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CABINET.

NATIONALISATION OF TRANSPORT.

MEMORANDUM BY THE MINISTER OF TRANSPORT.

MY paper S.I. (M) (46) 4 of the 23rd February has recently been discussed by the Socialisation of Industry Committee and its proposals have been generally approved by them, subject to some suggestions which I have embodied in the present paper.

2. I deal at more length in paragraphs 3-18 below with the case of road transport; the other proposals in S.I. (M) (46) 4 are briefly as follows:—

- (a) There will be a British Transport Commission (B.T.C.) consisting of a chairman and four other members, to which there will be transferred compulsorily by the terms of the Bill all the railways and canals which are now under control. Power will be taken to acquire by agreement any minor railway or canal undertaking not covered by the present control.
- (b) The undertakings of the railway companies will be taken over as a whole, including all their ancillary businesses and investments (which cover about 25 per cent. of the country's dock system, steamships, hotels, &c., and important interests in road transport, both passenger and goods).
- (c) Power would be taken to enable B.T.C. to acquire privately owned railway wagons.
- (d) B.T.C. would be enable to license the non-statutory canal carrying companies, to acquire such businesses by agreement and themselves to carry if they saw fit.
- (e) B.T.C. will be given powers to acquire long-distance road haulage services and long-distance road passenger services.
- (f) There will be enabling powers to reorganise in regional groups local road passenger services and to transfer additional undertakings, including municipal undertakings, subject to confirmation by Parliament, to B.T.C. where that course is necessary in order to achieve adequate co-ordination.
- (g) Similar powers will be taken in respect of the docks not owned by the railway companies.
- (h) B.T.C. would have the general duty of promoting and securing the provision of an adequate and properly co-ordinated system of transport and of so fixing fares and charges as to secure that revenues would suffice to defray the expenses of the whole system, taking one year with another; B.T.C. will be subject to directions of a general character issued to them by the Minister.
- (i) While all transport assets will vest in B.T.C., management and operation will be delegated to three Executives for Railways, Road Transport and Docks and Inland Waterways. Power will be taken to create additional Executives if that course is found by experience to be desirable and it will be possible to set up an appropriate separate organisation under B.T.C. to administer and develop hotel and catering facilities. Staff will be interchangeable between the Executives.

As explained in paragraph 5 of S.I. (M) (46) 4, it is necessary to adopt at the outset a scheme of organisation based on the present functional structure of the different branches of transport. But I agree with the Socialisation of Industry Committee that scope must be left for ultimate combination of all transport activities under regional boards, working under the central direction of B.T.C., if experience indicates that, when acquisition and other initial processes are complete, such an alteration in lay-out is likely to secure advantages.

- (j) The L.P.T.B. will, in future, be appointed by the Minister.
- (k) I have settled with the Chancellor of the Exchequer a general basis for acquisition in the special case of the railways. I shall shortly submit to the S.I. Committee appropriate terms for other transport undertakings, with the necessary provisions for arbitration in cases of dispute.
- (l) On rates, charges and facilities, the existing arrangements will continue with minor modifications during the period which B.T.C. will require to consider the principles which should govern such matters. The principles so formulated should be referred to an appropriate Advisory Committee. If the Minister is satisfied, he should then obtain the approval of Parliament to their adoption. A Transport Tribunal will be charged with the duty of settling the details. Until the main network of our inland transport services have been brought under common ownership, it would be premature to attempt to give form to the principles which must govern rates and charges in a unified transport system. The new principles must take a substantial time to work out and it is in view of their importance to the trading community that I suggest that Parliament should have an opportunity to approve them.
- (m) Coastwise shipping will not be nationalised. A formal arrangement for close and continuous consultation with the Chamber of Shipping would be laid down with a view to ensuring that efficient coastwise shipping services are maintained to the extent declared from time to time by the Minister to be required in the national interest. This will involve at least avoidance of the quotation of unduly competitive exceptional rates by the rail or road undertakings of B.T.C. and arrangements for combined land and sea freights and facilities, and may require other safeguards.
- (n) In view of the precedents relating to statutory transport and other undertakings, it will be necessary to make provision for compensation of staff who are displaced as a result of transfer, or whose conditions of service are worsened, and also to preserve the superannuation rights of existing employees. The form of these clauses will depend to some extent upon the general decision to be reached in this matter, but I regard it as essential to retain the loyal service and goodwill of the staff taken over from existing undertakings. Provision will also have to be made for a suitable conciliation machinery, and I agree with the Minister of Labour and National Service that this machinery should be regarded as part of the equipment of the industry itself and not be directly linked with the Government.
- (o) Provision would be made for a series of Advisory Committees in the regions and at Headquarters to keep before B.T.C. the needs of users of the transport system for good service and development.

