5th July, 1967

CABINET

ROAD HAULAGE POLICY: PROPOSALS FOR THE REVISION OF THE CARRIERS' LICENSING SYSTEM

Memorandum by the Minister of Transport

Introduction and Summary

In "Time for Decision" the Government undertook "to co-ordinate road and rail to use existing resources to best effect". In the White Paper on Transport Policy (Cmnd. 3057, paragraph 99) published in July, 1966, the Government accepted the view that the present carriers' licensing system for goods vehicles was wasteful, ineffective and unduly complicated, but held that instead of abolishing licensing altogether it was necessary to devise a licensing system which would be "an effective instrument of a modern, national freight policy". This paper describes my proposals. Discussion at the Economic Policy Committee revealed that some of my colleagues are concerned about certain features which are likely to be controversial. Hence this reference to the Cabinet.

2. I am proposing two main changes:

(i) To free altogether from carrier licensing the 900,000 goods vehicles under 30 cwt. unladen weight, and to apply to the remaining 600,000 a form of licensing (quality licensing) designed to improve maintenance and operating standards for the protection of public safety.

(ii) To free from all except quality licensing a further 140,000 public haulage vehicles (including all those under 5 tons and a few over 5 tons) which are at present required to hold 'A1' or 'B' licences, but to apply to the remaining 40,000 public haulage vehicles and to 30,000 own account vehicles a new system of quantity control which will produce a more rational economic division of traffic between road and rail.

3. The White Paper (paragraph 98) stated that decisions about the recommendations of the Geddes Committee on the licensing system should await the outcome of current research into the relative costs of carrying goods by road and rail. Good progress has been made with this research and it is already clear that its findings will not conflict with my proposals and in particular respects will validate them. It is therefore not necessary to await completion of this research, which will take another year at least, before adapting the licensing system as I propose to speed up the transfer of a comparatively small amount of traffic from road to rail where there is spare capacity that can profitably be used to carry it, with a consequential reduction of some £6 million in the deficit. I have set out in greater detail at Annex A the relationship between this research into transport costs and my proposals.
The Existing Carriers' Licensing System

4. Licensing of goods vehicles was initiated by the Road and Rail Traffic Act, 1933, and the present system which is described more fully in Annex B is substantially the same as it was then. Its purposes were to regulate competition within the road haulage industry, in view of depressed conditions arising from rapid unregulated expansion; to protect the safety of the public and of the drivers by providing sanctions against operators of unsafe lorries; and to give some protection to the railways by allowing them to object, along with other road hauliers, to the grant of licences to public haulage operators. But the system no longer effectively achieves these objectives, and the objectives themselves need to be reconsidered in the light of modern needs.

The Objectives of Licensing

5. There is no need now for the regulation of competition between public hauliers. Road haulage is a strong and vigorous industry and likely to remain so. It has not suffered any noticeable economic damage from the ineffectiveness of the present system and there is no sense in retaining a control which no longer has any meaning in practice.

6. But the protection of public safety by the promotion of high standards of maintenance and operation within the industry is even more important now that it was in 1933. Roads are more crowded, vehicles more powerful, and the incentives to break the law for financial gain remain. Yet the existing system allows no enquiries into the suitability and competence of intending operators, and its disciplinary powers over existing operators have proved totally inadequate. We must change this situation radically.

7. I have been under considerable pressure from the unions to renationalise the public haulage industry. One of their main arguments is that the industry is dominated by the small operator, whose standards of operation are substantially lower than those of operators in the publicly owned sector, who are as a consequence at a competitive disadvantage. No less than 50 per cent of public hauliers operate only one vehicle and 85 per cent operate five vehicles or less. I have resisted renationalisation of the whole industry because I see serious disadvantages in establishing a freight transport monopoly. Moreover, as we saw after 1947, no renationalisation would be effective which left out the larger own-account fleets. I have maintained that the problem of low standards in certain sections of the industry could and should be dealt with by licensing backed by more vigorous enforcement.

