take on the responsibility in such a hilly town [Sleeman, c.1962; Gilham & Wiseman, undated]. Huddersfield also pioneered the practice of a municipal public transport operator running services in a neighbouring district; a practice that is still evident, and was brought to the fore by Blackpool Transport's purchase of the neighbouring Fylde (Lytham St Annes) bus undertaking in 1996.

Up to 1896 each application for municipal operation was considered individually, but thereafter "power to work tramways was freely granted to local authorities by Special Act or Provisional Order". Operating powers were granted in 1892 to Newcastle, Blackpool, Plymouth and Newport corporations, but an application in 1889 in Liverpool was refused. Robson states that "Blackpool took the law into its own hands, and ran its tramway system for some time without waiting to obtain Parliamentary sanction", although according to other sources the service was initially company-operated and was only taken over by the Corporation in 1892 [Robson, in Laski et al, 321-322].

By the time of the Electric Lighting Act 1882, municipal trading had become more widely accepted. That Act allowed local authorities to be designated as "authorised undertakers" from the outset. By the end of the 19th Century it was becoming apparent that local authority areas were too small for efficient electricity supply and investigation by a joint House of Lords and House of Commons Committee of 1898 led to the creation of a number of power companies with responsibilities extending over wider geographical areas. Whilst municipal electricity companies set up under the 1882 Act had been liable to compulsory purchase by municipalities after twenty-one years, in the same way as tramway companies, the regional companies set up after 1898 were exempt from such liability.

A similar situation arose with regard to tramways in localities where travel demand extended across municipal boundaries. Addressing the 1900 Joint Select Committee [1189-1222], the tramway entrepreneur Emile Garcke [Managing Director of British Electric Traction, Council Member of the Tramways & Light Railways Association and past Chairman of the Electrical Section of the London Chamber of Commerce] complained of "fruitless" discussions with local authorities to try to achieve

standardisation in tramways, citing the different gauges of four Yorkshire undertakings in evidence: Bradford 4', Leeds 4'8½", Halifax 3'6" and Huddersfield 4'7¾", and opined that whilst horse and steam tramways were very local, electric tramways should go over long and wide distances. Garcke considered local authorities to be too parochial to run such systems effectively and economically, and maintained that only commercial companies had foreseen the potentially huge increase in traffic between districts that would take place over the coming 35 years.

Garcke and others opposed to municipal trading put forward a range of arguments in their evidence to the Joint Select Committee to try to persuade legislators not to back it. Municipal works departments gave too much power to employees and did not exhibit a proper master-servant relationship [William Shepherd, building contractor]. Alan Swinton, representing the Institution of Electrical Engineers considered "the country's great backwardness (to be) due entirely opposition from municipalities regarding electrical matters". Even supporters of municipal trading disclaimed the intention of "trespassing on the legitimate province of the private sector" [Sir Alfred Rollit, President of the Association of Municipal Corporations, evidence to Joint Select Committee, 1900, 764].

The relaxation of conditions for the authorisation of tramways under the Light Railways Act 1896 failed to satisfy Garcke. Although the new Act contained no purchase clause and did not stipulate local authority consent, Garcke complained that "So long as the Tramways Act (1870) remained on the statute book, they (the Light Rail Commissioners) considered themselves more or less bound to adopt its principles, although they were absent from the Act that the Commissioners were appointed to administer" [Garcke, 1907, 59].

The number of municipal tramways grew rapidly from the late 19th Century onwards. In 1900 61 (41%) out of 150 tramway undertakings were in local authority hands and 89 (59%) operated by private companies. By 1913 the municipal share had risen to 67% and in 1925 to 80%. In 1933, 139 out of 172 tramway systems (81%) were run by municipalities. 133 of the 139 council systems were earning profits. In the same year 29 of the 35 trolleybus systems were local authority operated [Laski, 1935, 322, 288].

Tensions were often to be observed between the desire not to exploit passengers by charging excessive fares and not upsetting ratepayers by demanding subsidies. Suthers [1903] pointed out that towns with municipal trams did not have higher rates than those without them, but at the same time claimed that service was more important than profit for a municipal tramway operator. He calculated that if the municipal trams in South London had not been run by the municipalities, but by companies, as were those in North London, passengers would have paid £107,000 a year more in fares. Benefits cited for municipal tramways, compared to the same systems before takeover, included:

Glasgow ~ hours worked -25% wages +25%

Liverpool ~ fares halved, hours down, wages up, free uniforms, mess and entertaining rooms at depots, a Benefit Society to which the Corporation contributed 33%, sick and accident relief, medical and death grants. Between 1897, the last year of company operation, and 1902, the number of passengers carried rose nearly threefold (from 38.4 million to 109 million), miles operated doubled from 6 to 12 million and revenue increased by 74%, from £291,000 to £507,000. The lower percentage rise in revenue than in patronage will be noted as evidence of the cheaper fares

Sheffield ~ service frequencies increased from every 10-15 to every 2½-5 minutes, fares down 50%, drivers' hours down from 15 to 10 a day, meal breaks awarded

Similar improvements to services, fares and staff conditions were cited in Hull, Manchester, Leeds, Huddersfield, Sunderland, Nottingham and Bradford. Notable innovations mentioned in Suthers' report included a week's holiday (Sunderland) and a day off a week (Nottingham).

Joint Undertakings

A few joint undertakings were set up, to enable a unified municipal public transport services to operate across contiguous local authority areas, for example the Stalybridge, Hyde, Mossley and Dukinfield Joint Board in 1903, Stockton and Thornaby Joint Committee (1920) and Burnley, Colne and Nelson Joint Committee (1932). An alternative form of agreement was that between a municipality and a railway company (e.g. in Todmorden, Huddersfield, Halifax and Sheffield) and in Brighton, Bristol, Keighley and York with bus companies [Sleeman, 1962]. In the tramway era the determination of an agreement could avoid situations such as that at Wolverhampton, where the corporation's purchase of a tramway company excluded the small part of the network lying outside the borough [evidence from Garcke to Joint Select Committee, 1900].

