

SOCIALISM IN ACTION

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THE
**NATIONAL
PLANNING
OF
TRANSPORT**

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The National Planning of Transport

THE official Labour Party policy on Transport is set out in the following Report. The Resolution, which embodies the main principles of the Report, was adopted by the Annual Conference of the Party held at Leicester in October, 1932, subject, however, to one important qualification. In view of division of opinion on the position of the Workers in the Industry in relation to Direction and Management, it was agreed that this particular question should be further examined and reported on.

TRANSPORT HOUSE,
Smith Square, London, S.W.1.

November, 1932.

RESOLUTION

This 1932 Annual Conference of the Labour Party, believing that the present competitive system in transport has failed to provide satisfactory facilities, involves serious waste, and presents a continuous threat to the standard of life of those engaged in the industry, that co-ordination on a national scale is essential, and that complete co-ordination can only be obtained through unified public ownership, proposes:

(1) That a National Transport Board,* appointed by the Minister of Transport, should be established; and that the Board should be responsible for securing the efficient direction and management of nationally-owned Transport, subject to such Ministerial and other direction as may be provided for by statute.

(2) That in the statute setting up the Board, specific provision should be made for the national acquisition of all forms of Transport which it is administratively practicable to take over forthwith.

(3) That powers should be given to the Minister to proceed with the acquisition of any sections of Transport outside national ownership as and when found convenient; but that, pending national acquisition, any privately-owned Transport should be subject to such regulation, by licensing or otherwise, as is necessary and expedient, in order to secure the largest measure of co-ordination and efficiency in Transport as a whole.

* See prefatory note.

THE NATIONAL PLANNING OF TRANSPORT

I.—THE CASE FOR THE UNIFICATION AND CO-ORDINATION OF BRITISH TRANSPORT

(1) The remarkable development of the internal combustion engine during the present century has not only revolutionised road transport, but, as a direct result, has altered the balance of transport as a whole. On the one hand, for example, the railways are in serious financial difficulties, accentuated by the general depression of trade, and tend to attribute a great proportion of the blame to road competition. On the other hand, the recent rapid growth of road transport has been characterised by a very substantial absence of co-ordination with other forms of transport and within road transport itself.

(2) It is true that the Road Traffic Act of 1930, passed by the late Labour Government, is making a material contribution towards the intelligent organisation of road passenger services; but this is just a beginning, and relates only to a part of the general problem. Had Labour continued in office, it is probable that the unified scheme for London contained in the London Passenger Transport Bill would have been passed through Parliament, and then it would have been possible to proceed with the more fundamental task of reorganising national transport. For no less than this is necessary: the national planning of transport as a whole, including not only the railways and road transport, but also the canals, docks and harbours, coastwise shipping, and air transport. Before considering how this can best be done, it is desirable to review the present position of each of these component parts.

Position of the Railways

(3) The railways of Great Britain, with a total length of road open for traffic of 20,403 miles at the end of 1930, and employing about 650,000 persons, consist of the four big companies formed by the Railways Act of 1921—the London, Midland and Scottish, the London and North-Eastern, the Great Western, and the Southern—together with certain small joint and independent lines and a number of light railways. Their position is far from satisfactory. Financially, their condition is serious and getting worse, and the outlook is gloomy both for the workers in the industry and the shareholders. The trade depression and the competition of road transport are important factors, but by no means the only ones.

(4) Heavy burdens of unremunerative capital, for example, are a severe drain on revenue. In the early days of railway development, and especially in the second quarter of the nineteenth century, a great number of companies were promoted. In the words of the Royal Commission on Transport, 1928-31, these promotions were "good, bad and indifferent," and many were "initiated and carried out in an atmosphere of ignorance and prejudice which has left a lasting mark on the economics of our railways. Extremely high prices were paid for land in order to buy off the opposition of influential landowners and to meet claims for compensation in respect of depreciation, real or fancied, to estates and the destruction of amenities," and abnormally heavy Parliamentary costs were incurred. The two principal results were that the land acquired was frequently not that most advantageously situated for rail transport, and that the capital of the companies was grossly inflated. "With such excessive capital expenditure," declares the Royal Commission, "two things only—each undesirable—are possible: either the capital remains unremunerative or remuneration must come from excessive charges to the user."

Such wasteful expenditure was also incurred in unnecessary competition between rival companies, and continues to some extent to-day. And so railway

revenue is still bearing the burden of this over-capitalisation. When the Railways Act, 1921, combined over 120 separate undertakings into four units, it merely recognised the futility of continuing an absurd state of inefficient organisation. But the 1921 Act has proved inadequate; and the continued existence of four competing groups, and the small joint and other lines, has prevented the full adoption of large measures of economy which would be practicable if the railways were unified. The situation may, of course, be somewhat changed by pooling arrangements between railways, and by working agreements with road interests; but these are by no means final solutions to the railway problem.

(6) In some ways, however, the most serious feature is the apparent failure of the railway managements to appreciate the real facts of the situation; they have shown a lack of imagination which has contributed materially to their difficulties. Even the Royal Commission, guarded though its majority report was, found itself compelled to conclude that "in the days of their monopoly the railways had in some ways insufficiently studied the needs of their public, and that their policy had become unduly conservative. . . . The passenger train services generally were unnecessarily slow and often inconveniently timed. In too many cases the general attitude of the companies seems to have been that as a passenger had to use a particular line he must travel at times and at a speed convenient to the company. The truth of the doctrine that facilities create traffic appears to have been forgotten. In recent years there has certainly been some improvement, no doubt mainly due to road competition, but in our opinion much remains to be done."