Road Haulage.

3. This represents the most difficult aspect of our policy. It may assist the Cabinet's consideration of the matter if I describe briefly the general structure of the industry.

4. There are approximately half a million motor vehicles designed for the carriage of goods.

5. Of these, 350,000 are operated under C. licences, *i.e.*, used by their owners for the carriage of their own goods, and are not subject to any limitation

of distance under the Traffic Acts, though temporarily they are limited to 60 miles. About 75 per cent. of these vehicles are engaged in wholesale or retail distribution and are seldom used outside a radius of 40 miles from their base—a distance which enables the vehicles to make the return journey, with stops for distribution, within a working day. The remaining 25 per cent. are mainly operated by the larger wholesale distributors and by industrialists with plants up and down the country who use the vehicles as a private transport system. In a small but growing number of cases, the vehicles are analogous to a conveyor-belt.

6. Exclusive of 10,000 vehicles owned by the Railway Companies, there are 140,000 vehicles operated by 60,000 owners under A. and B. licences to carry goods of others for hire or reward. The A. licence-holders, of whom there are about 30,000, are restricted to public haulage, and the average number of vehicles owned per licence is three. The 35,000 B. licence-holders can both carry their own goods and, subject to conditions, engage in public haulage; in this class, the average number of vehicles owned per licence is about one and a half. Unfortunately, in respect of distances run, there is no clear-cut distinction between A. and B. licence-holders and many of the latter, on occasions, operate over substantial distances; some owners operate under both types of licence.

7. The small working operators have little in the way of overhead expenses and depend, to a large extent, on their local and personal contacts. Perhaps about one half of the 150,000 vehicles (including the 10,000 of the railways) are not regularly used outside a radius of 20 miles from their base. At the other extreme are probably 20,000 vehicles owned by between two and three thousand operators, with organisations of varying size, which are more or less regularly used for hauls of 60 miles and upwards. The remaining vehicles are used in intervening distances, but both the short and the long-distance vehicles are frequently used for varying purposes and any close analysis of their employment is impracticable.

8. A national transport system will largely depend for its success on the scope of its monopoly being wide enough to ensure that it obtains a volume of traffic sufficient (a) to cover its overhead costs; and (b) to enable it to operate at reasonable rates and with economic loadings. On the other hand, the road vehicle and its driver or crew often perform a wide variety of services over and above the strict carriage of goods which a nation-wide monopoly might find it difficult to offer.

9. Against this background, I have had to consider how best to give effect to our declared policy of bringing long-distance road haulage services under national ownership—with the implication that some suitable field of operation should still be left to the independent haulier. I can derive some assistance from the scheme of control over the carriage of goods by road, which was exercised before the war by the Traffic Commissioners as the Licensing Authorities for goods vehicles, and is about to be revived.

10. In the first place, it is, I think, clear that the C. licensee carrying his own *bona fide* goods, should be free to operate his own vehicles for this purpose within a radius of 40 miles from his specified base, and this freedom must, in my view, extend, not only to wholesale or retail traders, but to industrialists. The right to carry his own goods in his own vehicles is the best answer to any trader who complains that he is being subjected to an oppressive monopoly. At the same time, we cannot afford to see a drift of traffic away from the public haulage system to vehicles running under C. licences over distances for which the national system can and should provide a good and economical service. I propose, therefore, that the C. licensee should require special authority from the Licensing Authority if he desires to run further than 40 miles from his base, and that the onus should rest upon him to satisfy that Authority that his business requires such greater latitude for special reasons. This latitude would, of course, not have to be sought load by load, but would normally be governed by suitable conditions attached to the licence. B.T.C. would have a right to be heard in opposition to applications for such latitude. It will be proper to take powers to ensure that C. licences are available only to *bona fide* carriers of their own goods, and that abuses such as those which gave rise to difficulty in Northern Ireland should be stopped.