Under the Road Traffic Act 1930 municipalities ceased to be the Licensing Authority for bus services and it became possible for municipal undertakings to obtain licences from the Traffic Commissioners to operate buses outside the parent district, although Road Service Licensing did not extend to trams. However, trams were losing out to bus competition at this time for other reasons, including cost, lack of technical development, inferior commercial speed, general obsolescence and due to urban expansion. The removal of bus service licensing from local authorities must also have contributed to the demise of municipal tramways.

Under subsequent legislation combination between municipal or former municipal undertakings took place on a much wider scale. London Transport, created in 1933, took over and merged the former municipal tramway services of the London County Council and corporations such as Croydon, Ilford and Walthamstow, along with those of private operators such as London United [London Passenger Transport Act 1933; Barker, T C and R M Robbins, 1963, 1974: Vol.2, Chapter XV]. After

abortive discussions in the 1930s in respect of Manchester [Sleeman, 1962] it was only with the creation of the Passenger Transport Authorities and Executives in the late 1960s and in the 1970s that comprehensive amalgamations of municipal bus undertakings took place there and in the other non-London conurbations [Transport Act 1968, Local Government Act 1974].

4 ~ Buses

Municipal authorities found themselves at a disadvantage compared to the private sector from 1920 onwards, when their ability to prevent competition with municipal tramways was weakened [Road Traffic Act 1920]. It was difficult for a local authority to introduce its own bus services, as it had firstly to obtain Council sanction, then to advertise in the London Gazette and a local paper and finally to obtain parliamentary authority [Baker, 1936]. In contrast, it had become easy for a private operator to obtain a licence and to "take the cream of the traffic from the statutory undertakings". A private member's Bill promoted by the Municipal Tramways and Transport Association in 1926 that would have simplified the procedure for obtaining a motor bus licence was defeated. Municipalities also failed to achieve protection from competition for their bus undertakings, for which they argued in evidence to the Royal Commission on Transport in 1930, on the grounds that the traffic was theirs by right where it had been created by a statutory municipal tramway [Royal Commission on Transport, 1931, para.364].

The first local authorities to run buses started out directly with this mode of transport, although later many began through converting former tramways. The first conversions were Keighley [trolley buses] and Kilmarnock [motor buses] in 1924. From eighteen in 1914, the number of local authorities running buses had risen to ninety by 1928 [Hibbs, 1968, 195]. This number changed little over the coming forty years, but between 1969 and 1974 the formation of the seven Passenger Transport Executives took some 30 council undertakings out of direct municipal control. 44 English and Welsh District and three Scottish Council undertakings remained under the direct ownership of individual local authorities.

In a few locations joint bus undertakings were set up, with either private sector companies, with a railway company or between neighbouring councils, as discussed above. In York, although in 1931 [West Yorkshire Information Service, 1977] the council had been granted licences for a comprehensive network of bus routes, it opted instead in 1934 to enter into a joint agreement with the West Yorkshire Road Car Company. This paved the way for the replacement in 1935 of the city's small, loss-making tramway network, which had been unable to meet the travel needs of rapidly developing new suburbs and had lost passengers to rising bus competition. Between 1930 and 1934 York's tram patronage had fallen by 17% [from 7.1 to 5.9 million passengers], whilst bus ridership had risen by 22% [from 2.8 to 3.4 million passengers] [Victoria County History of Yorkshire, 1961: from York Corporation minutes].

In London in 1920, the London County Council (LCC) had sought and been refused parliamentary consent to run buses, which would presumably have competed with those of the private sector. Some relief from competition became available under the London Traffic Act of 1924, which introduced the principle of limiting the number of buses that were permitted to operate on designated Restricted Streets [Higginson, 1993, 6]. Most tram routes became Restricted Streets.

The LCC may be criticised for failing to adopt the most up-to-date policies and equipment during its final decade as a tramway operator. It was slow to invest in modern rolling stock, building only one prototype 'Bluebird' car in 1932, in contrast to the hundred 'Feltham' cars placed in service by the private sector London United Tramways (LUT) and Metropolitan Electric Tramways (MET) companies in 1931 [Higginson, 1993, 11]. Further research might reveal whether it was shortage of available funds that prevented LCC from investing as heavily as LUT and MET, both of which were members of the London Underground group of companies, or lack of commercial acumen. The LCC was also tardy in the construction of reserved track tramways, even when the opportunity was seemingly present. For example, no attempt was made to segregate the tracks of the new Downham and Grove Park route, which was constructed on LCC-owned land at the same time as the road in 1927-28. The Council instead opted for conventional on-street running [Jackson, 1973, 302].

Other local authorities, notably those of Midlands and Northern industrial cities, made more progress with the modernisation of municipal tramway systems, although even this did not prevent their closure. There were extensive reserved track sections in Liverpool, Birmingham and Sheffield, for example, and two long reservations in South Manchester [Yearsley and Groves, 1988]. The construction of new cars continued after World War II in several cities. Leeds began making plans for a network of tram subways in the 1950s, but did not implement them.

Many of the smaller municipal tramways were converted to buses during the 1930s, leaving mainly systems in the largest cities to survive World War II. Apart from the special case of Blackpool's coastal service, conversion to buses was completed in England in 1960 (Sheffield) and in Scotland in 1962 (Glasgow).

Municipal trading has always been subject to political interest and involvement. Municipal bus operation was no exception, as a 1980 study shows [Higginson, 1980]. The study investigated five district council undertakings, those of Southampton, Northampton, Reading, Nottingham and Newport (Gwent) and found different policies and influences at each:

- Newport:** fleet standardisation, high mileage per vehicle due to high inter-peak service levels and a lot of private hire work; innovative ticketless fare system introduced to coincide with decimalisation resulted in reduced vehicle interior cleaning costs
- Northampton:** policy of introducing bus services to new parts of the town as soon as the first residents

moved in; cheap fares maintained when inner urban residents were moved to new outer housing estates; hierarchy of roads allowed car traffic to be concentrated on primary network, leaving secondary routes less congested for buses

Southampton: higher crew costs, but faster operation as a result of the retention of conductors; mid 1970s pro-bus policy by Labour controlled council resulted in extensive bus priorities and high car parking charges; policies replaced by stricter financial targets by Conservative administration after 1976

Reading: strong management, town centre bus priorities, but long-standing protection against competition from regional bus operators

Nottingham: early introduction of Park & Ride (1975) and free or very cheap city centre services (1972); short-lived and only partially implemented Zone and Collar scheme to limit the entry of traffic to the inner suburbs and city centre, associated with increased bus frequencies (1972-76) terminated by incoming Conservative administration (1976-79).

