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TRANSPORT POLICY

(A Paper by Norman Fowler, M.P.)

1. THE STRATEGY

We propose that the principles of our transport policy should be as follows:

- (1) Transport should not be treated basically as another social service. As far as possible it should be paid for by the user.
- (2) The aim of transport policy should be that as far as possible decisions as between modes of transport should be taken by and for the users - rather than by and for the providers.
- (3) Transport must be expected to contribute to public expenditure cuts. Priority in spending should go on those activities and investments which are most likely to contribute to the revival of the economy. Environmental and pleasure considerations, though important, will have to receive lower priority for the time being.
- (4) Transport policy should aim to be objective as between modes of transport and to remove as far as possible restrictions on the use of the most appropriate form of transport. We should not start from either a "pro road" or "pro rail" basis. Rather we should analyse the purpose for which each mode is best suited.
- (5) We should certainly not underestimate the importance of the environmental argument but we should recognise that the car is now by far the most used means of passenger transport - 80% of journeys are by car. The motorist values the flexibility his car gives him and will want to maximise use of this substantial investment. It therefore makes no sense to adopt deliberately anti-motorist policies.
- (6) Transport policy must recognise that nearly everyone needs access to public transport of some form. To a substantial minority (45% of households do not possess cars) public transport is necessary for mobility. Some subsidies may be necessary to provide this. However, greater efficiency in public transport services and less rigid licensing restrictions on alternative operators would help reduce the subsidy element.
- (7) Competition and the free choice of the user are preferable to an "integrated" transport system - which Labour have never successfully defined let alone achieved. Some rationalisation in the public sector is needed - such as the duplication of services by nationalised carriers.
- (8) We must recognise the interests of those who work in the transport services. More rational and productive transport will entail substantial labour difficulties. A more definite future plus acceptance of the vital role of transport may help to offset this. We should seek to work more closely with the unions and management in the formulation of policy - while leaving the nationalised industries as much freedom of management as possible once the objects of policy have been agreed.

## 2. RAILWAYS

A. Costs: The overriding aim of policy must be to reduce substantially British Rail's operating deficit. Here there is one fundamental difficulty. Since the 1974 Railways Act, support for the railways has been provided on a blanket basis. The result has been that the loss making lines and services are no longer identified and only in the most general way is it possible to say which services are "paying their way". This has an important effect on policy making. Our strategy for the railways is that British Rail should concentrate on those activities which it does well and profitably. However, the present position is that neither British Rail nor the Government are able to identify the costs of the different activities. It is vital then that steps should be taken to obtain a full break-down on a service and line basis of all British Rail operations - with costs properly apportioned. Although there are difficulties in railway costing they are no greater than in a complex manufacturing industry. As Dr. Joy, formerly British Railways Chief Economist, points out: "If Ford or the B.S.C. can find the cost of their products so can railways, and many other railway systems have developed reliable systems." This first proposal is basic to our railway policy.

B. Freight: British Rail's accounts show that currently the Government is subsidising freight operations by almost £70 million a year. However, the published figure is a substantial underestimate. Under British Rail's accounting system a significant "hidden" subsidy is going to freight operations. Freight operations are charged only their avoidable costs which means that they pay only if the lines being used are used exclusively for freight. If lines are shared by passenger and freight operations then the total costs are covered by the passenger service. We see no justification for any subsidy going to freight operations.

We also believe that the evidence (Report available) strongly suggests that the freight subsidy is even larger. Efforts should therefore be made to identify the true freight deficit.

Generally we believe there is no justification for subsidising any mode of freight transport. This means that:-

- (i) charges for certain very heavy lorries might have to increase if it is shown that they are not covering their full road track costs.
- (ii) the elimination of the deficit of the National Freight Corporation currently running at £31 million. Plans involving the merger of National Carriers, the biggest loss maker inside the corporation, with Roadline already exist and should be implemented.
- (iii) duplication of services by subsidised publicly owned parcel and small freight carriers - British Rail, N.F.C., the Post Office - should be reviewed.

With regard to Freightliners we believe that there is more prospect of it becoming profitable under the majority control of the National Freight Corporation than under the control of British Rail and would oppose any change here.

C. Passengers: Wherever possible passenger operations should cover their costs. We believe there is no reason why this should not be possible on Inter-City and outer commuter services. Indeed it is likely that if we had an accurate breakdown of costs it would be shown that they are already breaking even.