8. There is, I believe, a second valid objective of a licensing system. It is a primary aim of my freight policy that the fullest economic use should be made of the basic railway network. The railways' investment in liner trains and bulk delivery services is giving them modern facilities for carrying long haul and bulk traffics more efficiently and cheaply in many cases than road transport. On these services the railways can offer competitive charges and still make profits. In the main, the new services will sell themselves on their merits. But the understandable reluctance of some consignors to entrust their goods to the railway is likely to delay this natural switch
to rail. Meantime spare rail capacity will be wasted. If this "reluctant" traffic can be induced to switch to rail at an earlier date, without any additional costs being imposed on industry, there will be a clear gain to the economy in terms of optimum use of transport resources, reduction of the railways' deficit and less congestion on the roads. I, therefore, believe we should retain quantity control, but in a new and more relevant form in which it will be limited to that part of the road haulage industry where it can contribute to switching suitable traffic to rail.

Proposals for a New System

9. I propose, as a first step, to exempt from all carriers' licensing the 900,000 light vehicles of less than 30 cwt, unladen weight - nearly all operated on own-account and mostly light delivery vans and tradesmen's vehicles used for local runs only. There are no economic grounds for subjecting them to quantity control. As regards quality control, most of these vehicles are operated in towns and, though their accident rate is high, the accidents in which they are involved tend to be less serious than those involving heavier vehicles. Thus, the number of deaths from fatal accidents per vehicle-mile is 40 per cent higher for lorries over 30 cwt. than for those below. Moreover, vehicles under 30 cwt. will still be subject to the same annual tests as private cars and also at any time to roadside spot-checking by my examiners. So we have a quality check on these vehicles. I have, therefore, decided to concentrate the controls of the new system on the 600,000 heavier goods vehicles over 30 cwt., rather than dissipate enforcement effort over the whole range of 1.5 million goods vehicles.

Quality Controls

10. I propose that the basic instrument of control in future should be a new type of carrier's licence. Such a licence would be granted only if:

(a) The Licensing Authority were satisfied that the applicant intended and was able to provide adequate maintenance facilities for his vehicles, to keep proper control over their loads and to arrange satisfactory checks on the hours worked by his drivers.

(b) The Licensing Authority were satisfied that the applicant's financial resources were commensurate with his proposed scale of operation and that he had sufficient business in prospect to maintain reasonable financial stability.

(c) The applicant held a new type of personal licence (a "transport manager's licence"), entitling him to manage a transport undertaking, or employed the holder of such a licence in a position of responsibility. The licence would be revocable for malpractice.

11. These criteria are designed primarily to uphold proper standards of conduct and operation in the industry and in particular to protect public safety. Power to investigate the applicant's financial prospects is necessary because the most common and immediate reaction of hauliers in financial difficulties is to neglect maintenance, overload vehicles and overwork their drivers. We should not continue to tolerate a state of affairs in which anyone can buy a second-hand lorry on hire purchase for a few pounds deposit and a prospect of a few cut-rate contracts, neglect its maintenance and so become a menace on the roads.
12. Some of my colleagues on the Economic Policy Committee expressed doubts about the feasibility of assessing an applicant's financial resources and prospective business. I have discussed this again with some of my licensing authorities, and I am convinced that the difficulties are exaggerated. The majority of applicants will have been operating goods vehicles for a number of years and the licensing authorities will have a great deal of information to assist them in their assessments and to pinpoint bad risks. Under the present system they seek to satisfy themselves about an applicant's reliability and efficiency, and they see no serious difficulty in making this financial assessment, which would enable them to deal more effectively with an operator whose past record in caring for his vehicles and observing the other requirements of road operation has been unsatisfactory. It is all the more important that such enquiries should be made since otherwise we should be opening the door for unscrupulous operators out for quick profits to put unsafe vehicles on the road, including, possibly, some who had been refused a licence under the present system. This would go undetected until the vehicle either came up for its annual test or was caught at a random roadside test. But in between annual tests the vehicle can do a considerable mileage, while the chances of its being examined in a random roadside test are about once every five years.

13. I propose, however, to make these financial tests discretionary and not mandatory and leave it to the licensing authority to decide when to apply them. There will be a number of cases in which they will be clearly unnecessary. There will be others in which it is not clear whether the applicant has adequate financial resources and the licensing authority will then need to ask him for information in this point. If it then transpires that the applicant is a man of straw, the licensing authority can reject the application. In this way the more obviously bad risks can be eliminated from the start. Where the licensing authority does not feel justified in rejecting an application outright, he will be able at his discretion to grant what would in effect be a probationary licence of short duration. Such a licence would be given to many applicants new to the industry; it might also be granted, in a few cases, to an operator already in the business whom the licensing authority has reason to suspect. Otherwise licences will be given for a longer period. (Another remedy open to the licensing authority in doubtful cases would be to license a smaller number of vehicles than that applied for.)