Failure of Railway Directorates

(7) The failure of the unwieldy and unimaginative railway directorates can be illustrated again and again. After the War they sat looking on while new road competitors were buying up surplus military motor vehicles and laying the foundations of extensive road services, and it was not until 1928 that they made a really serious effort to obtain necessary road powers. At no time have they made a thorough-going concerted attempt to deal with the waste of the system of privately-owned wagons. Even when they introduce special cheap fares to compete with the road companies, they have sometimes hedged them about with all kinds of varying conditions which merely confuse the public. The Royal Commission feels bound to suggest "that a general revision and lowering of fares by the railway companies would do far more towards the recovery and restoration of their passenger traffic than the methods adopted by them at present." Perhaps the most symptomatic feature of all is the average railway station.

(8) Over-capitalisation, bad organisation, serious weaknesses in management, road competition and the trade depression have brought railway finances to a parlous state. To make the railways efficient and attractive to those who use them, many millions of capital expenditure are necessary; but this money will not be raised by the companies without State guarantees or aid. Even with a revival of trade, there is little prospect of the railways by themselves reaching a desirable standard of service and achieving commercial success. There appears to be a very strong case for comprehensive electrification, especially in relation to general electrical development; much of the old rolling-stock should be scrapped; and the vast majority of stations need to be rebuilt or reconditioned. These and other necessary things either cannot or will not be done by the companies alone, and it is doubtful if they would be commercially practicable under any system of management or unification so long as the railways are run as a separate transport system in competition with other forms of transport.

(9) It ought not, of course, to be necessary for the transport system to be subsidised from public funds; but if the railways, whether unified or not, are left in private ownership as a separate system, either they will require such public assistance, in which case it will largely be wasted because of the competition with other forms of transport, or their financial position will go from bad to worse and the employees, the shareholders and the public will suffer still further.

Position of Road Transport

(10) The rapid increase in the number of motor vehicles, which has had such serious effects on the railways, is shown by the following figures. Between the end of August, 1922 and 1931, the total number of motor licences current (excluding tramcars and trade licences) increased from 952,474 to 2,158,177—goods vehicles increased from 150,995 to 348,969 (including 1,942 agricultural vans and lorries in 1931, which class is not included in the 1922 total); hackney passenger vehicles increased from 77,614 to 86,208; while horse-drawn vehicles decreased from 232,865 to 41,363. The winter totals are naturally lower. For various reasons the figures do not, without analysis and qualification, give a complete indication of the nature of the changes in road transport; but they suffice to show the rapid development of the past ten years, and compare strikingly with the total of 51,549 motor vehicles registered at December 31, 1904, and the 86,638 registered at May 1, 1906. In contrast to the railways, which are considerably regulated by public authority and fairly full returns of whose working are published, it is very difficult to get any clear picture of road transport, particularly of the goods side.

(11) The Road Traffic Act of 1930 is steadily systematising *road passenger motor transport*, under the Traffic Commissioners. The transition from chaos to order is difficult, and inevitably a little painful in certain directions; but even when it has been accomplished, the ownership of the undertakings will remain mixed. There will be municipal trams and buses, company trams and buses, privately-owned buses, and company and privately-owned long distance motor coaches, to say nothing of taxis and other small hackney carriages; parenthetically it may be pointed out that in acquiring a financial interest in road passenger transport, the railway companies have in a fair proportion of cases paid a heavy price which would be difficult to justify from the standpoint of sound finance. This criticism is also applicable to many acquisitions of smaller bus concerns by the big combines which recently have so rapidly developed in this branch of transport. Despite the growth of these combines, however, a considerable problem of consolidation and co-ordination remains, and the policy of the combines itself raises serious issues. Thus there is no doubt of their general anti-municipal attitude; and while a municipal tramway system may be fairly well protected by its very nature, municipal bus undertakings find themselves ringed round and unable to make that extension of their services which is often economically desirable.

(12) *Goods motor transport by road* is in a very much worse position. Except as to a few specific things, there is no regulation or even record of mileage, routes, density of load, or wages and conditions of service. The vehicles are, of course, licensed in the same way as other motor vehicles, and must conform to the Construction and Use Orders made by the Minister of Transport under the Road Traffic Act, 1930. The provisions of the Act as to the limitation of drivers' hours of labour also apply, but their application under existing conditions presents difficulties. There is no licensing and supervision for service as in the case of passenger vehicles, and no co-ordination. In addition, a considerable number of horse goods vehicles are in use, over which there is no supervision.

(13) The ownership of goods vehicles of all classes is vested in a very large number of companies and persons. The railway companies themselves own a large number of such vehicles; there are large and small long-distance haulage firms functioning as public carriers; there is a much larger number of quite small people scattered throughout the towns and villages doing a limited amount of goods transport; there are manufacturing and other firms running their own transport and seeking loads for the return journeys; and there are the many manufacturing, distributing and other firms who own vehicles or fleets of vehicles purely for their own business, or have contractors working exclusively for them. Indeed, the Commercial Motor Users' Association, in evidence before the Royal Commission on Transport, estimated that 80 per cent. of road-borne goods were carried in traders' own vehicles and vehicles working solely for them, and that only 20 per cent. were conveyed in road hauliers' vehicles. This presents a difficult problem, even if the estimate is an over-statement; for, apart from regulation, interference with such arrangements could not be contemplated unless the community was in a position to provide an expeditious and frequent alternative transport service.

(14) On the other hand, quite apart from the general economic effects of competition in transport, the community has a definite interest in the use to which the roads are put. The construction, maintenance and improvement of the road system have cost vast sums of money, obtained not only from the motorist, but mainly from public funds. If the roads are used needlessly, public money and the motorists' money is wasted; and it is beyond dispute that road transport is in fact impeded by needless congestion, that the convenience and safety of the pedestrian are injuriously affected, and that a considerable proportion of mileage of goods transport is wasted because of vehicles carrying only partial loads or running empty on return journeys.