There is a major difficulty however with inner commuters where peak demand means that the requirement for labour and stock is far in excess of requirements outside the peak; and the shortness of journeys means that the services generate insufficient revenue. On present evidence very substantial price rises indeed would be necessary to put these services into the break-even position. However, there are economies which can be achieved by higher productivity and possibly cuts in services and stations.

On "green field" services the option is available to close lines. Here the railway can be replaced by cheaper to run bus services. Such action would clearly be unpopular although public concern could be met to at least some extent by giving the assurance that replacement bus services would continue. The option to close should be retained but in our view we should have an accurate account of the loss making lines before any decision is made.

D. Labour: Two-thirds of British Rail's costs are labour and any plan for reducing the rail deficit must mean a reduction in the labour force. Much of this can be achieved by natural wastage and British Rail themselves concede that they could reduce the labour force by between 30,000 and 40,000 by 1981.

In any plans for labour reductions it is important to be even-handed and to prune down the administrative staff as well as the ordinary railwaymen. To date British Rail have been unsuccessful in reducing the administrative tail.

E. Investment: Investment is the touchstone by which the rail unions judge Government attitude towards the railways. The N.U.R., in particular, make increased investment a condition of labour reductions. Increased investment would clearly be difficult but we should aim to at least maintain current investment levels. If investment was cut then this would jeopardise the prospect of the aims set out above. Investment should be concentrated on those activities which British Rail can carry out profitably.

#### F. Other Rail Activities

As far as possible our aim should be to strip British Rail of its loss-making activities and to enable it to concentrate on its profitable operations. In Government then we should consider:-

- (i) whether British Rail's shipping operations currently losing £5.2 million a year could be sold off and the future of British Rail's harbour and hovercraft operations.
- (ii) whether British Rail's catering operations, currently losing £1.6 million, could be contracted out to a private catering organisation.

..../ (iii) whether British

- (iii) whether British Rail's hotels, currently making only a small profit, should be sold.
- (iv) whether British Rail's property could be better exploited

### 3. ROADS CONSTRUCTION AND MAINTENANCE

Priority should be given to roads which provide a clear economic return, like roads to the ports and roads connecting major industrial centres; and as far as possible to environmental routes, such as lorry routes which will bring relief to towns and villages.

In 1975-6 just over half of total public expenditure on transport was devoted to road investment and maintenance. It will clearly be argued that this road programme should be further cut. However, there are substantial arguments against further cuts:-

- (i) The road programme has already been substantially cut by the Government. Since 1973-4 there has been a big shift of emphasis in public expenditure on transport away from roads to public transport. The Government's current public expenditure plans envisage a 25 per cent cut in road investment between 1973-4 and 1979-80. During the same period public passenger subsidies and investment will have risen by 30 per cent.
- (ii) The construction of roads is very much a private sector activity which has already been severely hit. The industry warn that further cuts will mean that "more companies will leave the industry altogether."
- (iii) All the evidence is that the use of cars and lorries will increase. 55 per cent of households now own a car and the Government predict that this will have reached 60 per cent by 1980 and 70 per cent by 1990. 65 per cent of total freight traffic goes by road.
- (iv) If the environmental aim of lorry routes is to be achieved then new roads will be needed. In 1970 it was planned to have 4,200 miles of strategic network roads ready by the mid-1980's. The aim is now to have 3,100 miles completed by the late 1980's.
- (v) Both cars and lorries pay for their costs. Until very recently all goods vehicles contributed more in fuel and licence taxes than the road provision and maintenance costs which could be reasonably allocated to them. An increase in taxes for some heavy goods vehicles (see above) would restore that position. The motorist more than pays his way.

It is accepted that if an incoming Conservative Government followed a programme of massive public expenditure cuts then for political reason roads might have to be included. However, for the reasons stated above it is submitted that these cuts should be kept to a minimum. If necessary they should be concentrated on expenditure by local transport authorities rather than on the motorway and trunk road programme.

#### 4. ROAD PASSENGER TRANSPORT

##### A. The Problem

In both urban and rural areas the problem concerns lack of mobility for those without access to a car - particularly the elderly, house-wives, the young and commuters to work. Bus is considerably cheaper than rail in meeting this demand but nevertheless bus subsidies have increased substantially over the last few years. Total support to the bus industry from central and local government rose from £85 million in 1973-4 to £200 million in 1975-6 - with the bulk of the subsidy going to metropolitan areas. In addition local authority expenditure on concessionary fares now totals £58 million a year. The major cause of the problems faced by the industry is the fall in the numbers now using buses. Increasing use of the car has meant that bus journeys on stage services have fallen from 11.8 billion in 1964 to 7.7 billion in 1974.

