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LONDON REGIONAL TRANSPORT

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Three years ago, LRT was a looming problem, requiring subsidies approaching £400 million and still rising. Now a reinvigorated organisation is set on the virtuous path of providing a better quality and more appealing service to a growing number of passengers for declining unit costs. Credit for this transformation is due both to Keith Bright and his management team, and to the Government's contribution in changing the climate of attitudes and expectations.

1. Retaining the Benefits of Productivity Improvements

Like British Rail, LRT is dominantly manpower-intensive. Manpower-related expenditure accounts for 70% of LRT's total operating costs. The business strategy is clear - increase productivity and reduce manpower. The problem is how to introduce more productive and efficient practices to an entrenched unionised workforce, without either provoking damaging strikes or giving away the productivity gains in higher real wages and better terms of service.

Even under Bob Reid's Chairmanship, BR have failed to accomplish this. The appreciable reduction of BR staff, through greater productivity, has no more than offset the steady drift of real average earnings - up 14% from 1979-1984, compared with a national average of 12%. What's more, BR have convinced themselves that this unrewarding trade-off is inescapable.

Keith Bright's great achievement is successfully to have challenged this damaging presumption, whilst avoiding serious strikes. Management have kept the productivity gains from extensive automation and wider use of one-person-operated buses and underground trains. LRT's manpower has been cut by 8% in two years and wages have been reduced in real terms.

Wisely, LRT's management have recognised the value of exposing steadily more of their operations, including individual bus services, to competitive tenders from the private sector. By this means, they have been able to show how uncompetitive a monopoly LRT has become. Then, rather than delegate wage negotiations to the Personnel Director, the Chairman has set tough targets and insisted that his two key executives, the Managing Directors of London Buses Ltd and London Underground Ltd, should negotiate in direct defence of their businesses. Throughout, emphasis has been placed on staff communication - getting across the message that an organisation which has lost touch with the market and the competition, whilst needing ever greater subsidy, faces a bleak future. When serious strikes have been threatened, management from top to bottom of the organisation have used the open channels of communication to persuade individual staff not to support strike action.

The well-tried principles of good management do work.

2. Marketing LRT's Services

Perhaps half the recent increase in the demand for LRT's buses and underground services derives from external factors, such as the tourist boom. The rest is a tribute to LRT's imaginative efforts to stimulate demand by providing a better quality and more appealing service, and selling it hard. The additional volume of business brings in revenue but adds little to costs.

Flexible pre-purchased tickets and passes (Travelcard, Capitalcard, Explorer Pass) have proved popular. They also increase productivity. The regular delivery to London households of timetables and travel information has stimulated demand. Attractive new "midibuses" are being introduced, initially in the suburbs.

3. Prospects for the 1990s

Keith Bright is confident that LRT can beat the target of getting out of revenue grant support by 1990/91. Beyond that, he sees the current capital expenditure programme, to rejuvenate the rundown parts of the underground system, bearing fruit. By the 1990s, a commercially-sound London Underground network should be ready for privatisation.

Privatised London Transport buses will find more or less opportunity in a competitive deregulated régime, depending on how well they respond to the competitive forces.

Conclusions

The success of LRT's management in turning around a large foundering enterprise is a story worth telling. It reflects credit on the Government and the new ethos of Thatcherism.

Keith Bright is a first class Chief Executive. How about considering him as a future Chairman for BR?

JW.

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