

Don't Stop the Bus

By John Hibbs

Don't Stop the Bus

Giving bus managers the freedom to manage

By John Hibbs

**Adam Smith Institute
London
1999**

Bibliographical information

This edition first published in the UK in 1999 by
ASI (Research) Ltd, 23 Great Smith Street, London SW1P 3BL
www.adamsmith.org.uk

© Adam Smith Research Trust 1999

All rights reserved. Apart from fair dealing for the purpose of private study, criticism, or review, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any way or any means, without the consent of the publisher.

The views expressed in this publication are those of the author alone and do not necessarily reflect any views held by the publisher or copyright owner.. They have been selected for their intellectual vigour and are presented as a contribution to public debate.

ISBN 1-902737-03-2

Set in Palatino 12pt
Printed in the UK by Imediaprint Ltd

Contents

Introduction — Metropolitan matters.....	5
1. The inheritance of control.....	7
2. Today’s controlled system.....	12
3. A system open to criticism.....	21
4. Marketing — missing the freedom.....	25
5. How to improve the system.....	33
Conclusion — marketing matters.....	37

About the author

Dr John Hibbs OBE PhD MSc (Econ) FCIT MinstTA had a managerial career in the bus and railway industries before joining the academic world. He is now Emeritus Professor of Transport Management at the University of Central England in Birmingham. He is an internationally recognised authority on transport regulation, and author of the standard *History of British Bus Services*, as well as works on the bus operation and marketing management in the bus and coach industry.

Introduction – Metropolitan matters

Over centuries as the seat of the Court and of Parliament, as the centre of government and finance, and as a great trading city and port, London has come to occupy a special position among British cities; almost, to use a term popular today, a *showcase*. Railways run 'up' to London, and the national highways are numbered in sequence, clockwise, around the capital. When the first underground railway was built in the 1860s it was natural for it to be called the Metropolitan Railway, carrying with it echoes of Classical Greek (lost, however, in the worldwide abbreviation 'Metro'). London, in short, came to see itself as superior to the provincial cities, a position which they, grudgingly, came to accept.

Perhaps it was the Festival of Britain in 1951 that established post-war London as a tourist attraction, a status which has been taken up by the international tourism industry of today. And the icon of London for the world's tourists became the red double-decker bus. In few other cities has the day-to-day business of public transport come to occupy such a special position, though one regarded with some amusement among managers in the 'provincial cities'.

In the political world a near-similar glamour has attached itself to London Transport — seen as an institution rather than a business, despite its strong corporate culture and accumulation of technical and managerial expertise. Unlike most public transport operators in the provinces, London Transport has felt the impact of political strife ever since 1947, as Parliament and local government alike have never been able to let it alone. Perhaps this is a penalty that follows from fame, but it has contributed still further to the assumption that London is, in some way, 'special'. But marketing management has been and continues to be inhibited as a result, to the disadvantage of the consumer and of the economy alike.

Buses for London

For in London alone, where the demand for bus travel is higher than anywhere else in Britain, the private companies that run the buses operate under a franchise arrangement, administered by a strongly bureaucratic and *dirigiste* authority, leaving little freedom for their managers to introduce the ideas that have proved successful in other parts of the country. London is a halfway house, privatized but not deregulated, and the quasi-monopoly that this gives the bus companies justifies the regulation. It is the exercise of the Regulator's powers that will be

examined here, with the outcome compared to the situation among progressive bus operators in provincial cities.

In Chapter One we look at the background, without which it may be difficult for the reader coming afresh to the subject to understand the highly centralized approach that London Transport takes to its responsibilities. Despite changes of title and status, this is an organisation whose attitudes are rooted in top-down management, and have been for most of the twentieth century; a 'we know what's best for Londoners' approach. This is important also because there are suspicions that bus service provision continues to be slanted to the advantage of the tube railways, and the two have been effectively in the same ownership since 1912. Entrenched thinking needs to be seen in the light of its evolution.

Chapter Two examines the system which was put in place in 1984, prior to the Transport Act 1985, which liberalized bus operation in the provinces; a liberalization which was never extended to London. The London Regional Transport Act of 1984 is the authority for the system criticized in this paper. Chapter Three commences this criticism, and shows how little freedom London bus company managers have in comparison with normal business practice.

Then in Chapter Four we take the standard 'Six Ps' for the analysis of the marketing of services – Product, Place, Price, People, Promotion and Process – and examine just how far London bus company managers are free to use these essential marketing concepts to the benefit of the London bus users, actual and potential. The answer is: not a lot, and this is a very serious criticism of the system.

This report does not attempt a blueprint for reform; that demands further discussion. So Chapter Five outlines only the problems that such discussion should face, while the conclusion stresses that it is marketing that is the issue.