##### B. Rural Services

The problem in rural areas is of too few people making use of existing transport facilities. There is, therefore, a major difficulty in preserving an adequate system of public transport because of falling passenger demand and increasing operating costs. Thus, although as few as 10 per cent of journeys in rural areas are by public transport, there is a genuine need for mobility from a few well defined groups. Currently revenue support and bus investment in non-metropolitan counties, is £51 million a year.

Our aim here should be to enable new methods of meeting this demand to develop; to reduce the subsidy currently being paid; and to achieve better general use of specialised transport already provided in rural areas. This could be achieved by:-

- (i) changing the licensing system to enable mini-bus services to develop and to allow the giving of lifts for payment in private cars. The reasons for such a change were set out by John Peyton as long ago as July 1971 and his proposals for change were contained in the Road Traffic Bill 1973, sections 18-21 and these should form a basis of new legislation.
- (ii) better co-ordination of existing transport services like school buses, post office vehicles and possibly non-emergency ambulance services.

An additional question concerns mini-buses used by voluntary organisations and schools. At present if a charge is made for the journey is met from general funds then no checks of any kind are needed. This position should be regularised so that checks on the safety of the vehicle and driver are carried out on all vehicles but PSV licensing as such should be abolished.

##### C. Urban Services

The major problem with bus services in urban areas - particularly the large cities - is "peak" demand. As with railways this means that drivers and crew are

only fully employed for one part of their shift. An obvious solution would be split shifts but this would be resisted by the unions. Staggered office hours would be a substantial help - although again the difficulties are formidable. Our aim is again to reduce the public subsidy and clearly higher fares is one option open. The following proposals would also help:-

- (i) relaxation of licensing regulations to enable new services to develop - like jitney services (vehicles running loosely defined routes without fixed stopping places), shared taxis and car pooling.
- (ii) lower frequency of services than are currently available.
- (iii) better marketing of bus services including off-peak travel.

Both the Government and we have to do more work in this area and we intend to set up as a matter of urgency a review of transport in London.

#### D. Concessionary Fares

Total expenditure on concessionary fares has more than doubled since 1973-4 to £58 million in 1976-7. The Government's position is that they have "no option but to check this trend" - a position which we support. The Government have set up a joint working party with local government associations to make a speedy examination of current practice. It is proposed that we should wait for this examination to be completed before deciding policy.

#### E. New Bus Grants

The Government currently make grants of 50 per cent of the cost of new buses for stage operation. Currently the Government is providing over £40 million a year in these grants. The powers to pay the grant expire in 1970 and in Government we should consider whether there are any arguments why the grants should be continued. The Government have hinted that they would phase out the scheme.

#### 5. ROAD HAULAGE INDUSTRY

Publicly owned freight operators are dealt with above (Railways/Freight). The private sector is notable because - almost alone in the transport world - it neither depends on subsidy nor suffers from overmanning. Labour relations inside the industry are also good.

We reject any proposals for further nationalisation as set out in the Government's consultation document. We also reject policies which would aim at taxing freight from road to rail. As the Government now concede, the prospect of such a shift is a "pipe-dream" and there is no evidence from abroad that such policies have ever worked. Such policies also interfere with the free choice of the user and (as again is conceded in the consultation document) would often fail to produce any environmental advantage. We believe that the decision on which mode of freight transport should be used is one for the consumer.

All the forecasts suggest that the use of road haulage will increase. We believe that this position should be faced and that policies should be developed so that the country may more successfully live with the lorry. Such policies will include:-

- (i) a national network of lorry routes - first on an advisory basis and then, when the roads are completed, to be mandatory.
- (ii) the implementation of the last Conservative Government's Heavy Commercial Vehicles Act which places on local authorities the responsibility to prepare plans for the control of lorries in urban areas.
- (iii) action to achieve a national network of lorry parks - thus reducing lorry parking in the streets - and continuing work to develop quieter heavy lorries.

## 6. THE MOTORIST

The position today is that 55 per cent of households own a car and that in rural areas the figure is 70 per cent. Of total passenger journeys 80 per cent are by car, taxis and motorcycles; 12 per cent by bus and coach; and 8 per cent by rail. All the forecasts show that the dominance of the motor car will increase over the next decade. There has been a tendency under Labour administrations - both national and local - to follow deliberately anti-motorist policies. It is submitted that such policies are both wrong in principle and politically damaging in practice:-

- (i) The motor car is a prized possession among the public.
- (ii) The motor car provides a mobility which is valued highly by the public generally and is a god-send to the disabled and handicapped.
- (iii) The motor car represents a major investment to the family who will seek to maximise the use of that investment.
- (iv) The motorist pays dearly through taxes for using his car and again he will seek to maximise use.