(15) As well as a lack of co-ordination with other forms of transport, there is very little co-ordination within road goods transport itself. The Royal Commission on Transport was emphatic on this point. "We find that the goods [haulage] branch of the road transport industry is in a condition which lacks all unity and is operated by a number of independent firms and individuals who, while endeavouring to compete with other forms of transport, are at the same time engaged in bitter and uneconomic strife with each other in their own particular branch. . . . Regarded as a separate industry, the conditions obtaining in the business of road haulage are completely lacking in uniformity, and are very unsatisfactory." The complexities of the problem made it impossible in the time available to provide under the Road Traffic Act, 1930, for the licensing for service and the comprehensive supervision of road goods transport. In any case, it would be an exceedingly difficult task, and it would be far better to tackle it as part of a scheme for the co-ordination of transport as a whole.

Position of Canals and Inland Waterways

(16) In 1928, in England and Wales, there were 932 miles of waterways owned by the railways, 1,543 miles owned by 31 companies, including the Lee and Stort Navigation but excluding the Manchester Ship Canal, and 1,141 miles of navigable rivers and drainage areas, for the most part controlled by 51 public bodies. In 1930, in Great Britain, the amount of traffic originating on railway-owned canals was 1,693,905 tons, and on canals other than railway-owned, 11,541,879 tons. There has been a big decline since pre-War.

(17) By 1820 the whole of the canal system as it exists to-day had been completed, with the exception of the Manchester Ship Canal and a few minor branches. In the early days, when they were the only practicable alternative to transport by sea and navigable rivers, the majority were financially successful; but with the coming of the railways there was a rapid decline, partly due to

the failure of the numerous canal companies to co-operate and improve their undertakings, and by the middle of the nineteenth century about one-third of the canals had passed into the possession, or under the control, of the railways. The fact that often the railways were more or less blackmailed into acquiring the canals—for example, by the promotion of Parliamentary Bills to enable small companies to build new railways alongside canals or to convert canals into railways, with the sole object of compelling the railways to buy at high prices—did not induce the railways to use and develop the canals as they might, and a very unsatisfactory position was created which has more or less continued to the present day and which has now been intensified by the development of road transport.

(18) The Committee on Inland Waterways, 1921, recommended gradual grouping into a limited number of public trusts, but nothing was done to implement this. Some voluntary amalgamations have taken place, but a considerable proportion of the canals have become disused, partially disused, or commercially unremunerative. The Royal Commission on Transport also examined the position, and concluded “that certain canals still possess considerable value as a means of transport, and that, properly rationalised and developed, they can be made to render much useful service to the community in the future. . . . We do not overlook the fact that the existing canals have their limitations. Many of them will only accommodate seven-foot boats and the cost of widening them, even if it were practicable, which in many instances is not the case, would be prohibitive. But on the other hand there are routes which could be made much more valuable if certain short sections were improved.”

(19) The Royal Commission goes on, significantly, to declare that “the chief obstacle in the way of voluntary amalgamations seems to be the unwillingness of the railway companies owning or controlling important sections of through canal routes to amalgamate with independent canal companies owning other portions of such routes”; and it is prepared, like the Committee of 1921, to fall back on public trusts. The future of the canals appears to be very limited; but in so far as economic development in relation to other forms of transport is possible, it should be undertaken. Here again it is perfectly obvious that this will only be properly accomplished under a nationally co-ordinated system of transport.

Position of Harbours and Docks

(20) The harbours of Great Britain, with the exception of Holyhead and Ramsgate, which are owned by the Ministry of Transport, and the naval ports controlled by the Admiralty, may be approximately grouped in the following categories:

(a) Local statutory bodies, not working for profit, for the management of particular harbours	110
(b) Municipal authorities	70
(c) Railway companies	50
(d) Harbour companies or individuals	100

With the exception of Bristol and Manchester, the former municipally-owned and the latter municipally-controlled, the principal commercial harbours are in categories (a) or (c).

(21) While numbers of the larger undertakings are, broadly speaking, efficient, much requires to be done before an adequate general standard is reached. Many of the smaller ports have been allowed to fall or are falling into a state of decay: part of this is inevitable because of changing economic conditions, but in some cases rate-cutting by the railways has had adverse

effects. By far the most important defect, however, is the competition between ports and the general lack of co-ordination. The need for national planning is as great in this branch of the transport industry as in any other.

Position of Coastwise Shipping

(22) The entrances and clearances in the coastwise shipping trade, which carries goods from port to port round the British coast, were only 35,800,000 tons net in 1928 as compared with 45,100,000 tons in 1913. There has been fierce competition between the railways and coastwise shipping for the traffic; although other factors, such as the backwardness of trade and the development of road transport, must not be ignored. A certain amount of consolidation of ownership by private companies has taken place, but there is still a good deal of competition within the service itself.

(23) It is impossible to dissociate coastwise shipping and ports, and there is abundant evidence that many of the ports most useful for the trade are in an unsatisfactory condition; some have silted up, and others lack storage accommodation or adequate equipment for loading and unloading. The first step, therefore, in so far as the rehabilitation of the coastwise trade is desirable from the point of view of national transport, is the provision of suitable port facilities, and this is unlikely to be done under the present system, with its competitive uncertainty. Co-ordination within the trade, and with other forms of transport, is no less essential. There is no doubt that coastwise shipping provides a cheap and often convenient form of transport and is capable of development.

Position of Air Transport

(24) Air transport is at present supervised by the Air Ministry, both from the point of view of safety and of arranging the mobilisation of civil aviation for war purposes. Commercial civil aviation is substantially subsidised by the State, although the losses have tended to decrease. The railway companies have power to run air services and provide aerodromes, but so far have not used it. Local authorities, excepting rural district and parish councils in England and Wales, have power to provide and maintain aerodromes, and some are exercising this power.