14. It has been suggested as an alternative that quality licences should be available on demand but be subject to revocation for subsequent infringements, on the ground in particular that it would require less manpower than my proposals. Apart, however, from the safety objectives to this alternative it would involve a heavy increase in the number of enforcement staff. Nor will my proposals as a whole involve any substantial increase in the numbers now administering carrier licensing since the increase in enforcement and executive staff for quality licensing will be largely offset by the savings from the exemption of a million vehicles from licensing. There will be a need
for a higher proportion of senior staff in the Traffic Areas, but the extra cost of this will be met from the charges made for carriers' licences since I intend that the system shall continue to be self-financing. The staffing implications of my proposals have been discussed with the Treasury.

15. Once a licence has been issued, there will be two lines of attack against a defaulting operator. First, whenever there has been a breach of the law relating to vehicle operation the licensing authority will be required to consider suspending or cancelling the licence discs of the operator's individual lorries. Second, if an operator's offences are persistent or of a reckless character or likely to cause particular danger to the public, he will be liable to have his operator's licence suspended or cancelled. In either case the position of the holder of the Transport Manager's licence in that organisation will be called in question. To escape revocation or suspension of his own licence he will have to show that he could not be held responsible for the state of affairs in the company. This will give him a powerful incentive to resist any pressure by his employers to break safety rules. There will, of course, have to be provision for appeals; I am still considering the form of these.

16. Licences of this kind, which involve prior examination of financial resources, are already required in Germany and the Netherlands, and have recently been instituted in France. My officials have discussed with the Germans the working of their system, which is closely similar to my own proposals, and have been told that the financial tests present no serious difficulty, and are of value in securing safe operation. It is likely that licences on a similar pattern will eventually be introduced throughout the European Economic Community (EEC). I know that in this country their introduction would be welcomed by both sides of the industry and I am confident that they would make a worthwhile contribution to safety.

Quantity Controls

17. Under the present system of carrier licensing an applicant for a haulier's licence has at least in theory to prove a need for his proposed service. In practice he has little difficulty in producing customers to support his case and the system has become a farce. The Trades Union Congress (TUC) and British Railways have pressed for a system which will effectively support a national freight policy. The TUC indeed have gone further and asked that all licensing shall be delegated to a reconstituted British Transport Commission. I cannot accept this, but I do accept the need for radical change. British Railways have represented that there is a quantity of traffic now moving by road which would be eminently suitable for carriage by freightliner and assess the quantity at some 30 million tons per annum. They believe that the new service will attract on merit one-half of this traffic but have urged that a licensing system is essential to divert the remainder from road haulage. I consider that this justifies a very limited form of quantity licensing designed to divert this traffic to the freightliners. Licensing will be needed to overcome many consignors' conservatism and their prejudice against the railways derived from pre-freightliner
experience. It will also be needed to divert traffic in marginal cases. There is a large amount of bulk traffic such as coal and mineral ores moving by road in circumstances in which it could, without detriment to the consignor and with benefit to the public interest and to the overall rail deficit, be moved by rail.

18. I propose, therefore, to apply a limited form of quantity control which will extend to all lorries, including those of own account operators, of more than five tons unladen weight engaged either (a) in hauls of over 100 miles or (b) in carrying certain bulk traffics (e.g. coal) over 25 miles.

19. My reasons for adopting a limit of five tons unladen weight are:

(a) Lorries over five tons weight carry about half the tonnage and account for half the ton-mileage moving by road over 100 miles and thus include the very traffic which would be suitable for the freightliner service. They also carry much of the bulk loads moving over shorter distances.

(b) There are in all 100,000 vehicles of five tons or more (including 60,000 own-account vehicles). The exclusion of those engaged on journeys of under 100 miles, other than those carrying certain bulk loads, will bring the total to 70,000 as compared with 180,000 public haulage vehicles now subject to licensing (see table at Annex C). This will enable my enforcement staff to concentrate their attention on a much smaller number of easily identified vehicles.