A dominant theme at four of the five undertakings (excluding Newport) was the frequency of policy changes, as political control of the council moved between Labour and Conservative. In some locations, for example Southampton, this factor was further complicated by both the District and County authorities (which had been responsible for public transport co-ordination since 1974) taking an interest in the municipal bus undertaking.

Trolleybuses

Trolleybuses had been an attractive proposition for many councils when tramway conversion took place, because it enabled them to combine the modernity of buses with continued use of municipal electricity supplies. Subsequently however, trolleybuses themselves succumbed to one of the tram's disadvantages, its lack of flexibility. Route extension to serve new suburbs would require costly and sometimes controversial overhead wiring. In and around town centres, road networks were in a state of flux, as authorities sought to accommodate increasing vehicular traffic.

The creation of one way systems was a particular headache where trolleybus operation was involved, but this did result in the formation of one of the country's earliest contra-flow bus lanes, in Reading in 1969 [Higginson, 1980, 41]. Here, Kings Road remained open to trolleybuses in both directions when the town's one-way system was put in; and the scheme remains to this day, albeit operated by diesel buses. Britain's last trolleybuses were those of the municipal Bradford City Transport in 1972.

5 ~ Evolution: nationalisation, arms lengths companies, ppps, privatisation

London was the first city in which municipal public

transport gave way to an alternative structure, on the formation of London Transport in 1933. The situation in the capital had always been anomalous, with only partial and fragmented coverage by municipal tramway undertakings, operating alongside company trams and buses, underground railways and main line suburban trains. London County Council had only been created in 1889 and become a tramway authority as late as 1899 [Oakley, 1989 and 1991, 141, 500]. The London Passenger Transport Board had been the brainchild of Herbert Morrison, Minister of Transport in the 1929 Labour government. When Labour was replaced by a 'National' government in 1932, it was thought the London Transport Bill might be lost. However, it was taken forward by the new Minister, the Liberal P J Pybus and passed into law the following year [Barker & Robbins, 1974 Vol.2, Chapter XV].

Morrison had initially supported the concept of a "joint municipal body representative of the local authorities in the area", but in the end concluded that:

"for this particular task it would not be the appropriate type of Authority. He had himself served on a number of indirectly elected *ad hoc* bodies functioning in Greater London. They had done very good work, but he did not regard them as a fully satisfactory instrument of local administration, and much less could he regard such a body as being suitable for conducting a huge business enterprise requiring day-to-day decisions on matters such as would confront the proposed combination of transport undertakings. It would be difficult for leading members of the Local Authorities to find time to serve on a new joint municipal body if it were established, and its numbers would inevitably make it unwieldy. Further, his own experience of joint authorities was that there was too much 'joint' and not enough 'authority' about them."

[Government press statement, October 1930
Quoted in Morrison, 1933, 119-126]

London's public transport did not remain outside local authority control for ever. The London Passenger Transport Board (1933-1947) was replaced in 1948 by the nationalised London Transport Executive (1948-1962), a subordinate body of the all-embracing British Transport Commission, which then gave way to the London Transport Board (1963-1969). In 1970, under the London Transport Executive (1970-1984), control reverted to a local authority, the Greater London Council (GLC), which was the responsible body until its abolition by the Conservative government in 1984. London Transport was reconstituted as London Regional Transport (1984-2000), which was again directly responsible to the central government - the Department of Transport.

Local authority control began again in London in 2000, when Transport for London was created as a comprehensive body responsible to the new Greater London Authority (GLA) for taxis, highways and services on the River Thames, as well as for public transport. An innovation brought in with the GLA is the position of

elected Mayor, a post occupied by and under the strong personal influence of Ken Livingstone. In a reversion to 19th Century practice, TfL does not operate London's bus and tram services, but contracts them out to private operators.

In summary, since 1933 London's transport has been through six different forms of control, including two contrasting periods under local authority control: 1970-1984 by the GLC, when it both planned and ran the services and since 2000 by the GLA, at which time it operates the Underground through its subsidiary London Underground Ltd and plans bus and light rail services. Outside London, the possibility of the creation of area-wide transport authorities on the lines of London Transport had been canvassed for many years.

Addressing the Institute of Transport in 1938, Alexander Gray, Professor of Political Economy at the University of Edinburgh, suggested that if the new regime in London proved a success, the creation of similar bodies in areas such as South Lancashire, Tyneside and Clydeside "would be difficult to resist" [Gray, 1938], although he did not say whether these should come under government or local authority control.

In fact, it was not until 1969 that the first of seven Passenger Transport Authorities were set up [Greater Manchester – originally SELNEC, Tyne & Wear – originally Tyneside, West Midlands and Merseyside], followed by Greater Glasgow [later Strathclyde Passenger Transport and now Strathclyde Partnership for Transport] in 1973 and South and West Yorkshire in 1974. The formation of the PTEs brought about the amalgamation of many former municipal bus undertakings, including for example the merger of the former Birmingham, Coventry, Walsall and Wolverhampton undertakings as part of West Midlands PTE, and of Sunderland and South Shields with Newcastle in the North East. Initially, the PTEs were responsible for operating and planning road passenger transport services, as well as for their co-ordination with local rail services.

Since 1986, under the Transport Act 1985, commercial bus services have been operated outside PTE control and the erstwhile bus undertakings privatised, leaving the PTEs only responsible for the procurement of non-commercial bus services and for some elements of rail planning. Twenty years after 'deregulation', the PTEs are still unhappy with the outcome, notably the inability to plan for additional frequencies on 'commercial' routes and the lack of control over fares [NERA, 2006]. After years of campaigning, it seems they may at last have found a sympathetic ear in the new Transport Secretary, Douglas Alexander, who has stated publicly that he proposes "to give councils more say over bus services" [Local Transport Today, 2006]. Braddock [2006] considers partnership and collaboration – between different operators and between local authority public transport planners and bus operators – to be of the highest importance.