(25) Air transport, with its great potentialities, must be included in any scheme of national transport co-ordination; but this need not necessarily exclude the Air Ministry from retaining certain control. On the Continent there is a tendency to close working between the air transport companies and the railways in respect of the interchange of goods and passenger traffic and the transfer of air passengers to the railways when climatic conditions are unsuitable for air travel. If air transport were to develop on a large competitive scale, acute problems of co-ordination, traffic regulation, safety and nuisance would arise.

National Co-ordination Essential

(26) Even this brief survey of the main elements of transport is sufficient to show quite clearly the urgent necessity for national co-ordination. The whole implication of the reports of the Royal Commission on Transport is that co-ordination is vital, and some representatives of the road and shipping employers actually advocated before the Commission such a policy for their own industries. It is not, however, merely a question of internally reorganising each section, a task difficult enough; it is also the infinitely more complex problem of maintaining a proper balance and co-ordination, from a national economic and social point of view, of the different sections.

(27) The present position is thoroughly unsatisfactory; and as railway finances continue to worsen, competition with the roads and coastwise shipping will be intensified. Already the railways are urging increased public charges

on road transport in order to "equalise" competition. There is a case for maintaining that the railways are compelled to maintain unremunerative services and are regulated for the public convenience to an extent generally unknown in road transport. There may also be a case for maintaining that some road transport vehicles, particularly the heavier types, are undertaxed in relation to the damage they do to the roads, and it is right that roads cost should be fairly apportioned; but in so far as the railways go beyond this they are adopting an impossible attitude. The road interests retaliate by asserting that the railways are trying to throttle them, that the railways run cheap trips at slaughter fares, that the railways are trying to hold up progress, and that there should be more free road competition and not less; and so the road attitude is often as impossible as the railway attitude. It is perfectly obvious that without full co-ordination of both sections such issues as these cannot be satisfactorily settled.

(28) The general results of competition in transport are only what might be expected. Over parts of the field of transportation there is a surplus of transport provision; over a certain field, an insufficiency. Where the field is considered profitable, there may be a rush of competing undertakings, and for a time all may make profits although excess capital and maintenance costs are being wasted. But, more often, it may soon be found that competition has converted the potentially profitable field into an unprofitable one, and so in the long run efficiency and labour standards are endangered. On the other hand, sparsely populated or otherwise difficult areas are often neglected or treated badly, although from a national point of view it is desirable that adequate facilities be provided. A competing undertaking naturally tends to concentrate on the cream of the traffic and to leave the rest. If waste on the one side, and insufficiency of service on the other, are to be avoided, it is apparent that the transport problem must be handled as a transport problem, and not just as a rail problem or a road problem or by leaving it to the chance results of competition.

Co-ordination Dependent on Unification

(29) It is further apparent that co-ordination cannot be completely effective without unification of ownership. On this point the minority report of the Royal Commission is emphatic: "One fundamental principle which emerges from our consideration of the problems, supported by evidence and which has been accepted by the Commission as a whole, is that unification is a condition precedent to the complete co-ordination of transport. In other words, that competition and co-ordination in a single area are incompatible." The majority report of the Commission also declares that "without unification—however it may be accomplished—no attempt to bring about complete co-ordination would be successful."

(30) The fact that improvements can be effected by public regulation and otherwise, without complete or substantial unification of ownership, does not invalidate the conclusions of the Royal Commission. Bargains can certainly be struck between rail and road interests; but it by no means follows that such bargainings and deals are necessarily desirable in the public interest. The Traffic Commissioners under the 1930 Road Traffic Act may apply reason to the organisation of road passenger services, and prevent undesirable new competition; but they are dealing with only a part of an extensive problem, and are not in actual practice in a position to make necessary fundamental changes either within or as between different sections of transport.

(31) Short of completely unified ownership, or substantial unified ownership with proper regulation and control of such branches of transport as conveniently remain for the time being under other ownership, there will be continued

competition, whether regulated in part or not; the railway mind will continue to oppose the road mind; coastwise shipping will have its own special outlook; there will be friction and conflict between the competing sections; no section will look at transport from a national viewpoint; the wastage inherent in large numbers of independent undertakings of differing efficiency will go on; and the public and the staffs will pay as usual. The very fact that ownership remains multiple, even although large combines are developed in branches of the industry, will prevent that consolidation which alone can bring real fluidity of policy and the adaptation or even scrapping of capital equipment which the thorough reorganisation of transport will require.

(32) Given the need for unification on the largest practicable scale as an essential first step in real co-ordination, should such unified transport be under private or under national ownership? The answer cannot be in doubt. Transport is too vital to the nation as a whole to allow it to become a vast private monopoly; and this applies no less to sectional monopolies. Transport should be run as a public concern, and should be operated for service and not for private profit.

II.—A NATIONAL POLICY FOR THE TRANSPORT INDUSTRY

Essentials of National Policy

(33) In considering a national transport policy based on national ownership and control, it is desirable to lay down certain essentials which it should be designed to meet:

- (a) The provision of transport facilities as a whole should be sufficient to meet all reasonable public needs. Such provision must have regard to many and varying factors which, in turn, differ from place to place and from undertaking to undertaking; thus reasonable peak, seasonal and other exceptional traffic should be met with necessary speed and promptitude. Transport provision beyond these requirements is wasteful and must in the long run involve unnecessary costs; so far as possible the capital should be fully employed.
- (b) Public tastes, preferences and even prejudices, especially in passenger transport, should be catered for within reason, but not to an extent involving serious economic loss.
- (c) The general direction and day-to-day management should be endowed with a strong sense of initiative and responsibility, and should therefore be freed from unnecessarily detailed Ministerial and Parliamentary supervision once the broad principles of policy have been laid down by the statute creating the new machinery. They must not get into a groove; they should be open to new ideas and be ready to meet and even to anticipate all reasonable complaints; the managerial mind should become a transport frame of mind and should as far as possible be lifted above any specialist training and experience in road, rail, coastwise shipping, harbours and docks, or other particular section of transport.
- (d) There should be adequate standards of remuneration and other conditions for the personnel of the transport system, and a definite and steady development of co-operation between the management and the other personnel.