20. Applications for a quantity licence to operate one of these 70,000 lorries will be open to objection by railway operators. The system will, therefore, be biased in favour of rail transport but for the reasons set out in paragraph 5 above there is no point in allowing objections being raised by other operators. In most cases the objector will be the freightliner division of the National Freight Organisation (NFO), since the effective alternative to road will be provided by the freightliner services. Occasionally the railways might object to applications for bulk carriage of coal and similar traffic. The sole grounds for objection will be that rail can provide a service which overall is as satisfactory as that of the applicant, taking into account speed, reliability and cost; where such an objection is made the applicant will have to satisfy the licensing authority that it is invalid. Unlike the present system, consignors' preferences or prejudices will not be taken into account unless they are substantiated with rational evidence in these terms. There will be provision for appeals to an independent tribunal.

21. The extension of quantity licenses to own-account transport is new and will give rise to controversy. Own-account operators value their freedom to operate lorries without restriction for the carriage of their own goods. For the most part they will retain this freedom, subject only to the new quality controls which they will, I am sure, find acceptable. But I do not think it is right to exempt them altogether from the new quantity controls. A significant proportion (at least one-third) of the traffic which is potentially suitable for rail now goes in own-account
lorries; the TUC have strongly represented to me the need for quantity control of own-account transport, as also have British Railways; and to confine quantity licensing to public hauliers would be likely to cause diversion of the traffic previously carried by hauliers, not to rail, but to new or enlarged own-account fleets.

22. In considering contested applications licensing authorities will need for comparison competing road and rail rates which reflect the full costs of each service. This will not be difficult in the case of public road haulage, nor for the NFO freightliner services, since the arrangements for the financial structure of the NFO will ensure that no element of subsidy appears in their quoted rates. But since no rates will be available in own-account cases, the comparison will have to be between rail rates and own-account costs. Many own-account operators will be quick to see the economic benefits of rail trunk haulage (and a number have already made the switch to freightliners), but there are many who do not even know what it costs them to run their own vehicles or are content to subsidise their lorry fleets from their manufacturing profits. This clearly leads to an unjustifiable waste of national resources. Undoubtedly one of the effects of applying quantity licensing to own-account operators will be to stimulate them to examine their transport costs, and to compare them with rail costs, with beneficial effects on national productivity.

Effect of Quantity Licensing on Established Fleets

23. Several of my colleagues suggested that organisations with large established fleets might suffer economic loss if the quantity licensing system required transfer of traffic carried by their vehicles to rail. There will be cases where quantity licensing could make severe inroads into individual fleets. But there are two mitigating factors. The owners of these fleets will have plenty of notice that quantity licensing is likely to affect them, not only because there will be at least nine months between the publication of my proposals in a White Paper and enactment of the Transport Bill but also because the introduction of the new controls will have to be spaced over a period of at least two to three years as existing licences fall in. Also the licensing authorities will have to be given discretion to allow the continued operation of particular licences for a limited period or to a limited extent in individual cases where immediate rejection would cause undue hardship. In any event the basic criterion will have to be satisfied, can rail provide as good a service?

Refusals of Applications for Quality or Quantity Licences

24. I intend that applicants should be free as they are now to renew their applications at any time. This is the real sanction against any failure of the railways to operate a reliable service and much simpler than any indemnity system. It will also be a healthy stimulus to the railways to keep their standards up. Even if it were practicable an indemnity system would be of doubtful value. On one of the freightliner routes, there is an arrangement under which a consignor who pays a higher rate can recover the freight charge if his consignment is delayed. In practice the customers nearly always pay the lower rate which carries no such guarantee since the normal service is sufficiently reliable.
25. At the last meeting of the Economic Policy Committee I was asked to arrange for interdepartmental consideration of certain features of my proposals and to report the outcome to the First Secretary of State before reference was made to the Cabinet. I have done so and at Annex D is a copy of my report to the First Secretary. It will be seen that officials reached agreement on a number of the points raised by my colleagues, but failed to agree on the possible effect of quantity licensing on industrial costs and efficiency, especially as regards own-account transport. I do not share the fears expressed on this score and neither do my licensing authorities. They have long experience in comparing road and rail rates, and in assessing the more complex issues arising from proof of need for a new road haulage service, and their opinion on the feasibility of my proposals should not be lightly set aside. I would in any case seek powers in the new Transport Bill to issue directions of a general nature for their guidance should this prove necessary.