In the Appendix will be found the general outline of the clause I have in mind for regulating the grant of special C. licences.

11. As regards the A. and B. licence-holders, the outline of my previous proposals is stated shortly below :—

- (a) B.T.C. would acquire those undertakings operating wholly or mainly on hauls of 40 miles and upwards; these undertakings would form the nucleus of the new organisation and the basis of B.T.C.'s monopoly, since no operation beyond a point to point distance of 40 miles could be undertaken except under their authorisation.
- (b) Persons carrying for hire or reward for shorter distances would be subject, as at present, to licensing control by the Area Licensing Authorities. Every operator would, by virtue of his licence, be allowed freedom of operation (without risk of objection by B.T.C.) within a radius of 10 miles from a specified base. Outside that radius the Licensing Authority would, after hearing any representations from B.T.C., have discretion to grant the independent haulier a licence authorising him to undertake hauls up to 20 miles point to point, and these hauls might be undertaken outside the 10 miles radius, but limited to any areas or routes or traffics specified in the licence. For hauls of more than 20 miles point to point outside the 10 miles radius, the consent of B.T.C. would be necessary, but any existing operator who was refused such a consent, or had conditions attached to that consent which he regarded as unreasonable, would have a right to require B.T.C. to take over that part of his business which he was forced to discontinue, on terms which would be laid down in the Bill. In such circumstances, B.T.C. should have the option of taking over the whole of the business.
- (c) B.T.C. would have an unrestricted right to operate vehicles over any distance, but would be discouraged by a general direction from the Minister, from undertaking short hauls of less than 10 miles except in so far as the goods were for collection or delivery before or after conveyance by other road, rail or canal services of B.T.C., or in continuation of a business which B.T.C. had acquired.
- (d) By combination of the monopoly and the control by licence described above, it should be practicable to secure a sufficient volume of long and medium distance traffic for B.T.C. By enabling them to "dove-tail" their services with the shorter distance services of the independent hauliers, the scheme should also secure a large measure of co-ordination between public and private haulage, while leaving the latter room in which to live.

12. The scheme outlined in paragraph 11 has been devised to accord, so far as possible, with existing operational practice. I have, however, considered, in the light of the criticisms of some of my colleagues, whether it could be modified on less restrictive lines. No scheme which depends upon distances can avoid giving rise to some degree of arbitrariness, and to the necessity for severing existing businesses and the risk of harsh treatment of those hauliers who find themselves faced with the alternative of restricting their activities or going out of business.

13. It would, however, be possible to eliminate the distinction between hauls up to 20 miles and hauls between 20 and 40 miles (in each case point to point) which is the feature of my original proposal, and to leave independent hauliers free to operate on point to point hauls not exceeding 40 miles in length, subject only to securing a licence from the licensing authority, and such conditions as that authority might impose. B.T.C. would, of course, be free to compete for this medium distance haulage and have a right to object to the grant of a licence to others. They would be discouraged, as I have proposed, from undertaking short hauls of less than 10 miles, and generally encouraged to co-ordinate their services in the sphere of medium haulage with the independent hauliers.

14. I am not in favour of the solution just mentioned which is open to the objection that B.T.C., while not itself requiring a licence, would be exposed to competition for a large volume of traffic, the extent of this competition depending upon the exercise of their discretion by the licensing authority. From the opposite point of view, it may also be objected that an adverse decision of the Licensing Authority, based on representations by B.T.C., might injuriously affect a haulier without giving him any right to compensation. Under existing conditions, the haulier has no right to a continuance of his licence, but all his road competitors are in the same position.