National Transport Board

(34) With the case for unification and co-ordination established, and with the foregoing essentials in mind, the next step is to consider the machinery necessary to undertake the task. Briefly, it is proposed to set up a National

Transport Board, appointed by the Minister of Transport and generally responsible for the efficient management and direction of transport, subject to such Ministerial and other direction as may be laid down by statute. It is not contemplated that it will be possible to bring every section of transport immediately under national ownership; but it should be possible in the statute setting up the Board to provide for taking over forthwith, say, the railways and certain other sections wholly or partly, and to give powers to take over the remainder as and when found administratively practicable and convenient. The Board will be responsible for nationally-owned transport, and it will be its duty to establish the most suitable machinery for managing it efficiently; while any transport not yet taken over will be subject to regulation by licensing or otherwise as may be found convenient, in order to secure the co-ordination of transport as a whole.

(35) In making a decision favouring this type of organisation, two important issues arise. Should transport be run as a Government Department, say on the lines of the Post Office, with or without modification, or should it be under a National Transport Board appointed by the Minister of Transport? And if the latter alternative is chosen, should the Board consist of members appointed for their individual ability, or should it consist of representatives of various interests?

Form of Organisation

(36) The forms of direction and management of a nationally-owned undertaking should be those most suitable for the particular undertaking. There is no special advantage in uniformity, and it may often only be achieved at the expense of efficiency. It does not follow, for example, that what is most suitable for the Post Office, or for the Central Electricity Board, or for agriculture, or for a municipal undertaking is necessarily the best for transport, or iron and steel, or cotton, or the coal industry; or that what is most suitable for transport is necessarily the best for iron and steel. Each should be considered on its merits. The Government Department type of organisation, with or without modification, may be appropriate for the ordinary purposes of government, and may have definite advantages in the rather special case of the Post Office, because of the particular nature and scope of Post Office activities; but it does not appear to be very suitable for a reorganised transport system.

(37) The alternative of the Ministry of Transport, under the Minister, undertaking the work of the Board, has certain serious disadvantages. Transport is only one of several functions, such as highways and electricity, which come within the purview of the Ministry; and, on top of this, the full and final responsibility for every transport decision, whether general or detailed, would rest with the Minister. If a new Department was set up to deal with transport, the responsibility for every decision would likewise rest with the Minister; but there is a strong case against setting up an entirely separate Department for each branch of communications. To place on a Minister the responsibility for every decision of direction and day-to-day management would be very undesirable; for to make a political Minister, subjected as he is to Parliamentary and electoral pressure, responsible for settling facilities, charges and prices, wages and salaries, appointments, and so on, would involve him in the most embarrassing situations and would add an unpleasing feature to Parliamentary elections.

(38) Even if only the direction of transport was a Ministerial function, and the management of the various nationally-owned sections was entrusted to some forms of "public corporation," the argument would still hold good; for the directing authority must take the final responsibility for many decisions of detail. Let it just be added that comparison with the Post Office has only a

limited validity, for the Post Office services are of a much more routine character than those of transport. In the case of transport, it is submitted that the function of Parliament should be to lay down the general lines on which the industry should be run, but normally not to interfere in the detailed direction or in the complicated day-to-day problems of commercial management.

(39) A further disadvantage of the Departmental system is that it would be very difficult to disentangle nationally-owned transport from Treasury control; for just as the Finance Committee of a local authority must exercise considerable influence on the whole of the authority's finances, trading and otherwise, so it is by no means easy to exclude particular Departments from the supervision of the Treasury. In seeking for revenue, the Treasury would be tempted, as is actually the case with the Post Office, to appropriate the financial surpluses of trading undertakings for general public purposes; and in any case, unless special exceptions were made, there would be constant Treasury control over expenditure.

(40) Moreover, the application of Departmental procedure to either the direction or management of transport would not appear to permit of that freedom and rapidity of action which is so necessary; for the normal procedure of a Government Department quite properly involves a good deal of minuting between sectional heads, assistant secretaries, the permanent secretary, the Parliamentary Secretary and the Minister, especially on that wide range of matters which involves primary or even secondary issues of principle and policy. This must not be taken as a condemnation of such procedure for the ordinary Department; it may be that such procedure could be modified in certain respects, but on the whole it is the most suitable for the kind of activities to which it is now applied. All that is argued here is that transport is a special type of activity and requires a different type of administration permitting greater freedom and rapidity of action.

(41) On the whole, it is concluded that the normal Government Department type of organisation does not appear to permit of that rapid adaptation and fluidity so essential in the less routine type of industrial and commercial undertaking. This view, in relation to nationally-owned industries generally, has been increasingly accepted by Socialists in recent years, during which the application of Socialist principles to particular industries has become a much more realistic issue. It is also very important that Parliament should not normally interfere in the detailed direction and day-to-day management of a nationally-owned industry; otherwise the running of the industry must inevitably be very seriously handicapped.

Constitution of National Board*

(42) It is accordingly proposed that a National Transport Board, of a convenient size for effective work, should be appointed by the Minister of Transport, to be responsible for the efficient direction and management of nationally-owned transport, subject to the general direction of the enabling statute and such specific checks, Ministerial or otherwise, in the public interest as may be provided in the statute.