The English and Welsh Districts and Scottish Regional Councils with their own bus undertakings ranged in size between several with only 30-40 buses each to Nottingham with almost 400 and Lothian (Edinburgh)

with 600. Over the decade from 1970 to 1980 all the district council bus undertakings experienced reductions in patronage, ranging from over 50% in Blackpool, Cleveland, Hyndburn and Lancaster to only 4% in Reading [Higginson, 1982, Table 8.1]. Perhaps counter-intuitively, patronage held up best in the wealthiest and least industrialised towns, as well as among the larger operators. It is thought that higher disposable incomes, higher unemployment in industrial areas and the combination of better bus services and worse traffic and parking conditions in the largest towns and cities lay behind these statistics [Higginson, op cit, Table 8.2].

The Transport Act 1985, Section 67, required any Council operating bus services to form a company to carry on the activities of the bus undertaking. Section 75 of the Act permitted PTEs and Councils, subject to sanction by the Secretary of State for Transport, to dispose of their bus companies. The majority of local authority bus undertakings, including all those formerly operated by the PTEs, have now been disposed of, leaving only around a dozen still in municipal hands at the time of writing. A variety of different outcomes have been seen, which include the following:

- Probably the most successful municipal disposal of all was that of Grampian Regional Transport, the Aberdeen bus undertaking, which has evolved, in its privatised guise, into the multi-modal, multi-national First Group
- Management buyout, e.g. Plymouth and Preston
- Sale to a private sector group as continuing operations, e.g. to First in Glasgow, South and West Yorkshire, part of the undertaking to each of First and Stagecoach in Greater Manchester, Derby City Transport to Arriva and Northampton to First. Several former municipal bus undertakings have been through several different ownerships since privatisation, most often as a result of the consolidation of the bus industry into a major groups: Colchester and Southend via British Bus to Arriva, and Cleveland Transit via a management buyout and eventually to become part of Stagecoach, for example
- Sale to private group and absorption into the operations of an existing company, e.g. in Barrow and Lancaster to Stagecoach [Wolmar, 1998, 94-96]
- Part sale, such as the 10% shareholding in Nottingham City Transport by the French Transdev. In Nottingham, this has given the municipal company the financial and managerial resources not only to survive in majority local authority ownership, but also to become the operator of the successful Nottingham Express Transit tramway. Another French group, Keolis, has a 20% shareholding in Britain's oldest municipal bus operator, Eastbourne Buses, which began operations in 1903.
- Cease trading prior to completion of sale, in the face of private sector competition. In Darlington, Stagecoach commenced free 'shadow' operations in competition with the incumbent Darlington Borough Transport in 1994, which the municipal operator lacked the financial resources to fight off [Wolmar, 1998, Chapter 9 *Piracy in Darlington*]. A possibly similar outcome can be foreseen currently in Chester, where Arriva has stated its intention to operate a

parallel network, rather than wait to make a competitive bid for the City bus undertaking. Whilst such forms of competition attract criticism, from the aspiring market entrant's perspective, a pre-emptive strike makes sense, as [so long as no other potential entrant adopts the same tactics] it can be fairly certain of becoming the successor undertaking. In contrast, the chance of winning a competitive auction for the municipal as a going concern is not only smaller, but bidding is also expensive in its own right. This is not to say whether the action is or is not in the passengers' interests, but merely to set out a commercial rationale for it.

- An example which is thought to be unique is the return to the municipal sector of the privatised former local authority company in Fylde [Lytham St Annes]. Here, after the small municipal undertaking had been privatised it fell into financial difficulty and was purchased by neighbouring municipal Blackpool Transport in 1994.
- Companies remaining in the municipal sector include Reading, Thamesdown [Swindon], Ipswich, Nottingham, Cardiff and Blackpool. The Chester and Blackburn undertakings are in the process of sale. Scotland's one remaining local authority bus undertaking is Lothian [Edinburgh]. In Edinburgh, in 2002 City of Edinburgh Council set up Transport Initiatives Edinburgh [tie limited], as a non profit making arms length municipal trading company, to be the delivery arm of its transport projects, under the *Transport Edinburgh* brand; a rare example of a newly established municipal trading arm. tie is promoter of the Edinburgh Airport Rail Link (EARL) Bill, of the Edinburgh *Fastlink* busway and of the Edinburgh tram project.

6 ~ Conclusions

The concept of municipal trading has survived from Victorian and earlier origins up to the present day, although what remains is small compared to the scale achieved in the first half of the 20th Century. It is clear from examination of opinion since the early 19th Century that the concept of municipal ownership of productive services became increasingly accepted towards the end of the 19th Century, in particular where public service goods and services were concerned. There was also support for local authorities to assume the role of protectors of public health and well-being, or protect the public from their own weaknesses, by owning and thereby restricting the consumption of undesirable products – notably alcoholic liquor. Although some private sector businessmen opposed the principle of municipalisation and lamented the lack of commercial drive and managerial strength of the municipal sector, they were in a minority in the late Victorian and Edwardian era.

Municipal control of public transport remained dominant in most of the larger towns and cities, and a number of smaller ones, until the Transport Act 1985 ushered in the new era of privatisation. Perhaps the high spot occurred in the late 19th and early 20th Centuries, when municipalities exercised their powers to purchase private sector tramways and quickly upgraded and electrified

them. The momentum was lost in the face of un-regulated, private sector bus competition in the 1920s, although the sector enjoyed renewed success in the regulated 1930s, before the onset of mass motoring, and in the petrol-rationed period during and after World War II.

An element of municipal pride in 'our' bus undertaking prevailed in many localities and can still be seen where local authority ownership persists. Somewhat perversely, as it is the same populace who will benefit from them, a good network of bus priorities often fails to achieve the same public support, if they are to be used by private buses.