15. A greater degree of simplification would be obtained if an intermediate zone were dispensed with, so that the independent haulier would be free to operate within a specified radius of his base, and to operate beyond that radius only with the consent of B.T.C. In such conditions, a radius of 25 miles might be appropriate. Within it hauliers would be free to operate subject only to licence. It would not be practicable to exclude B.T.C. from undertaking hauls up to 25 miles, but they would be discouraged from catering for the shorter hauls. B.T.C. would control all hauls beyond those permitted by the 25-mile radius in each case, and would be free, either to permit operators to continue subject to conditions, or to refuse permission to operate beyond the radius. If B.T.C. refused permission to operate beyond the radius, or imposed conditions which the operator considered to be unacceptable, the latter would have the right to require B.T.C. to take over the part of his business which had to be discontinued, and in that case B.T.C. should have the alternative of buying out the whole concern.

Road Passenger Transport.

16. It is proposed to confer powers on B.T.C. to acquire long-distance road passenger services which are directly competitive with the railways. It will also be necessary to give them power to acquire other passenger transport undertakings, including those now owned by the municipalities, in so far as that proves to be the best means of securing an adequate degree of co-ordination. But we may encounter strong opposition from many of the municipalities (numbering about one hundred) which at present take a lively interest in their own transport undertakings, and I therefore propose, as a parallel procedure, that B.T.C. should have the duty of calling for the formulation of a co-ordinated scheme of passenger transport from local authorities and companies in selected areas of suitable size, whereby joint or district boards could be formed to operate the services. These schemes might, or might not, require the transfer of the combined undertaking to B.T.C., and, in view of this possibility, the schemes should be submitted to the Minister for his approval, and then for confirmation by Parliament under the special Parliamentary procedure.

17. B.T.C. will have a general right to operate excursions and tours and also contract carriages. There may well be valuable opportunities for B.T.C. to develop facilities for holidays-at-home and to encourage tourist traffic from abroad, especially in conjunction with their steamer and rail and road services and their ownership of hotels.

18. The London Passenger Transport Board presents a special problem and can probably best be treated as a regional board under the general direction of B.T.C., subject to the overriding powers of the Minister.

19. I need not elaborate my proposals in regard to docks or coastwise shipping, or deal at this stage with the numerous transitional and machinery clauses which will be required. My object will not be to overburden the Bill with unnecessary detail, but at the same time to present as complete and tidy a scheme as is possible. This should avoid rather than increase criticism.

20. If the Bill is to be ready early in the autumn, as it should be, I shall require the whole-time services of a Draftsman immediately after Easter. I hope that my colleagues will give authority for a Draftsman to be assigned to me, and also authorise me to discuss the general scheme for dealing with the various branches of transport confidentially with those sections of the industry which are in a position to negotiate with me.

A. B.

*Ministry of Transport, W. 1,
10th April, 1946.*

APPENDIX.

C. LICENCES.

These licences, to which no conditions apart from those relating to safety have attached in peace-time, would in future authorise the carriage of goods for, or in connection with, the holder's trade or business up to a radius of 40 road miles from the base at which they are normally kept, and to such further extent

as may be allowed by virtue of any special conditions which the applicant is able to show to be justified by the particular character of his business.

In deciding whether special conditions are justified the Licensing Authority will be directed to have regard to—

- (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 of, or associated with, his trade or business.
- (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 special conditions are not attached.
- (iii) Alternative available means of suitable public transport.
- (iv) Any representations made by B.T.C., particularly as to the extent to which the applicant calls upon the Commission to carry any of his traffic.

The C. licence would be subject to revocation if—

- (i) The conditions subject to which it was issued have not been complied with.
- (ii) The vehicles have not been operated in accordance with the purposes disclosed in the application.
- (iii) The vehicles have been used for carriage of goods in pursuance or furtherance of a transaction the purpose or effect of which, whatever may have been its form, was to provide in substance for the use of the vehicle for the carriage of goods for hire or reward.

Period of Licence.

The applicant would not have to justify his licence every year. C. licences would be valid for three years (or, perhaps in the case of licences to which no special conditions are attached, for five years).

Appeals against refusal of a C. licence to operate beyond 40 miles and against revocation.

It is proposed that the applicant should have a right to appeal against any refusal of a request for special conditions to the independent Transport Tribunal, which will be required for other purposes of the Act. In that event B.T.C. should be given a right of appeal against the grant of conditions to which it had objected.