Responsibility of Board

(49) In formulating a scheme for a National Transport Board, it is essential that responsibility be clearly defined. As far as desirable, the enabling statute

* In view of the special examination being made (as explained in the prefatory note) of the position of the workers in the industry in relation to direction and management, part of section 42, and the whole of sections 43-48 of the original Draft Report submitted to Annual Conference, 1932, and dealing with the "Constitution of National Board" and the "Workers in the Industry," are omitted.

should set out the broad principles of direction and confer clear and explicit responsibilities upon all those concerned. Thus it is contemplated that the Board would be generally responsible for the efficient direction and management of nationally-owned transport. The raising of capital, however, would require Governmental sanction. In any re-constitution of the Board or dealing with its affairs in Parliament, it would be the duty of the Minister to satisfy himself that the proper principles were being carried out and that the direction and management were efficient, but subject to this he would not interfere, except as regards his own statutory functions; he would not be a member of the Board, but would have access to all available information as required. The Board would publish a full annual report, which would be placed on sale. Members of Parliament would be able to address questions to the Minister on the policy and activities of the Board, and on the Ministry of Transport estimates and possibly otherwise would be able freely to discuss them.

(50) It may be necessary to establish a quasi-judicial tribunal to deal with appeals on matters affecting charges, prices or facilities, in which case the functions should be definitely stated in the statute; and if it is desired, as it should be, that nationally-owned transport pay its way, the tribunal should be directed accordingly.

(51) It is also proposed that there should be consultation with organised Labour and other interests concerned by means of a Consultative Committee, meeting at reasonable specified periods and representing, *e.g.*, labour in the industry, the passenger and commercial users of transport, local government, and the State. The object would be free and frank discussion with the Board, so that complaints might be ventilated, suggestions made, and desired developments argued. This Committee would not, however, be an executive body; for there must not be two such bodies, nor must the Board be allowed to blame others for any of its shortcomings. The Board would know, however, that if it made mistakes or treated legitimate interests unfairly, it would have to defend itself either before the Consultative Committee or before the tribunal dealing with charges, prices and facilities, quite apart from the very real fact of Parliamentary and press criticism.

Problems of Management

(52) The newly-appointed Board would be confronted with complicated and serious problems of co-ordination and management. Problems of internal management already exist in plenty in the present transport undertakings. Thus, in the case of a railway company, to what extent should management be departmentalised on a national scale on the basis, say, of operation, permanent way, construction and maintenance of rolling-stock, establishment, catering services, etc.; or, subject to general central regulation, should the internal management of some functions be undertaken by territorial regions? These and many other similar problems arise, not only on the railways, but also in road transport, docks and harbours, coastwise shipping, canals and air transport.

(53) It is not proposed to attempt to indicate definite solutions. The task confronting the Board is immense, and only the Board will be in a position to decide what should best be done. It may be found convenient, for example, that the management of the docks and harbours should be separate from the management of coastwise shipping, that the railways should have their own management, and so on, but all being subject to the corporate influence and inspiration of the Board. It is, however, important to realise the magnitude of the problem; for it must be faced, and it must be solved, if the present inefficiency and waste are to be replaced by a properly co-ordinated and adequate system.

Basis of Purchase

(54) In assuming national ownership of the transport undertakings, various bases of purchase are possible. Capital expenditure, less depreciation, would be economic for the community in the case of undertakings making large profits in relation to capital expenditure; but it would be prohibitively expensive in the case of the railways, a fair proportion of whose capital expenditure, as already explained, has been wasteful and unproductive. Assessment of compensation on the basis of physical value would involve considerable valuation costs and lengthy arbitration proceedings, while it would have many other obvious difficulties and disadvantages, as, for example, determining the physical value of an antiquated railway station which would certainly have to be pulled down in the near future. The market value of stocks and shares is a possibility, if manipulation against the public could be avoided; but it would not be practicable in the case of those smaller concerns without stocks and shares or whose stocks and shares were not quoted on the Stock Exchange, while it would be unfair to the public in the case of concerns making unduly high profits.

(55) Probably the soundest and fairest basis from a public point of view is reasonable net maintainable revenue. If the community buys the railways, it cannot be expected to pay more for them than they are earning. On the other hand, if the community buys a bus company paying a 33 per cent. dividend, that is emphatically not a reasonable maintainable profit, and the number of years purchase of that profit should be reduced accordingly. In determining the purchase price of a railway it may be reasonable to take it as x years purchase of its present profits (present profits multiplied by x); but it would be sheer robbery of the community to give the profiteering bus company anything like x years of 33 per cent. profit, and it would also be unfair to other concerns coming into the new public undertaking, for their security might conceivably be injured by over-capitalisation of the new undertaking.

(56) As to the form of the purchase transaction, it would probably be convenient to give the owners stock of appropriate categories and amount in the new national undertaking. This stock would not give voting power or control in any form; it would only give the holders the right to receive the interest payable, and to repayment of the stock out of sinking fund or otherwise when the Board desired or as required by statute. An alternative possibility, in some cases, might be for the Board, through the Government or on its own security, to raise a loan and buy owners out in cash.

(57) It is very doubtful if it is either necessary or desirable for the Board to guarantee a fixed rate of interest for the new stock other than that exchanged for such stocks as debentures. The prospects of the new national undertaking should be better than those of the old competitive undertakings; but it is hardly reasonable that it should be expected to pay a fixed rate of interest if it does not earn it, any more than is the case with existing competitive undertakings. It might, as a consequence, be expedient to concede some remedy to the holders in the case of interest not being paid at a reasonable rate over a period of years; this might take the form of providing for a recognised, but not legally binding, rate of interest, with possibly a very slight increase to a definite maximum in good years. The Board might have the option to convert this new stock into a fixed-interest-bearing stock after a period of years. So far as existing guaranteed-interest-bearing stocks such as debentures are concerned, the Board would have to take over the liability, but redemption should be provided for.