Whilst the Transport Act 1985 obliged councils to reconstitute their bus undertakings as wholly owned companies, it did not enforce outright sale and a small cohort remains in 2006. Three quarters of the municipal undertakings remaining after 1985, and all the PTE-controlled companies, have subsequently been sold. A trickle of sales to the private sector continues, leaving around a dozen still in local authority hands. In several cases, a minority private shareholding has been conceded as a way of strengthening financial backing and managerial capability, but allowing overall control to remain with the local authority company.

Should we be watching to see where the last municipal bus will run? Braddock [2006] predicts that we should: "As another local authority-owned bus company is sold (and the next one is lined up on the starting blocks) it seems that it won't be long before the few remaining British municipals are also hived off". Or will the pendulum swing again, as it did in the 19th Century, when to many people monopoly was a term of praise, not abuse? The undercurrent of discontent with bus deregulation and privatisation has refused to go away, and there are signs that stronger public control, but not ownership, may be about to return. There are some signs that as the initially buccaneering privately owned public transport industry matures, it will gradually assume more of the socially conscious traits of the former public sector; the operation of a high quality service with a strong local identity, for example, as exemplified by companies such as Harrogate & District, by Stagecoach in Cambridge and by the Brighton and Oxford subsidiaries of the Go Ahead Group.

The creation of new municipal enterprises such as Nottingham Express Transit, the public-private partnership financed but city-controlled Nottingham tramway company; and Transport Initiatives Edinburgh, Edinburgh City Council's transport planning business, offer alternative perspectives. Perhaps local authority transport undertakings with new-found commercial strengths will enter the takeover market and evolve as wider public sector trading concerns, after the model of Hull's Kingston Communications. There could be strong public support for 'taking back' public transport; but politicians would need to develop a sufficiently sophisticated understanding of transport policies to avoid return to the game of political football that dogged municipal tramway and bus operations for a century.

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Ian Yearsley, tramway historian, for access to his encyclopaedic knowledge of the tramway industry and for the loan of various papers

The paper is the outcome of a fairly brief investigation, which has only scratched the surface of the fascinating topic of Municipal Trading. The topic is worthy of considerably greater study, to which I hope to contribute further in the future.

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The Nationalisation of Road Freight Transport: its origins and its legacy

Grahame Boyes

In his trailer for this conference in *Newsletter* no. 47, the editor describes the nationalisation and denationalisation of road freight haulage as 'the rather strange interlude that came and went quite quickly'. I don't see it quite like that: there are elements of continuity in the story going back to 1929 and continuing through almost to today. So I have decided to avoid going over the ground already covered in the *Companion to British Road Haulage History*, and to focus on the pre-history of the nationalisation of road freight transport and then on what I see as its legacy.

ITS ORIGINS

Although the Labour Party adopted a general socialist policy of nationalisation in 1918 — the famous Clause Four of its constitution — railways were the only transport mode mentioned in its 1918 General Election manifesto. The 1924 manifesto added nationalisation of canals, but road transport was not included until 1931 when the manifesto commitment was extended to cover all domestic transport.¹ The first seriously-argued case for nationalisation of road transport was in the evidence presented to the Royal Commission on Transport in January 1929 by A. G. Walkden, General Secretary of the Railway Clerks' Association. It was supported by John Cliff, Assistant General Secretary of the Transport & General Workers' Union, although he was arguing mainly for nationalisation of tram and bus services; he thought that nationalisation of goods road transport would present difficulties. More surprisingly, perhaps, it also received some support from Sir Maxwell Hicks, chairman of the Long Distance Road Haulage Committee, although he was expressing his personal opinion, not that of his committee:

'I am not advocating [nationalization]; I am merely saying I think it is worth investigating [the need for co-ordination of railway and road transport], bearing in mind that to carry it out efficiently would probably lead you to nationalization of the railways and to the nationalization of road transport; that I think would be the result if you would get a perfect system.'²

However, we should not be too surprised. We tend to think of nationalisation as purely a socialist policy, but in the inter-war years there were businessmen, politicians, academics and others, from all the main political parties and none, who argued a social and economic case for various forms of state intervention in industry and

business, including nationalisation. As regards transport, they saw the need to achieve co-ordination between the modes, particularly between rail and road, as paramount. They wanted to capture the higher levels of efficiency that they had seen achieved by centralised control during World War One, and to eliminate what was called 'wasteful competition'. This was particularly so after the Labour Party rejected direct control by ministers and civil servants, together with worker participation in management, and adopted the less-socialist model of a non-political National Transport Board, with its members appointed by the Minister of Transport and chosen for their ability and experience. This followed the pattern set by the British Broadcasting Corporation and Central Electricity Board, both of which had been created by the Conservatives in 1926/7. (It was, of course, also the model selected by Herbert Morrison for the London Passenger Transport Board in 1933.) By 1938 there was little difference between the policy of the Labour Party and an influential section of the Conservative Party led by Harold Macmillan.³

Following its victory in the post-war election of 1945, the Labour party was at last able to put its policy into effect. By now the goods road transport lobby, which had been only weakly organised before the war, was able to mount a campaign which persuaded the Conservatives to drop their support for including road haulage in the nationalisation plans embodied in the Transport Act 1947, but it was too late to stop nationalisation of road haulage. However, it did prepare the ground for the Conservative's de-nationalisation in 1953.

Nationalisation — the Size of the Task

Passing the Act was one thing; implementing it was quite another. The numbers of A-licence operators at the end of 1947 indicate just how daunting the task was: 17,600 operators owned 84,000 A-licence vehicles plus, in many cases, vehicles with A-Contract and B licences. However, the implementation process apparently went smoothly. There are no published figures for the sizes of the A-licence fleets at this date, but those for 1938 are indicative: 51% of owners then had only one A-licence vehicle; 85% fewer than five; 95% fewer than ten; 99% fewer than 25. By far the biggest fleet owners were the railway companies themselves and the big railway-owned companies such as Pickfords and Carter Paterson. There were only about 30 independent road hauliers with fleets

of more than 100 A-licence vehicles. Even the three largest, with 500–800 vehicles each, were really relatively modest in size.⁴ Defining the haulage industry in terms of deployment of vehicles, it might be characterised as one-third small-to-medium sized businesses and two-thirds cottage industry.