The Common Market

26. In formulating these proposals I have kept in mind the possibility of our joining the EEC and the effect of this on our licensing arrangements. The Six have not made much progress in evolving a common transport policy, but they may do so in the field of haulage licensing during the next six to twelve months. I have already referred to the parallels between my quality licensing proposals and those being evolved by the EEC. Quantity control is applied in all Common Market countries, though in different forms, and the principle of controlling "access to the market" and of limiting road haulage capacity is firmly entrenched. They do not apply this control to own-account transport, but there is already some recognition that its exclusion is illogical and West Germany imposes a special discriminatory tax on own-account operators. I think our best course is to develop our own licensing system as best suits our domestic needs, but to keep it sufficiently flexible to permit later modifications in the EEC context if necessary; may be our initiative will influence the still developing policies of the Six.

Alternatives

27. I have considered other proposals and rejected them. For example a very substantial charge for long distance licences or for vehicles above a certain weight would no doubt lead to some diversion of traffic to rail. But it would be indiscriminate and would raise costs of road transport hauls for which there was no effective rail alternative or indeed no rail alternative at all.

28. A second possibility would be to repeal the present legislation on carrier licensing and replace it with quality licensing alone. But this would mean foregoing the opportunity to utilise the spare capacity on the freightliner network and to reduce the rail deficit. There would also be considerable criticism from the unions if the limited right which the railways now have to object to haulage licences were removed altogether. A variant of this proposal would be to leave the present system as it is but with quality licensing superimposed. But this would mean retaining a system acknowledged to be grossly defective and continuing to incur the waste of resources that it involves.
29. Another possibility is a quota system like that in several EEC countries. But their experience does not suggest that a quota system confined to public hauliers would be of any assistance to the railways; the more likely effect of any such system would be to increase own-account operation. And there is little point in developing a quota system merely to restrict entry into the public haulage side of the industry.

Conclusion

30. There being no satisfactory alternative, I seek the approval of my colleagues to the proposals set out in this paper as a basis for my road haulage licensing policy. I would consult further with the various interests concerned before framing proposals for inclusion in the forthcoming Transport Bill.

B.A.C.

Ministry of Transport, S.E.1.

5th July, 1967
ANNEX A

The relation of current Ministry research into transport costs to my proposals for carrier licensing

I have explained in paragraph 3 of the Memorandum that I do not think it necessary to wait for the full results of our research into the relevant costs of carrying goods by road or rail and into consignors' preferences before making changes in the licensing system. The object of this research is to provide information relative to road and rail investment to help us assess the consequences of a number of policies with economic implications. Already information from this research has helped guide our thinking in formulating my present proposals but the programme is not complete. It is proceeding by a series of stages. In the first stage we are concentrating on an examination of two typical trunk routes - between London and Newcastle and between South Lancashire and Glasgow. We are collecting detailed data on the costs of all road and rail transits which make use of these routes or of any part of them. From this data we intend to build up a mathematical model (the transport costs model) which will enable us to examine the variations in costs which would occur on these two routes if the balance of traffic between road and rail on them were to be altered in various ways. At the moment we have collected and analysed a large amount of information about road costs on the routes, and this is now in a form suitable for use in the model. The collection of rail data is not so far advanced, but we expect to complete this part of the stage in the next month or two. The final results of this stage are likely to be available at the end of this year. The next stage of the model will be to extend the methods used in the examination of these two groups to cover all the major trunk routes in the country; we expect that completion of this work will take some considerable time. It will be published at appropriate stages.

2. Our research also sets out to discover why consignors choose particular forms of transport (the "shippers' survey"). Preliminary results show that there is widespread ignorance among consignors of freight about rail charges. More than half of the firms in the sample we have taken who are now forwarding their goods by road clearly had little knowledge of rail freight charges. Furthermore, the railway image in respect of speed and reliability of service stems predominantly from pre-freightliner days. It simply cannot be asserted that normal commercial forces, coupled with well-informed transport management, will in themselves lead to the most economic allocation of traffic. Some additional stimulus is clearly necessary.

3. The research is also likely to show that several factors such as the cost of accidents can on balance be expected to emphasise the advantage of carriage by rail rather than by road.

