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COPY NO. 38

C.P. (46) 225

1st July, 1946

CABINET

NATIONALISATION OF TRANSPORT

Memorandum by the Lord President of  
the Council

1. At their meeting on the 15th April (C.M. (46) 35th Conclusions Item 5) the Cabinet invited the Ministerial Committee on the Socialisation of Industry to prepare, in the light of the discussion, a report on the treatment of transport operated under C licences, i.e. vehicles licensed under the Road and Rail Traffic Act 1933, to carry goods for, or in connection with, the owner's trade or business, but not for hire or reward.

2. Such statistical information and estimates as are available are set out below:-

	<u>Year 1938</u>		<u>Year 1945</u>	
	<u>Operators</u>	<u>Vehicles</u>	<u>Operators</u>	<u>Vehicles</u>
<u>C Licences</u>	178,298	365,025	149,192	306,443 (Generally operated within 60 miles)

<u>A Licences</u> (which permit the holder to carry only for hire or reward)	22,999	83,749	17,637	80,551
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About one-sixth of the operators, owning something less than one-fourth of the vehicles, were normally engaged for distances in excess of 60 miles.

<u>A Contract Licences</u> (i.e. where the operators contracts with another person for the exclusive use of the vehicles for the purposes of the contract)	3,967	9,467	2,312	6,183
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<u>B Licences</u> (authorising the holder to carry goods for or in connection with his trade or business, or subject to any conditions attached to the licence, for hire or reward)	34,120 (see analysis below)	54,906	27,792	53,992 (Generally operated within 60 miles)
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The conditions limiting distances, classes of goods and persons for whom the B licensee can carry apply only in relation to carriage for hire or reward. One operator may have several conditions attached to his licence (e.g. general goods 5 miles, livestock 50 miles, goods for a named individual 100 miles). In 1938, there were some 60,000 conditions attached to B licences determining the distances for which the holders could carry goods for hire or reward and some 17,000 conditions of other kinds (e.g. limiting the operator to goods for specified persons; goods to specified destinations, etc.). The zones of operation allowed under the conditions relating to distance were:-

Not exceeding 10 miles	Approximately 23 per cent.
Exceeding 10 miles but not exceeding 20 miles	" 29 " "
Exceeding 20 miles but not exceeding 30 miles	" 20 " "
Exceeding 30 miles but not exceeding 50 miles	" 16 " "
Exceeding 50 miles	" 12 " "

3. The Minister of Transport's proposal is briefly that the C licence should authorise the holder to operate his vehicles within a radius of 40 miles from the base at which they are normally kept. Beyond that radius the onus would be on the applicant to justify to the Licensing Authority the case for using private as distinct from public transport. But the Bill would require the Licensing Authority to have regard to the following among other relevant considerations:-

- (i) The extent to which it is necessary for the applicant to employ his own vehicles for the purpose of connecting two or more plants or depots to maintain a continuous process of production;
- (ii) The effect on the trade or business of the applicant, including the extent to which additional costs in packing, handling and breakages are likely to be incurred, if the permit is withheld;
- (iii) Any representations made by the British Transport Commission, particularly as to the extent to which, and the circumstances in which, the applicant calls on the Commission to carry any of his traffic.

4. It has been suggested that the Government's policy on the location of industry may in some cases require a liberal interpretation of the proposed long distance limitation and that certain firms may not be satisfied with the direction to the Licensing Authority contained in paragraph 3(i) of this Report.

The Ministerial Committee recommend that the Bill should contain a clause to the effect that where it appears to the Minister, after consultation with the President of the Board of Trade, that, with a view to stimulating industry in a development area, it is just and expedient that a "C" licence should be granted to enable the applicant to carry his own goods between two points, one of which is in a development area, the Minister may direct the licensing authority to grant the appropriate licence.

The Minister of Transport accepts the views of his colleagues as to the need for recognising the special position of such "C" licensees, but considers that there are important arguments against the inclusion of a special clause in the Bill

/ which



which require consideration by the Cabinet and those are set out in an annex. If the Cabinet conclude that on grounds of expediency some special assurance should be given to traders in development areas, the best course might be to add to the considerations to which licensing authorities are to have regard under paragraph 3, a rider to the effect that in the case of an applicant based in a development area, the Minister, after consultation with the President of the Board of Trade, may give a specific direction for the grant of a licence.

5. The extent to which "C" licence vehicles are normally operated beyond a radius of 40 miles from their base cannot be closely estimated, but the best information available (which is related to present traffic - see Annex II) suggests that there is an originating traffic of about 9,000,000 tons per annum which, in the absence of any restriction, could be carried by "C" licensees for distances beyond 40 miles from their base. If the 40 mile radius were applied probably about one third, or 3,000,000 tons, would be allowed to pass under the considerations mentioned in paragraphs 3 and 4 above. Thus, about 6,000,000 tons, representing a gross revenue of about £7½ million is the initial annual volume of traffic in dispute. If this traffic is not secured to the public system the loss will be a continuing one and is likely to increase in amount. If this is permitted it will lead to the erosion of railborne as well as road traffic, and against this the public system needs to be safeguarded.