Lessons of the World War II - Road Haulage Organisation

What undoubtedly helped the new Road Transport Executive (later the Road Haulage Executive) to plan and implement the setting up of British Road Services was the experience gained by the government in setting up the Road Haulage Organisation during the Second World War. Despite the contingency planning undertaken before the war started, it took the Ministry of War Transport four years from the outbreak of hostilities to complete the introduction of an organisation that fulfilled the needs of the war effort. This was partly because the industry was so fragmented, but chiefly, according to Christopher Savage, the official historian of Inland Transport in the Second World War, because the government needed the co-operation of hauliers to provide most of the management of the organisation, but many hauliers were unwilling to work under government control. It must, of course, be remembered that the wartime problem was much greater because it covered own-account as well as hire-and-reward fleets — over half a million vehicles.

The ultimate solution that was finally fully implemented in October 1943 was a two-tier one: (1) an Emergency Road Transport Organisation under 12 Regional Transport Commissioners (the pre-war Traffic Commissioners) that controlled local delivery and medium distance transport (up to 60 miles) through tight control of the issue of fuel rations; and (2) a Road Haulage Organisation under 12 Divisional Road Haulage Officers that exercised direct control of all movements of 60 miles or more and all government traffic (regardless of distance). The RHO was created by first taking over 388 businesses that were considered to be well-run, together with their staff, vehicles, depots and maintenance facilities. Each became a 'unit centre', providing its own Unit Controller (often its owner). These were allocated to 52 Areas, which were grouped into the 12 Divisions. The vehicles and drivers of 2,700 other businesses were taken over on a weekly-hire basis. In total the RHO eventually had control of some 34,000 vehicles. The key feature of the RHO was that it could direct its lorries and drivers anywhere to meet surges in traffic, for example to clear a congested port or to carry supplies to the south of England for Operation Overlord. Within the RHO there were also separate sections for traffics that required specialised vehicles (livestock, liquids in tankers, furniture removals, etc.) and also parcels.⁵

Much of this sounds rather familiar, since it was adapted for the Transport Act 1947 and the organisational planning of British Road Services. The Act came into force on 1 January 1948, only 16½ months after the RHO was dismantled, so the former way of doing things was still fresh in mind. The nationalisation of road haulage was confined to 'ordinary long distance carriage for hire and reward', long-distance now being defined as 40 miles or more, rather than the previous 60 miles. The term

'ordinary' excluded the types of cargo that required specialised vehicles, which had had to be organised separately by the RHO: liquids in tankers; goods for which there was a statutory requirement for specialised vehicles (e.g. explosives and inflammable goods); furniture removals; meat; livestock; felled timber on specially-constructed vehicles; and abnormal indivisible loads. Nevertheless, BRS did acquire such vehicles and traffics through its inheritance of Pickfords from the railways.

The Road Transport Executive set about the task in a similar way to the RHO. It first acquired the largest hauliers to add to the 45 inherited railway-owned companies and then used these to form the core of its organisation, to which it then added 'secondary undertakings'. By August 1949, 20 months after the programme began, the Road Haulage Executive, as it had now become, had merged more than a thousand companies into the first truly national road transport undertaking. This was based upon the former RHO organisation, but rather simpler: 8 Divisions, rather than the RHO's 12 which had been determined by the country's civil defence regions, and 29 Districts rather than 52 Areas. By 1951, when the election of a Conservative government brought the process to an end, the Executive had acquired 3766 undertakings, with 80,000 staff and 41,000 vehicles.

ITS LEGACY

What then of the legacy of road transport nationalisation?

Those involved in the management of the Road Haulage Organisation during the period 1943–6 and then the Road Haulage Executive after 1948 gained the know-how and experience of managing and operating large, national road haulage operations. Even after the end of denationalisation in 1956, the residual nationalised British Road Services was a group of still very large organisations, with some 16,000 vehicles. But new road haulage companies, much larger than any of the pre-war companies, were now being created in the private sector. An early example was the Wilkinson Transport Group, which was formed in 1954, grew rapidly through acquisitions into a major national parcels carrier that from 1971 was quoted on the London stock exchange, and in 1981 was the first British carrier to set up an automated central hub at Nuneaton. The biggest group to emerge from denationalisation was the Transport Development Group, which grew by acquiring a large number of haulage companies which were individually of only modest size, but by the 1970s had a combined lorry fleet of over 5,000.⁶

The significance of this development was that the size of industrial customers had been growing considerably since the 1920s. There were sufficient major companies by 1935 for the *Financial Times* to establish the FT 30 stock exchange index, the predecessor of the FTSE 100. The process of amalgamation accelerated after the war. From my own experience I can say that it is difficult for small firms to relate satisfactorily to large firms, particularly if the small firm is a supplier to the large firm. For the small firm, finding the way around the large firm's organisation

is bewildering, particularly when problems arise. For the large firm, the weak financial backing and limited resources of a small supplier represent a risk. And the relationship is very unequal when it comes to negotiating prices and terms. This is the farmer-and-supermarket syndrome.

I believe that this was *one* of the reasons for the growth of own-account (C-licence) operations. Large firms found it more satisfactory to set up their own in-house transport operation, rather than deal with several small hauliers. But since 1962, as the number of large national hauliers has grown, the proportion of traffic, measured in tonne-miles, carried by own-account lorries has fallen from a half to a quarter.⁷

By the mid-1970s, well before privatisation, BRS and National Carriers Ltd were having considerable success in adapting themselves to meet the needs of large clients — BRS through its concentration on contract services and NCL through its specialised distribution services, *Fashionflow*, *Chinaflow* and *Newsflow*. NCL, which you will remember was the old British Railways cartage service taken over by the NFC, became a market leader in ‘total distribution’ or physical distribution management, in which the transport contractor provides and manages the associated warehousing functions. The large high-street and out-of-town retail chains, with their massive demands for transport and storage, were the leading clients for this type of service, which, with the enhancement of ‘just-in-time’ principles, became known as ‘logistics’.