4. When the final results of our present research become available they will be valuable in providing cost information which will help to guide the licensing authorities in exercising their powers to grant or refuse licences. For example, the research will show on which particular routes diversion of traffic to rail is likely to be most beneficial both to the consignor and to the national interest. This information will help licensing authorities to decide whether in marginal cases applications for quantity licences should be granted or not.
5. It is not necessary to await the completion of the research before revising the licensing system in the manner I propose. One does not need to know the exact relative costs of carrying traffic by road or rail to justify using the licensing system to speed up the transfer of a comparatively small amount of traffic from road to rail, 15m. tons out of a total of 1,500m. tons carried by road, which is expected by the railways to make a contribution of £6m. to the reduction of the overall deficit. We know that there is spare capacity on the railways that could profitably be used to carry this traffic. I accept that it would be futile to obtain a reduction in the deficit at the cost of a higher burden on industrial costs generally. But there is no risk of this. My proposals will ensure that no traffic will be switched from road to rail unless it is clearly established in each individual case that the rail costs would be no higher than the road costs.
The present system of carrier licensing

The present system of carriers' licensing is set out in part IV of the Road Traffic Act, 1960 and is largely a continuation of that introduced in the Road and Rail Traffic Act, 1933. With certain minor exceptions all goods vehicles used either for hire or reward (public haulage) or for carrying goods in connection with the owner's trade or business (own account operation) must be authorised under a carrier's licence.

2. Licences are issued by the Licensing Authorities. I appoint one Authority for each of the twelve Traffic Areas in Great Britain, and acts independently in granting or refusing licences. He is supported by a small staff of executive and clerical officers, who assist in preparing cases for decision and in keeping records of operators, but the actual decision on a licence application is made by the Licensing Authority personally or his appointed deputy.

3. Own-account operators are entitled to a licence on demand, unless their previous record as an operator is such as to disqualify them from holding further licences. This type of licence (the 'C' licence) is by far the most common; about 1.3m. out of the 1.5m. goods vehicles on the road operate under it.

4. Public hauliers operate under an 'A' licence (for public haulage only) or sometimes a 'B' licence (which entitles an operator to undertake both public haulage and own-account operation). Applications for these licences are published in a weekly list by the Licensing Authority, and are open to objections from established hauliers and from the railways on the grounds that suitable transport services already exist to do the work which the applicant wishes to undertake. Where objections are made, the Licensing Authority will usually preside at a public hearing, at which the objectors attempt to prove their objection, and the applicant brings evidence from prospective customers to show the need for his services.

5. If the Licensing Authority grants an 'A' licence, its use is restricted mainly to the type of work which the applicant stated he intended to undertake. A 'B' licence is usually further restricted by specific conditions laying down precisely what the operator may or may not do under its authority. Breaches of conditions may lead to withdrawal of the licence.

6. 'A' licences normally last for 5 years, and 'B' for 2. The holder may have to undergo the same process of proof of need either on renewal or whenever he wishes to increase the size of his fleet.

7. Licensing Authorities also have certain limited powers to revoke or suspend a carrier's licence (of any kind) in the event of serious or repeated offences against the law governing vehicle maintenance and observance of the limits on drivers' hours. They are served by staffs of engineers and technically qualified vehicle examiners who examine vehicles and report cases of bad maintenance both for possible action against the carrier's licence and for prosecution in the courts. Similarly, their staff of traffic examiners investigate breaches of the law on hours of driving and check observance of licence conditions.
8. The system is in practice far less restrictive than might appear from this brief description. Only the 200,000 public haulage vehicles are subject to any kind of quantity control, and it is not difficult for an applicant to produce customers who will say they wish to use his services. This is frequently sufficient to secure the grant of a licence, since the criterion of the adequacy of existing services was relegated to a secondary place by an amendment to the law in 1953 which provided that the needs of customers should be paramount in the consideration of applications. Moreover, many operators get what are virtually public haulier licences under an arrangement which gives them an automatic right to a licence if they can produce a twelve months' exclusive contract with a prospective customer. There are thus few real restrictions on entry to the industry to a man who is determined to get in, and any protection which the system may once have given to the railways has virtually disappeared. It is clear that the system not only no longer achieves many of its objectives, but that these objectives themselves need to be re-appraised in the light of modern needs.
ANNEX C

Statistical Comparison of existing and proposed system of carrier licensing

(1965)

PRESENT SYSTEM

Public haulage vehicles requiring a carrier’s licence and subject to quantity control 180,000 vehicles

Other goods vehicles (mainly "own-account") requiring a carrier’s licence but not subject to quantity control 1,360,000 vehicles

Total subject to carrier licensing 1,540,000 vehicles

NEW SYSTEM

Subject to quality licensing only:

(i) goods vehicles 30 cwt. - 540 5 tons u.w.