(58) It is not practicable to lay down in advance full details of the basis and method of purchase; these can only be finally determined by the economic and political conditions prevailing at the time of the transaction. But the purchase

price should not include any allowance on account of the compulsory nature of the transfer or on account of anticipated economies arising from national ownership. It is a matter for consideration whether undertakings of no real permanent utility, or which have fallen into decay through bad management or otherwise, or which are too small and permanently local to form a useful part of a national organisation, should be taken over at all. The enabling statute setting up the National Transport Board should, over as wide a field as is administratively practicable, include provisions for the taking over of specific sections of transport, *e.g.*, railways, long-distance road transport, etc., and should give powers to the Board (through the Minister of Transport) to proceed with the acquisition of the remaining sections as and when desired; while provision should be made, in respect of any sections of transport not yet taken over, for such regulation by licensing or otherwise as is expedient and necessary to secure the largest measure of co-ordination and efficiency in transport as a whole. The Board should possibly also be empowered to acquire land, whether compulsorily or otherwise, likely to increase appreciably in value as a direct result of any of the Board's activities in developing transport, in order that the increase in value may accrue to the community.

Conditions of Service

(59) The change-over to national ownership will inevitably give rise to problems relating to conditions of service. Thus it will be necessary to make provision for the payment of compensation to any employees who may be displaced, or whose position may be worsened as a result of the formation of the new undertaking. It may also be found desirable to maintain the wages machinery already in existence in parts of the industry and to develop additional machinery. This, of course, must be a matter for the fullest consultation with the appropriate trade unions, whose agreements must be safeguarded under the enabling statute.

III.—THE FUTURE OF TRANSPORT

(60) It is no part of this report, any more than it will be the duty of the Minister of Transport who handles the Bill socialising transport, to attempt to determine in advance the precise lines on which a comprehensive transport system should be conducted. That must be the responsibility of the Board when established. It is possible, however, to outline some of the broad economics of the problem. But let it be said at the outset that in a case of real conflict between public desires and sound commercial practice, it does not necessarily follow that the latter should prevail. It is good business to maintain the goodwill of the public; and even if an unpopular step is really essential, the greatest pains should be taken to explain the reasons which make it essential.

(61) Load factor is a primary consideration in transport as in other industry. In London, for example, the transport undertakings are expected to provide sufficient vehicles to carry the peak load traffic in the "rush hours," although during the rest of the day the vehicles may only be partially used. It is obvious that if all the vehicles were in full use during the whole of the day, it would be possible to charge lower fares than at present, because the capital expenditure involved would be less per passenger and the maintenance expenditure would also be less per passenger. It is because a full load is more profitable than a partial load that the railways find it as profitable to run day excursions at about from quarter to half ordinary fares, say between London and Glasgow, as to run ordinary trains at ordinary fares.

(62) The peak and valley periods also give rise to serious practical problems in respect of the operative employees, for they often involve undesirable spreadover duties. Thus, for example, a busdriver or conductor may come on duty for morning rush traffic, then go off duty and come on again for the

lunch-time rush, then go off and come on again for the early evening rush. In other branches of transport, similar problems arise; but the transport unions have achieved a considerable success in limiting spreadover duties in many important sections of the industry.

(63) What is true of the examples given is true of transport as a whole. Broadly speaking, the higher the average load, and the more level the load throughout the day, the smaller is the cost per passenger or unit of load. It should be the purpose of the Board, in promoting sound economic policy, to secure the highest practicable load factor in relation to the capital and maintenance costs which must be paid whether the rolling-stock runs full or half empty, and to cut down spreadover duties to a minimum.

Future of the Railways

(64) Once it has been decided to eliminate duplicate and wasteful capital and maintenance expenditure, there should be no hesitation in applying the policy to particular sections of transport, having regard, of course, to the varying needs of localities and industries and to legitimate public feeling. At once this leads to the acutely controversial problem of road and rail.

(65) The railways form the transport undertaking with the largest amount of fixed capital and maintenance expenditure, and can handle traffic on a larger scale than any other section of transport. It is generally conceded that, so far as can be seen, railways are an essential element in the transport system; but not everybody concedes the logic of this conclusion, which is that in so far as the railways are essential they must have sufficient traffic to use effectively the necessary capital and maintenance costs. If such a load is not forthcoming, the charges per unit of traffic will be excessive; or improvements such as possible electrification, better rolling-stock, and brighter stations will be impossible, or wages and other labour standards will fall or be endangered, or the undertakings will become bankrupt or be in a more or less constant state of not paying their way, or all or some of these things will happen at the same time. Substantially that is the situation of the railways at the present time. Under a nationally-planned transport system it would therefore be necessary on railway routes which it was desired to maintain, to encourage a sufficient amount of suitable traffic to go by rail; while on the other hand, the tendency would be to put the railway out of use completely in many branch-line areas.

Future of Road Transport

(66) Even greater complexities arise in the organisation of road transport which, within its appropriate field, is no less vital than the railway system. There are large numbers of journeys which road transport can more effectively cover than rail; there are considerable areas which the railways do not touch or in which the railways cannot be adequate or appropriate to the public need; and there must be a large amount of transport by road to and from the railway stations themselves.

(67) On the *passenger side*, the work of the Road Traffic Act, 1930, has already been referred to; co-ordination is taking place, poor and unsafe vehicles eliminated, regularity of services developed, and minimum standard labour conditions made possible. Subject to the Traffic Commissioners, local authorities already engaged in transport are now able to extend their services without applying to Parliament, and may co-operate with each other and with private companies, including the organisation of fairly long-distance routes, although this last possibility is very limited because of the rapid development of the large bus combines. It is not to be expected, however, that really long-distance road services can be organised on a large scale within the framework of local government, nor does it appear appropriate that they should be.