1. The inheritance of control

The early cartels

In 1929 the busmen of London erected a tablet in the church at Chigwell, in Essex, to the memory of George Shillibeer, 'the inventor of the London Omnibus'. The inscription is misleading, but it was Shillibeer who, in 1829, introduced the first omnibuses, copied from those he had seen running successfully in Paris, with 'a person of great respectability as conductor'. This gentleman apart, the success of the new vehicle turned upon its greater frequency than that of the short-stage coaches, and lower unit costs arising from greater capacity than the coaches, or, of course, the Hackney cabs. Competition developed rapidly, and in 1831 the operators on Shillibeer's original route, from Paddington to the Bank, got together and formed an Association to voluntarily regulate the trade. As new services were introduced, new Associations were set up, until the London omnibus industry took the form of a series of cartels.

In Paris the omnibus companies were merged in 1855 to form a single undertaking, the *Compagnie Générale des Omnibus*, with a statutory monopoly and price control. Later that year, in Paris, a *Compagnie Générale des Omnibus de Londres* was formed, which in due course acquired a commanding share of the London business by purchasing the individual proprietors' vehicles and horses. Anti-French feeling, among other things, led to the 'naturalization' of the company in 1859, as the London General Omnibus Company (henceforth LGOC, or simply the General), which continued to work in partnership with the remaining independents in the Associations. During the rest of the century competitors came and went; tramways were built and later electrified, but the omnibuses continued in much the same structure until the motor bus replaced them after 1907. The last London horse bus ran on 4 August 1914.

The motor bus

The Associations did not survive into the motor bus era, and by 1912 the LGOC had become the dominant bus operator in London, and the 'London bus' was becoming an institution. In this, the LGOC's technical superiority played a big part, with its associated manufacturing capacity. By 1916 the company had either acquired its competitors or entered into pooling agreements with the remainder. It had also achieved financial success, paying in 1911 a dividend of eight percent

on its ordinary shares, and by that time it had itself become an attractive proposition for a takeover.

Barker and Robbins, in the standard history of London Transport, refer to the early years of the 20th century as the 'Swing to Collaboration'. The Underground Electric Railways Company of London Ltd had survived a period of near bankruptcy to achieve stability in its relationships with other railway operators, and in 1912 it acquired the share capital of the LGOC. Albert Stanley, later Lord Ashfield, Managing Director of the Underground Group, now became the key figure in what came to be known as the London Traffic Combine. This organisation was to metamorphose over the years, first into the London Passenger Transport Board, and then into the London Transport Executive of 1947, which, after various changes became London Regional Transport, as we know it now.¹

The campaign against competition

Ashfield, who Barker and Robbins call a 'dynamo of a man', retained the oversight of the organisation he created even after its nationalization in 1947. He was closely associated with Frank Pick, and it is fair to say that the corporate ethos of 'London Transport' which they established is not without power today. In 1924 Ashfield persuaded the government to end the open market for bus operation in London, which had produced a short period of on-street competition with 'pirate' operators, who threatened the Combine's tramway businesses (and that of the London County Council), and from that year on the London bus trade was a Combine monopoly.

Frank Pick was once described as a genius and a megalomaniac. He is probably best remembered today — and rightly — for his contribution to industrial design, stemming from his development of a consistent image for the Underground Group, running to a standard typeface for all documents, both internal and external. The headquarters building at 55 Broadway stands to this day as a monument to the authority that Ashfield and Pick saw to be appropriate for public transport provision in the metropolis.

Pick became Managing Director of the Group in 1924, leaving Ashfield to take strategic, and political, decisions. Both men were committed to the idea of a single public transport undertaking for London. 'Competition is a dangerous weapon', Ashfield observed. Pick was scathing in his response to Arnold (later Sir Arnold) Plant's critique of the 1930 bus licensing system; his words are worth quoting in full: 'Everything is being regulated and ordered. Civilization is built up

¹ The provincial and Scottish bus industry experienced various changes of ownership and control, especially after 1945. But while these included tendencies to centralisation, especially under the National Bus Company and the Passenger Transport Authorities, they do not seem to have had the same lasting effect that the London industry inherited from the Traffic Combine, and since 1985 managers have been given more freedom of action – which has been used to varying extent.

on the basis of interference with freedom. It [competition] has become a theoretical notion of the professors and is out of touch with the facts of life.'

It seems possible that Pick modified these views toward the end of his life, but they were to remain the theme of transport policy, and not only for London, for the next half century. After the acquisition of the LGOC in 1912, Pick had taken over the development of the Combine's bus operations, and his strong personality was to impose a system of direct central control which is still in effect today.