In 1989, following privatisation in 1982, NCL became part of the National Freight Consortium’s Logistics Division, alongside the former SPD Ltd, which the NFC had purchased from Unilever. The new division traded as Exel Logistics. This was extremely successful, turnover and profits more than doubling in four years. NFC decided that this was where its future lay and over the next few years it divested itself of its parcels and Pickfords businesses. BRS contract services, NCL and the former SPD Ltd were amalgamated to form NFC (UK) Ltd in 1995, the whole now trading as Exel Logistics. In 2000 the company, which had already expanded into Europe, the USA and the Far East, merged with the Ocean Group to form Exel plc. This direct descendant of the nationalised freight road transport era was arguably the most successful British road freight company ever, the only one to make it into the FTSE 100 and reputedly the second largest logistics operator in the world. In 2003 it had a turnover of £5.1bn.⁸ It expanded further in 2004 by taking over the highly respected Tibbitt & Britten, with whom it had worked jointly for some years as the logistics contractor to Marks & Spencer. But in 2005 it was — regrettably, in my opinion — itself taken over by Deutsche Post and merged with DHL Logistics, under the latter’s name.

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- 4 Ministry of Transport, *Fourth annual reports of the Licensing Authorities 1937–8*. Fleets exceeding 100 vehicles identified in *Motor Transport Year Book & Directory* vol. 24 (1939–40), the three largest being M’Namara & Co. Ltd (contractor to the Post Office in London), the Metropolitan Transport Supply Co. Ltd and Mickleover Transport Ltd (milk collection and distribution contractor to United Dairies Ltd).
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The Privatisation of NFC

John Armstrong, Thames Valley University

The thing that intrigues me was why the Conservative government of Margaret Thatcher privatised the National Freight Corporation in the way that it did. This is not to question the reasons for privatisation, they were well known and no different to other public asset sales. Briefly, the government believed in rolling back the frontiers of the state, that businesses were best run by business people, not politicians; that government-run businesses were less efficient than privately run enterprises, and that privatisation reduced the us-and-them industrial relations attitude. Hence the government should privatise most of its holdings in business.¹

In the 1979 Conservative election manifesto there was a specific reference to selling NF and in June 1981 Norman Fowler, Secretary of State for Transport, announced a bid of £50 million for NFC.² What was strange was that it was neither an MBO (Management Buy Out) nor a straight public offering. Rather than these it was a bid made by the management and the workers. This seemed a little surprising at the time for it was reminiscent of workers' control which was popular with the political Left rather than the Right. It smacked of workers' co-operatives like the Triumph co-operative at Meriden which was established in the 1970s under a Labour government in which Tony Benn was the Minister for Technology.³ In retrospect it is even more surprising as, although there were many more public offerings of erstwhile nationalised industries, and MBOs became so popular in private business that they were the largest single source of new millionaires, and Nottingham University set up a separate unit to study them,⁴ there were no more Worker Buy Outs (WBO). The NFC remained unique. Why was NFC allowed this unusual route to independence? This is the question this brief talk tries to answer.

I shall argue that there was no feature that explains this decision but rather a concatenation of events which together led to the specific outcome. It seems to me that there were four features that were important in this analysis: the position of the NFC sale in the overall privatisation programme, the economic circumstances external to the business, the personality and preferences of NFC's chief executive, Peter (later Sir Peter) Thompson, and some internal features of NFC.

Let us look firstly then at the timing of the sale of NFC. I would argue that NFC's sale was very early in the

privatisation programme. Looking at table 1, drawn from Veljanovski's book, *Selling the State*, it appears that NFC (highlighted) was about midway in the privatisation programme.⁵ But closer examination of the table shows it is not in strict chronological order, and of those assets above NFC in the table, only one, British Aerospace, was sold ahead of NFC, and then only by one year. It could also be noted that the table ceases in 1987, though the privatisations went on into the 1990s and the Major government. This is simply explained by the date of publication of the book – 1987. Thus, according to Veljanovski, NFC came into second place in the privatisation programme. It was a pioneer in this process. This is important because there was no tried and tested method of privatisation, no established precedent, no "model". Thus at the time, the Worker Buy Out was not seen as unusual because there was no established set of previous successful case studies. The WBO was as good as any.

A second feature of importance was the timing of NFC's privatisation in the economic cycle.⁶ The first Thatcher government faced an economic crisis of high inflation, rising unemployment, falling output and balance of payments problems. These were not auspicious economic circumstances in which to launch a large sale of shares to the general public. Ideally share sales should be done on a rising market. As Veljanovski commented: 'It was not clear that there was an appetite among the general public for shares in general, or NFC in particular.'⁷ Thus any bid which seemed realistic was welcome especially as it had been a manifesto commitment and the government wanted that box ticked well before the next election.

A very important feature which explains the nature of the NFC privatisation was the personality and values of NFC's chief executive, Peter Thompson.⁸ He had a left wing tendency and although he had worked for some large corporations such as Unilever, GKN and Rank, he had also worked in some nationalised industries such as British Steel, British Road Services and latterly NFC. He was a great advocate of co-operation between workers and management, the need for unity of purpose in a business organisation and a strong supporter of fairness. He saw NFC as a great challenge and the privatisation as an experiment in which he could try out some of his theories and ideas. He was wholeheartedly in favour of a workers' buy out.

Thompson was a charismatic and energetic leader. He travelled the country tirelessly, visiting depots to press the value of the privatisation and enthusing employees at all levels to commit themselves to buying a tranche of shares. He was a first class advocate for a course of action in which he believed passionately and the power of his oratory and the depth of his commitment convinced most workers, despite some opposition from some of the unions involved. He informed the employees and drummed up their support yet at the same time he could talk to politicians and merchant bankers and convince them of the financial viability of the bid.