(68) Long-distance road passenger transport should be provided through the National Transport Board, and it is largely a matter of convenience whether or not the *local authorities* should organise the local transport of urban communities. It has to be remembered that the local services of towns like Birmingham, Glasgow and Manchester are very extensive and organised by highly responsible municipal staffs; and if assurance could be obtained of a continued high standard of efficiency, the proper co-ordination of all the local transport services, and the prevention of any obstructions to the effective functioning of the national services, it might be found expedient to leave local services satisfying such conditions in the management of the local authorities concerned. Similarly, and subject to the same conditions, local private undertakings might, in some cases, be entrusted to the management of the local authorities. Where local authority management remained in operation, provision might be made for the National Transport Board taking over the services at any subsequent time by agreement. Most of the one-man and other very small private undertakings might, at the outset at least, be left to operate under a system of licensing. With these possible exceptions, it would appear desirable that all passenger transport services should come under the National Transport Board. As regards management under the Board, it might, perhaps, be found desirable in the special case of London to proceed somewhat on the lines of the London Passenger Transport Bill introduced by the late Labour Government in 1931.

(69) *Goods transport by road* is much more difficult. One can conceive the National Transport Board evolving a frequent and reliable service for the collection and delivery of goods entirely or partly by road, the system having its own time-tables, depôts and so on, the whole organisation aiming at effective service and the fullest practicable loads. Considerable savings would be achieved by the more adequate use of vehicles, with corresponding reductions in carrying costs, part of which would properly be absorbed in removing the unsatisfactory character of the conditions of labour of many road transport workers. The vehicles themselves would be better maintained and costly breakdowns and accidents minimised.

(70) As far as long-distance road haulage by public carriers is concerned, there would be relatively little difficulty in taking it over and reorganising it. It would probably be possible to deal with the larger local public carriers in the same way; but it might be convenient, at the outset at least, to deal with the smaller local carriers, including the village carrier, by some system of licensing. The biggest problem is that of the private businesses running their own transport entirely or largely for their own use or having transport contractors working solely for them, which are estimated by the Commercial Motor Users' Association to account for something like 80 per cent. of goods carried by road. It would be impossible to establish a really satisfactory national system so long as this section of road transport was allowed to continue an independent unco-ordinated existence; but on the other hand it would be neither reasonable nor practicable to take it over unless an adequate service under the National Transport Board could be assured. It may be found possible to take over parts of this private system; but it would appear probable that for some time a system of licensing and close regulation would generally be required.

Future of Other Forms of Transport

(71) Little need be said here of canals; their future appears to be definitely limited, but under national ownership they should play the fullest part of which they are effectively capable. Air transport, with its inevitable expansion, should obviously be closely co-ordinated with the railways and roads. Here

again it may be convenient for the present to proceed by a system of licensing, in view of the special circumstances of present development; and close co-operation with the Air Ministry would also be necessary.

(72) The two remaining sections of transport are of immediate primary importance. Coastwise shipping, which has been hard-hit by the economic depression and by rail and road competition, under proper co-ordination and management should have an important future. It is difficult at this stage to lay down the most suitable form of management, for there are obvious problems such as that of coastwise shipping which calls also at foreign ports, and other intricacies of demarcation. Nevertheless, it is essential to bring the service into relation with the National Transport Board in one way or another.

(73) Closely linked up with the future of coastwise shipping are the harbours and docks, and it is important that there should be national co-ordination and probably in many cases reconditioning and re-equipping. It may be that because of the special local characteristics of harbours and docks, it will be advisable to have a system of decentralised management, subject, of course, to national supervision.

A National Public Service

(74) In developing transport policy, two things must be kept in mind. Fear of particular interests must not prevent action on a big scale in the interests of national transport as a whole; but at the same time the form of management must be workable. For this latter reason, no attempt has been made in this report to venture on too much definite detail. These are matters which can, and should, be dealt with when transport is actually being brought under national ownership and control; many of them, indeed, will have to be developed and determined by the National Transport Board itself in the light of then existing conditions. What has been attempted is to outline the case for unification and co-ordination under national ownership, to indicate the type of organisation which should be established, and to draw attention to certain aspects of transport policy.

(75) Under such a national system it would be possible, for the first time, to take a national view of the transport requirements of the community. The elimination of waste would not be held up by vested interests which thrive, or think they thrive, because of competition. The nation would be able to plan and develop its transport in a bold and sensible way. Every nationally-owned branch of transport would be inspired by technical and administrative officers of a high quality and greater initiative than is possible in small units working under competitive conditions and thinking rather of quick profits than of developing the undertakings; and there would become possible, particularly in the managerial grades, periodic interchanges of staff in order to promote wider knowledge and as far as possible to get rid of the sectional mind.

(76) The improvement and standardisation of equipment would be possible on a much greater scale than hitherto. Industries and the travelling public would benefit by the close co-ordination of the various sections of transport. Thus, in the case of rail and road, one can envisage attractive railway stations which are also road transport stations and which include a post office and other useful amenities. There are probable economies in close co-operation with other public services such as electricity and the Post Office. Rural transport is capable of considerable expansion; and the organisation of a national system of door-to-door collection and delivery of goods, not only in the towns, but in the rural areas, would be of great advantage to agriculture, to industry generally, and to the general public. The savings from the elimination of waste, and the greater security of capital no longer invested under

risky competitive undertakings, would make reconditioning and other improvements, and technical experiment and advance, much more practicable than under conditions of cut-throat competition.

(77) The application of Socialist principles to the transport system is good business for the nation; indeed, it ought not to be applied unless it is good business. When the opportunity arises to apply national ownership, every endeavour must be made to ensure that the actual scheme is sound from the point of view of business organisation, that it will promote responsibility and initiative in general direction and in management, that it will give the organised employees the right to security and fair conditions of employment and the opportunity of developing both their knowledge of transport economics and administration and their part in the industry, and that the new order of things will advance the economic and social well-being of the people as a whole.

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