Postwar centralization

The inter-war years saw the growth of a policy of rationalization of industry which was the forerunner of outright nationalization after 1945, and over which there was little divergence of political views. In this spirit we may see the work of Sir Henry Maybury, Director-General of Roads at the Ministry of Transport and subsequently Chairman of the influential London and Home Counties Traffic Advisory Committee. Maybury, like Ashfield, was a centralizer, with the additional conviction that buses and coaches should operate as feeders to trains and trams. At the time of the 1924 bus and tram strike, Ashfield and Ernest Bevin of the T&GWU had been in agreement in their desire to control the 'pirates'. But Herbert Morrison, Leader of the Labour group on the LCC, sought municipal control of London's transport, fearing that Ashfield wanted the Combine to acquire the LCC tramways.

In time, Ashfield and Morrison found that they could work together, and the outcome was the London Passenger Transport Bill, which was published in March 1931, and — interestingly — carried forward by the new National Government (with some amendments which Morrison opposed). So rationalization was largely achieved (the suburban railways of the 'big four' companies were omitted), and the London Passenger Transport Board came into existence in 1933, with Ashfield as Chairman and Pick as his deputy.

Management was now centralized at 55 Broadway, and the public image of London Transport was pursued, along with the further development of the bureaucracy. The name General disappeared from the buses, but their management remained a separate division of the Board, and has continued in the same way ever since. 'Integration' remained as illusive a policy as it had been before.

The ideal that London's public transport should be the responsibility of a publicly owned monopoly remained unchallenged for the following fifty years, and is no doubt widely held today. The centralizing policies of Ashfield, Pick and Morrison themselves are still significantly unchallenged.

In 1947 the LPTB became the London Transport Executive of the British Transport Commission (BTC). When the BTC was abolished by the Transport Act 1962 it became the London Transport Board, which in 1969 was transferred to the

Greater London Council, as, once again, the London Transport Executive. Between 1979 and 1983 this organisation was rocked by an extraordinary series of political interventions, first under a Conservative and then under a Labour majority at County Hall. Sir Peter Masefield's period as Chairman in 1980-1982 saw the shattered morale of management restored, but the politicization of the Executive continued to disturb its policies, until 1984 when it became London Regional Transport, answerable to the Secretary of State for Transport, but without the broader responsibilities of the provincial Passenger Transport Authorities.

An opening for competition?

The London Regional Transport Act of 1984 made one move which might have been interpreted as a division of control: Section 6.1 gave London transport a statutory obligation 'in the case of such activities carried on by them as they may determine to be appropriate to invite other persons to submit tenders to carry on those activities for such period and on such basis as may be specified in the invitation to tender'. In 1980 LT had set up a 'Bus Board', responsible to the then Executive, with eight Bus Districts, each having a General Manager responsible to the Board. Under the Act this was replaced by a wholly-owned subsidiary company, London Buses Limited, within which there was to be devolution of management accountability.

The extent to which these developments have modified the 'top-down' centralizing management ethos characteristic of London Transport in each of its different guises will now be the subject of our analysis.

2. Today's controlled system

The London Regional Transport Act 1984 was quickly followed by the Transport Act 1985, which provided for the deregulation and (where appropriate) privatization of the bus industry outwith the area of London Regional Transport. The 1985 Act provided for the issue of London local service licenses by the Metropolitan Transport Commissioner, but this was to have only a marginal effect, since LRT continued to be the monopoly provider of services, and could block independent initiatives. But the Act also contained (in Paragraph 46) powers for the Secretary of State to repeal the Section on London, by Order, with the approval of both houses of Parliament. This was seen at the time to permit the deregulation of London's bus services, but it was later ruled to be inadequate for the purpose, risking a conflict with the 1984 Act if it were to be used.

The evolution of centrally administered franchise

The government of the day remained committed in principle to deregulation in London, and in 1991 the Department of Transport published *A Bus Strategy for London* which proposed this, and also envisaged the privatization of the LRT subsidiary, London Buses Limited.

Before this, however, LBL in 1989 had formed twelve 'operating units', with a view to their privatization. A system of tendering for London bus services had been introduced under the 1984 Act, which produced the anomalous situation in which LBL companies and independents competed for these services. Privatization of the bus operators commenced in 1984 (London Coaches had been sold in 1982) and was completed in January 1995. Figure 1 lists the operating units and their purchasers, with details of the subsequent changes of ownership.

The system that thus emerged, and continues today, is one of centrally administered franchise, a policy that has been widely adopted recently, both in other EU states and elsewhere. It has been advocated for the provincial bus industry in Great Britain, and it is implied by certain clauses in the 1998 White Paper *A New Deal for Transport*. Conventional wisdom has it that this means 'competing for the market' instead of 'competing in the market'; an aphorism that makes no sense in economics, since the market is where competition takes place. It would be better expressed as 'competing for a monopoly'.