The characteristics of NFC played a part in ensuring it was an employee buy out rather than a public offering. Compared to later share issues, NFC was small scale and thus could be bought by the workers. The size of British Telecom, or British Gas at about £4 billion each was way out of reach of the employees, but NFC at about £54 million was manageable, though even here the employee contribution was only about £4 million, the vast majority of the funds coming in the form of debt from merchant bankers. This raises another anomaly: the gearing ratio of the buy out. It is a little difficult to get a definitive answer, but it was very high by any standards: perhaps ten per cent of the total capital was equity, but if we take overdrafts for working capital, it could be much less. This high gearing was to become a feature of MBOs, but in 1980 this was worryingly high. It may be a measure of the politicians' desperation and the merchant bankers' anticipation of profitability that they accepted such a level. Another reason for eschewing a public offer was that, unlike some other asset sales, NFC was not a household name (whereas BP, BT or BG were) and thus further doubt was cast on the appeal to the public of such an issue. This was compounded by the financial position of NFC in 1980. It was making a loss and had just lost a £25 million

contract with British Rail, when the latter closed its collect and deliver parcel service, for which NFC had provided the lorries and drivers. As a result, the government's advisors suggested that a public sale was not feasible before 1982 or 1983, which would have been too close for comfort to the next election.

Finally there was some concern to avoid asset strippers, since the NFC owned large amounts of land which could be ripe for development by unscrupulous private purchasers. This might have resulted in bad publicity for the government especially if accompanied by large scale redundancies, selling as an employee buy out was likely to avoid this.

In the event the buy out was a great success. The issue was oversubscribed and more than 10,000 employees became shareholders. In the next few years this worker ownership expanded. In 1984 there were more than 16,000 employee shareholders and in 1987 over 19,000.⁹ In addition, the NFC was a financial success. Profits, dividends and turnover have all shown substantial year-on-year increases. Turnover rose from £460 million in 1981 to 670 million in 1985 – a near fifty per cent increase in four years.¹⁰

In addition NFC has been cited as a great success. Two quotes from Veljanovski sum this up:

“The jewel in Mrs Thatcher's privatisation programme is undoubtedly NFC. In the period since privatisation NFC has gone from strength to strength” (p.112)

NFC was “the greatest quantifiable success story in the privatisation programme” (p.136)

Public Asset Sales, 1979-87

<i>Company</i>	<i>Activity</i>	<i>Date</i>	<i>Net Proceeds £m</i>
British Aerospace	Aerospace	Feb. 1981	43
		May 1985	346
Cable & Wireless	Telecoms	May 1985	182
		Dec. 1983	263
		Dec. 1985	600
Amersham International	Radio chemicals	Feb. 1982	64
National Freight	Road haulage	Feb. 1982	5
Britoil	Oil	Nov. 1982	627
		Aug. 1985	425
Associated British Ports	Seaports	Feb. 1983	46
		Apr. 1984	51
International Aeradio	Aviation communications	Mar. 1983	60
BR Hotels	Hotels	Mar. 1983	51

<i>Company</i>	<i>Activity</i>	<i>Date</i>	<i>Net Proceeds £m</i>
British Gas Onshore Oil	Oil	May 1984	82
Enterprise Oil	Oil	Jun. 1984	380
Sealink	Ferries	Jul. 1984	66
Jaguar	Cars	Jul. 1984	297
British Telecom	Telecoms	Nov. 1984	3,916
British Gas	Gas	Dec. 1986	4,256
British Airways	Airline	Feb. 1987	900
British Technology Group/ ICL/Fairey/ Ferranti/Inmos			716

Source: Cento Veljanovski, Selling the State – Privatisation in Britain
(Weidenfeld & Nicolson, 1987), p.5

ECONOMIC INDICATORS 1979-81

GDP	– 3.6 per cent
Industrial production	– 9.4 per cent
Manufacturing output	– 14.2 per cent
Unemployment	from 5% to 10% of labour force
Inflation	from 13% to 12% per annum

Source: Geoffrey Maynard, The Economy under Mrs Thatcher (Blackwell, 1988), p.95

Notes

- 1 John Armstrong and Grahame A Boyes, "The National Freight Corporation", in John Armstrong, John Aldridge, Grahame Boyes, Gordon Mustoe and Richard Storey (eds), *Companion to British Road Haulage History* (London, 2003), pp.271-3
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- 9 Veljanovski, op.cit., p.138.
- 10 Ibid., p.112.

Bus Services and Bus Usage since the Transport Act, 1985

Chris Hilditch, Managing Director, Stagecoach Devon Ltd.

Geoffrey Hilditch, OBE, had been billed to speak on "The Ups and Downs of a Municipal Transport Manager"

For urgent family reasons he was unable to attend. His son Christopher, the Managing Director of Stagecoach Devon Ltd, came in his place; but not talking on the same subject. His address took the form of an impromptu, broad-based survey of bus services and bus usage in the twenty years since Transport Act 1985, which had brought the de-regulation of bus services, followed by privatisation of the National Bus Company's subsidiaries. He concluded with commentary on the present pressures for some of re-regulation of bus services.

It did not follow a prepared script. The text set out here is a brief, edited outline.

In Great Britain, outside London, about 80% of mileage is by commercially operated services, with 20% subsidised by local authorities. In London, there is 100% competitive tendering, but with all decisions on fares and frequencies taken by Transport for London. In Northern Ireland the buses are owned and operated by the State.

Some statistics were given comparing 1985 with 2005, including background factors such as the decline in "no car" households from 37% to 26% (the latter still a significant figure). Total cars had increased from 18.3

million to 32 million. Licensed taxis had increased from 45,000 to 148,000; and out of town retail centres from 48 to 586.

The varying impact on local authorities not only of bus subsidies that they needed to provide, but the concessionary fares that they had to reimburse to bus operators – at rates that required agreement and were open to appeal – and the provision of school services, was recognised. The huge cost in London of all forms of subsidy was commented upon – and its impact on enhanced bus usage.

The flattening out, since 1986/7 (compared with 1950 to 1984) of a graph showing decline in bus usage, was pointed to as evidence of how effective bus deregulation had been in stemming decline, and even latterly, inducing a slight rise in usage.

Quality Contracts, advocated by the proponents of re-regulation, were contrasted with Quality Partnerships. Quality Contracts involve local authorities designing and paying for the network, but without any obligation for highway improvements. Quality Partnerships were formal or informal agreements between operators and local authorities on how to improve bus service quality. These need tough decisions about highway management, with serious input from the local authority in, for example, the enforcement of bus lane priority ('red' routes). Quality Partnerships worked where there was good collaboration between the local authority and the operator.

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