It might be added that Labour's election pledge to make us "less dependant on the private car" is strangely at conflict with their policy of massive aid to Leyland and Chrysler.

None of this means that motorists should be allowed unrestricted use of roads. Restrictions on motorists in city centres are clearly necessary to avoid congestion. However, restrictions like the G.L.C.'s tax on office car parking spaces (now endorsed by the Government's consultation document) are wrong because:-

- (i) Many of these car parking spaces were provided as a condition of planning permission for the offices. The condition was enforced by the local authority who now seek to discourage altogether office parking.



- (ii) The restrictions ignore the legitimate interests of motorists who need their cars for their work and the disabled who need their cars to gain access to work at all.

It is submitted that the Conservative Party should now campaign to protect the motorist's legitimate interests. We would propose that a well publicised group be formed to examine the position of the motorist. Areas for examination would include, for example, restrictions on the motorists in city centres; law enforcement issues like the plethora of speed limits; and consumer issues like motorway service areas. The campaign would be the first of its kind carried out by a political party in this country and would aim to secure not special treatment but a "fair deal" for the motorist.

7. ROAD SAFETY

It is vital that we should tackle the dreadful toll of death and injury on the roads. But this is a problem which cannot be tackled simply by adding even more regulations. Each new regulation places an extra burden on the police and runs the risk of provoking public hostility to the policemen seeking to enforce the regulations. We believe that more emphasis should be placed on preventing accidents.

A crucial areas here is child casualties. The road accident is now the most common killer of school children. 40 per cent of all those killed on the roads are pedestrians and about half of all pedestrian casualties are under 15. Better teaching material should be provided in the schools and more effort devoted to road safety education. The possibility of recruiting retired policemen as instructors should be investigated. In addition new research should be developed for evaluating new methods of teaching road safety. This is one area where public expenditure would have to be increased - but only in the order of £1 to £5 million a year.

There may also be some scope in developing schemes to encourage better (and safer) motoring standards. The Institute of Advanced Motorists are co-operating with us here in a survey of their members.

8. THE PORTS

In the ports industry there is a varied pattern of ownership and organisation. It includes a major state company, the British Transport Docks Board, which holds 25 per cent of the market; public trusts like London; local authority ports like Bristol; and private enterprise ports of which the most important by far is Felixstowe. We believe that:-

- (i) The present organisation leads to competition within the industry is essential, if there is to be any continuing spur to improve efficiency. There is no case for establishing a new nationalised monopoly - particularly in an industry which is so vital to the economy and one where the power of labour is already so great.
- (ii) Local control is of particular importance in the industry and is a further fundamental argument against nationalisation.

..../ (iii) There is no

- (iii) There is no case for allowing Felixstowe to remain part of the British Transport Docks Board. If the present Bill is passed, then, as already stated in the Commons, we will offer Felixstowe back to private enterprise. European Ferries remain a very interested prospective purchaser.
  
- (iv) It should be an aim of the next Conservative Government to encourage all the major port authorities to achieve an adequate financial return. The British Transport Docks Board is now 100 per cent self financing and is achieving a return on assets which ensures a cash flow sufficient to meet all capital investment requirements and the redemption of existing loans as these fall due. A similar formula has recently been proposed by the National Ports Council. This target of financial discipline is one for the Government who appoint the members of most major port authorities and are the chief source of loan finance.

We have formed a strong policy group on ports under the Chairmanship of Peter Viggers, M.P. - a move which has pleased the industry. They will continue to work over the next months and will consider, among other things, whether any other ports than Felixstowe currently operated by the British Transport Docks Board should be sold to private enterprise. It should be added, however, that many in the industry feel that what is needed is a period of stability and that the industry has already suffered too much from reorganisation and the threats of reorganisation.

## 9. FINANCIAL IMPLICATION

### A. Current Position

(1) Total provision for public expenditure on inland surface transport in 1975/76 is just under £2,400 million at 1975 survey prices.

(2) Investment by surface transport nationalised industries in 1975/76 at 1975 survey prices is:

	£m.
British Railways Board	242
British Transport Docks Board	12
British Waterways Board	2
National Freight Corporation	38
National Bus Company	31
Scottish Transport Group	7
<b>Total</b>	<b>£332 million</b>

Local government is investing £130 million in buses and local railways - of which £30 million represents contributions to the railways investment shown above.

(3) Capital expenditure on the construction and improvement of roads and car parks in 1975/76 is £790 million divided almost equally between central Government roads (£392 million) and local Government roads and car parks (£398 million).