(ii) goods vehicles over 5 tons u.w. engaged in short-haul traffic, not in competition with rail 30 570,000 vehicles

Subject to quality and quantity licensing:

Goods vehicles over 5 tons u.w. engaged in long-haul traffic and certain short-haul traffic in competition with rail:

(i) public haulage (estimated) 40 70,000 vehicles

(ii) own-account (estimated) 30 640,000 vehicles

 Freed from carrier licensing altogether: 900,000 vehicles
ANNEX D

Report on an inter-departmental meeting
of officials on 27th June

1. I was asked at the last meeting of the Economic Policy Committee to arrange for further inter-departmental consideration of certain features of my proposals and to report the outcome to the First Secretary of State before the matter was referred to the Cabinet. Discussions have now been held between departments on these features as well as on further points raised by the Parliamentary Secretary, Department of Economic Affairs, in a subsequent letter to me. Their outcome was as follows:

Quality Licensing

2. There are now no important outstanding points of difference between Departments on the proposals for a quality licensing system. On the two specific points raised at the Economic Policy Committee meeting, it was concluded that:

(a) In the light of licensing authorities' experience in this country and of the known effectiveness of the quality licensing systems now operating in West Germany and France, it would be possible to envisage applicants being examined as to their financial resources and business prospects, although the Board of Trade are still doubtful whether such a process would be successful; and the Scottish Office thought that a detailed examination of this kind would involve the Government in an unprecedented type of investigation;

(b) Apart from its manpower implications, a system under which licences were given out on demand and subsequent enforcement was very tough would be undesirable on safety grounds.

3. A possible alternative system of quality control was suggested, under which goods vehicles would be examined at six-monthly rather than annual intervals and licences issued automatically. The Board of Trade saw advantage in this course, but it was pointed out that it would be extremely expensive.

Quantity Licensing

4. Officials were agreed on three of the points outstanding from the E.N. Committee meeting. They were:

(a) The question of compensation for existing own-account operators who were refused licences. It was considered that no case could be made for such compensation, provided that suitable transitional arrangements were worked out and that licensing authorities in considering applications took account of the difficulties which might arise in a very few cases.

(b) The possibility of an indemnity on the part of the railways against failures in promised services. It was accepted that this was impracticable and that the best safeguard was that rail objections against issue of carrier licences would not succeed if the railways proved unreliable.

/(c)
The proposal to allow an operator whose application was refused to buy a licence. It was felt that if the price of such a licence was low the whole purpose of the licensing system would be defeated, while if the price were high enough to avoid this danger, the device would be criticised as worthless. Moreover to be effective such a scheme would have to be accompanied by an elaborate identification procedure.

On the remaining point raised at the S.W. Committee, the Scottish Office and the Board of Trade were unable to agree that the proposals would not inflict serious damage upon industry in Scotland and the other development areas. These two departments considered that even if licensing authorities were given special directions about dealing with road licence applications in these areas, and despite the safeguard that licences would not be imposed unless rail provided a comparable service, industrialists would still be discouraged from investment in these areas by doubts about their future freedom to run their own transport.

The meeting also discussed certain points raised by the Parliamentary Secretary of the Department of Economic Affairs. These points mainly concerned the practical problems which would face licensing authorities in the administration of the new quantity system, and the difficulty of assessing and deciding upon the needs of manufacturers to operate their own lorries. Officials spent some time in discussing various aspects of these problems but were unable to agree upon a common view. Most departments were concerned about the degree of inquiry into own account operators' costs which would apparently be necessary in considering applications for licences and about the difficulty of giving due weight to customers' preferences about methods of transport without undermining the whole system. In general, departments other than the Ministry of Transport felt that, while some doubts on points of detail might eventually be resolved, the proposals for quantity licensing especially as applied to own-account transport would have serious effects on industrial costs and efficiency. At the same time it was recognised that to apply the system to public hauliers alone would be ineffectual.

Ministry of Transport