6. The proposed 40 mile radius would not interfere with local retail or wholesale distribution or with the short range industrial traffic. Moreover, there will be many cases where the Licensing Authority can readily be satisfied, in the light of the criteria mentioned in (3), that there are good reasons for allowing movement beyond the 40 mile radius. Taken together, a high proportion of the C licensees will remain unaffected but if the aim is a unified and co-ordinated system of public transport by road, rail and water under national ownership, there is a strong case for including ordinary long distance haulage movements by road in the sphere of the national organisation. Otherwise there may be, and in the opinion of men well acquainted with haulage development there is certain to be a tendency for private enterprise to counter the public monopoly by buying vehicles and taking out C licences. It would be unfortunate if the result were to accentuate that drift or if the national undertaking were forced to quote unduly low rates in order to arrest it. A position in which private and public vehicles are running parallel each with only part loads cannot be justified in the national interest. Moreover, it seems indefensible to allow long distance C vehicle owners to fall back on public haulage at will for peak, seasonal and other contingencies or to require those who use the national transport system to pay higher rates because others, particularly the larger firms, are able to carry the cream of their traffic in their own vehicles.

7. The Committee has considered whether there is any justification for exempting owners of single C vehicles from any distance limitation. Most owners of single vehicles are engaged in retail delivery or other employment of a local character. If they need to go beyond the proposed 40 mile radius they will be able to apply for extension in suitable circumstances. It would be extremely difficult to discriminate in favour of owners of single vehicles as against those owning two or three vehicles or even larger fleets, and the Committee agree with the Minister of Transport's conclusion that such a concession to the owner of a single C vehicle would be inexpedient as well as unnecessary.



8. Farmers' licences. Under the Act of 1933, goods vehicles registered in the name of a person engaged in agriculture and used solely for the carriage of the produce of, or articles required for the purpose of, land which he occupies, do not require any type of carrier's licence. The Minister has not proposed to disturb this position and farmers will remain entitled to transport their own agricultural produce or requirements in their own vehicles irrespective of distance. If, however, a person engaged in agriculture desires to carry for hire or reward the goods of another person engaged in agriculture in the same locality, he also has the privilege of doing so in any vehicle for which he has obtained a C licence, and it is only in respect of this privilege that a farmer, like any other C licence holder, would, unless he can justify greater latitude, be limited to a 40 mile radius. To allow a farmer to carry not merely his own goods, but also goods for hire or reward under a C licence without the proposed limitation of distance of 40 miles would undoubtedly lead to criticism by established hauliers who are required to take out an A or B licence (and under the Bill would generally be limited to a radius of 25 miles) and would also lead to abuses which could not be checked.

H.K.

Office of the Lord President of the Council,  
Great George Street, S.W.1.

1st July, 1946.



ANNEX I.

The following are arguments against the inclusion of a clause in the Bill on the lines proposed in Paragraph 4.

- (a) the licensing authorities are experienced and impartial people and if such arrangements are essential there should be no difficulty in satisfying them to that effect;
- (b) the Minister will have power under another clause in the Bill to give general directions to the authorities;
- (c) a further safeguard is the proposed right of appeal;
- (d) it will be part of the duty of the Commission to provide adequate facilities for the development as for other areas. Duplication of such facilities by private traders will be wasteful and tend to raise the cost of traffic to or from the areas where it occurs. It is important that the Commission should be encouraged to give the best possible service to the development areas, the progress of which will certainly not be advanced by extravagant methods of transport. The fact that a trader chooses to use "C" licence vehicles as a form of advertisement or that (often upon a basis of inadequate provision for overheads) he claims that it is cheaper to use his own rather than public transport, ought not to entitle him to endanger the public system upon which the welfare of the majority of traders must depend.



ANNEX II.Estimated Long Distance Tonnage Carried by Road Vehicles at Present.

The total road borne tonnage over 60 miles at present is .....	250,000 weekly
A very rough estimate of the tonnage between 40-60 miles at present is .....	<u>300,000</u> "
	<u>550,000</u> "

While the data for any close estimate do not exist the tonnage likely to be carried over 40 miles by C licence vehicles if no restriction of mileage were imposed may be of the following order:-

By C licence holders .....	150,000 weekly
" vehicles transferred from A Contract licences	10,000 "
" B licence holders (not for hire or reward)..	15,000 "
" subsidiary A licence companies formed to carry goods of a parent company but which might be expected to turn over to C licences in the name of the parent company .....	<u>5,000</u> "
	<u>180,000</u> "

If one-third of this were shown to require conveyance in privately owned vehicles, the public haulage system would retain a traffic amounting to about 6 million tons a year yielding a gross revenue of, perhaps, 37½ million.

This, however, takes no account of a probable tendency under complete freedom for more C vehicles to be operated, thus diverting further traffic from the Commission's road undertaking, as well as eroding its rail borne traffic. In the course of a few years, this tendency might well increase the net loss of traffic to an even more serious degree. But the loss of tonnage is not in itself a complete presentation of the damage which the Commission might be expected to sustain. If the Commission is to fulfil its statutory obligations it will require a nation-wide organisation the overheads of which must be finely balanced in relation to the traffic available. It is doubted if it would be possible in face of C licence erosion for the Commission either to estimate in the first instance the amount of buildings, land and plant required, or to reduce the overheads proportionately to any progressive loss of traffic. This situation would result in an increase in rates which would in turn accelerate further loss of tonnage.