(4) Current expenditure on road maintenance, lighting, signalling and transport administration in 1975/76 is £585 million.

(5) Expenditure on subsidies to transport operators in 1975/76 taking central and local government together amounts to over £600 million - of which £410 million is going to the railways and £200 million to the buses. In addition local authorities are spending £50 million on concessionary fares.

(6) The most significant feature of policy over this last period of Labour Government has been the shift from road investment to passenger subsidy.

### B. Government Plans

(1) The Government plan for a fall in real terms of transport expenditure over the next four years from just under £2,400 million to just under £2,000 million. The figures are:

	<u>£m at 1975 Survey Prices</u>			
	1970/71	1973/74	1975/76	1979/80
(i) Total Public Expenditure Programmes	36,223	41,067	46,372	46,072
(ii) Public Expenditure on Transport	1,950	2,117	2,395	1,990
(iii) (ii) as % of (i)	5.4%	5.2%	5.2%	4.3%

.... / (2) Within these plans

(2) Within these plans the shift away from roads to public transport will be maintained.

	<u>£m at 1975 Survey Prices</u>			
	1973/74 A	1975/76	1979/80 B	% or - B to A
(i) Road investment, maintenance and car parks (excluding maintenance)	1,327	1,230	993	-25%
(ii) Public Passenger Transport subsidies/investment/concessionary fares	585	842	761	+30%

(3) Detailed public expenditure plans are given in Appendix (5).

#### C. Further Savings

(1) The greatest potential for savings must be in the subsidies to transport operators.. In particular savings on railway subsidies (£410 million at 1975 survey prices) would result from our policies. Savings on bus services (the venue support to bus and underground was £143 million at 1975 survey prices) would also be obtained and the option is open of securing savings from the following additional schemes

Concessionary fares	-	£55 million at 1975 Survey Prices		
New bus grants	-	£30 million	" "	" "
Bus fuel grants	-	£35 million	" "	" "

(2) As stated above further savings - although not desirable - could be obtained from the roads programme. It seems possible that the Government will announce further cuts in this programme.

(3) It should be noted that some of the savings planned in the Government's White Paper are unlikely to be realised by this Government. For example, British Rail say that it is impossible for them to achieve the elimination of the £70 million freight deficit by 1978/79 and the Government appear to have accepted this position. The National Freight Corporation is shown as not requiring support when it is currently losing £31 million a year.

In some areas then a Conservative Government will have to fight to achieve Labour's goals.

#### 10. LEGISLATION

The only immediate legislation required is:-

.... / (1) A bill to relax

(1) A bill to relax licensing regulations. This would be based on John Peyton's 1973 bill. In addition it might be possible to add provisions to cover the use of mini-buses by voluntary organisations and schools.

(2) A bill to restore Felixstowe to private enterprise.

#### 11. PRESENTATION

In their plans for reducing public expenditure Labour have concentrated on the cutting of road expenditure because it is thought

- a) more acceptable to the public and
- b) less likely to antagonise the unions.

The unions - particularly the NUR, the TSSA, ASLEF, and the TGWU - clearly present a major obstacle to achieving further cuts in public expenditure. There will also be very considerable public opposition to cuts in services or fare increases.

(1) On railways our strategy should be:

- (a) to campaign to find the true facts of British Rail's financial position. This approach is not opposed by the rail unions. It is reasonable for us to leave the option of line closures open without coming to a final decision.
- (b) As all the evidence suggests that the freight deficit is seriously underestimated we should again campaign on this. This approach would radically change the terms of the public debate. For it challenges the assumption that it is the long suffering passenger who is responsible for the lion's share of the deficit.
- (c) We should acknowledge that some labour reductions will be necessary - including administrative staff. But we should also proclaim our faith in the long-term future of the railways for the remaining labour force.
- (d) Both (a) and (b) can be developed in articles, pamphlets and speeches. Indeed it is important that the rail union leaders should see that we are taking a serious interest in the future of the railways.

(2) On road passenger transport our strategy should be to campaign on relaxing the licensing restrictions. We are here in a very strong position having brought forward our own proposals three years ago and the Labour Government having delayed action. Again all means of getting our case over should be used.

(3) On the motorist our strategy should be to form a well publicised committee to consider his position and to produce a document - "Fair Deal for the Motorist".

(4) On road safety we should publish plans for preventing child casualties and encouraging better driving.

(5) On the ports we should prepare for a big campaign to fight nationalisation proposals which could be in the next Queen's Speech.