10th July, 1967

CABINET

ROAD HAULAGE POLICY

Memorandum by the President of the Board of Trade

In C(67) 122 the Minister of Transport presents her proposals for a new system of licensing heavy lorries, including those of "own account" operators. I feel bound to state briefly why I am convinced on the evidence so far presented that these proposals would be injurious to productive industry and to the national interest.

2. There is, of course, no dispute about the Minister's objective of using the new facilities of British Railways to the best advantage. On the other hand it is also common ground that British industry needs to place a new emphasis on every aspect of distribution and marketing. It came out clearly at the Prime Minister's Conference in June that speed and flexibility in delivery and distribution were crucial in this respect, particularly for exports. Another vital public interest is the attraction of new industry to Scotland, Wales and other development areas, and this is very dependent on management's being convinced that different parts of productive processes which are geographically separated can be geared together conveniently and flexibly. I have frequently found the desire to have its own internal transport under its own control is crucial in a firm's decision whether or not to set up in a Development Area.

3. The essence of the Minister's proposals for "quantity licensing" is that, over and above the freight traffic that the railways will attract by their sheer competitive advantage, an additional volume of traffic should be diverted to them by refusing licences to road hauliers. Where the railways object to licence applications, the onus will be on the hauliers to convince the licensing authorities that considerations of speed, reliability and cost justify the use of road transport.

4. It has been calculated that the traffic diverted to the railways in this way may reduce the railways' deficit by £6 million or, say 4 per cent. This saving would be worth having. But, in my judgment, the issue is whether the inevitable imperfections of any licensing process will not result in costs to British industry outweighing this advantage. I am strongly in favour of the railways winning back all possible traffic; but it should be done, not by restrictive compulsion, but by the railways attracting custom by efficiency and reliability, as we would expect any other public or private enterprise to do.
5. It also seems to me that the licensing authorities will face a task of great complexity. In two long discussions in the Ministerial Committee on Economic Policy (EN) and subsequent meetings between officials, the departments concerned with industrial efficiency have sought to elucidate how the authorities would deal with important difficulties. Some of the main ones were set out in EN(67) 48. For example, how would the authorities quantify the value to be attached to the ability of road vehicles to meet the demand for journeys, at irregular times and at short notice, or to plan round trips with deviations from the main freightliner routes with provision for delivery of part-loads and 'backloading'? More generally, will it be possible for them to attribute a precise cost/benefit to factors such as the flexibility and timing which control of his own fleet gives an "own account" operator, or to allocate overhead costs of hauliers to particular operations in a way that will provide a true cost comparison between road and rail?

6. These judgments will often involve assessing not only the economics of the road hauliers' business but the economics of their customers' business as well. While it may be true at present that some road hauliers and their customers are insufficiently aware of the advantages that the railways offer for some types of traffic, it is a big jump to say that the licensing authorities will in general be competent to make sounder judgments than the businessmen about the costs and efficiency of an important aspect of his business.

7. In answer to these points the Ministry of Transport have in effect said no more than that the fears expressed are exaggerated and that the licensing authorities can be relied upon to deal with these matters with wisdom and discretion. Paragraph 6 of Annex D to the Ministers' paper, however, shows clearly that, after detailed examination, the main doubts of the other Departments concerned have not been resolved. For this reason I cannot accept that the risks of going ahead on the lines proposed are justified by the advantage to the railways, not that the railways could not be helped to market their product in some less costly and cumbersome way.

8. In addition, industry, and exporting industry in particular, are not simply concerned with cost comparison. They are equally concerned in many cases with reliability, regularity of transport and the maintenance of delivery dates. There has been too much genuine experience of delays on the railways for many firms to be willing to allow their transport arrangements to be outside their own control; and the Minister of Transport's proposals are therefore likely to provoke a loud and sincere outcry from a wide section of industry, i.e., they will be represented with some reason as running counter to much of the Government's advice to industry on efficiency, the movement of exports, delivery dates etc.

9. It would be far wiser, in my view, to help the railways to win back traffic by showing that their own performance justifies it, and thereby to winning their customers' confidence.

D. P. T. J.

Board of Trade, S. W. 1.

10th July, 1967