FIGURE 1**The London Transport Bus Companies (Originally set up in 1989)**

Title and Original Purchase 1998	Subsequent Ownership & Title	Fleet Size
Centrewest — MBO 1994 CentreWest London Buses Ltd	First Group First CentreWest Ltd	519
East London — Stagecoach 1994 East London Bus & Coach Co.	Stagecoach East London	629
Leaside — Cowie 1994 Leaside Buses	Arriva London North*	587*
London Central London Central Bus Co.	GoAhead 1994	547
London Forest — To Leaside /East London	Failed to reach sale	
London General— MBO 1994 London General Transport Services	GoAhead 1995	582
London Northern — MTL 1994 MTL London Northern Ltd	Metroline 1998 Metroline London Northern	429
London United — MBO 1994 London United Busways Ltd	Transdev (French) 1997	583
Metroline — MBO 1994 Metroline Travel Ltd		436
Selkent — Stagecoach 1994 South East London & Kent Bus Co.	Stagecoach Selkent	374
South London — Cowie 1995 South London Transport	Arriva London South	447
Westlink — WMT 1994 Stanwell Buses Ltd t/a	London United 1995	**

Notes - MTL: Merseyside Trust Holdings Ltd. WMT: West Midlands Travel Ltd.

*Arriva London North East (152 vehicles) is the former GreyGreen company and was not a London bus undertaking.

**Fleet included with London United. Fleet details from *The Little Red Book 1998/1999*.
(Ian Allan)

The London system, however, is not like the familiar example of franchised operation in the fast food or clothing sectors. Rather, the successful tenderer obtains a franchise for a period of years for the provision of bus services on a specific route or routes, in accordance with conditions laid down by London Buses Limited, which is the franchising authority.

Bureaucracy knows no bounds

Any franchise system for the bus industry must throw up boundary problems, and there the attitude of London Buses has been positively unhelpful. For example, the towns of Epsom and Kingston-upon-Thames have for very many years been linked by frequent buses. Epsom, geographically, is in the catchment area of Kingston, the larger of the two towns. At one time, buses were provided by London Transport, but today London Buses sticks rigidly to its local authority boundary, and looks no further than Tolworth Broadway. Yet when another bus company sought to improve the frequency between Epsom and Kingston, via Tolworth, London Buses argued that this would 'abstract traffic' from the tendered service – a phrase redolent of the licensing system that was abandoned in 1985. Despite the protests of Surrey County Council and Kingston Council, LBL had their way, putting bureaucratic neatness before the demands of the market, and the frequency reduced. Yet as Figure 4 shows, frequency is what matters most to passengers.

The same system is used in a different context for the provision of bus services judged to 'be socially necessary' by local authorities and Passenger Transport Executives, so as to ensure transparent subsidy. But there is a marketing problem; when a tender is renewed but by a different operator, with a different livery, it is not easy to inform the public that such a change is taking place. In central London, LBL seeks to overcome the problem by requiring that the companies all use what is recognizably a 'London Transport' colour scheme, while all buses on tendered services must use the London Transport logo, the 'Roundel', which is a registered trade mark. The problem can become acute at the boundary of the LBL area.

This is where bus service franchise systems, wherever in the world they are to be found, run into problems that do not arise in the familiar world of franchised retail outlets. There the new franchisee takes over the shop as it stands, and the competitive value of its fascia, and the reputation of the franchiser, are not affected. The new franchisee is trading in an open market. But the system to be found in London, and which is advocated for the provinces, is intended merely to harness the greater cost-efficiency of the commercial organisation. Thus under the present system LBL lays down the details of the route to be served, the type of vehicle to be used, the timetable and the fares to be charged. The successful tenderer should have required the lowest financial support for the provision of the service. Management is then free to operate within the terms of the franchise

for the set period of years, in the knowledge that there will be no threat of competition over the length of the route. (Individual services often overlap over certain sections, but such situations are stable and can be allowed for). From the investor's point of view the degree of certainty that the system provides is an attraction, and since privatization the LBL companies have almost all been acquired by larger holding companies, while other interests have also entered the market (see Figure 2).

Services are sometimes franchised in groups, which enables the operator to concentrate on certain garages within the sector concerned. Franchising today is usually for a period of five years. A higher proportion of people use public transport in London than in the rest of Great Britain, and the number using buses is significantly greater than the national average. In particular, adult commuting by public transport, at 83% for central London and 40% for the city as a whole, is in stark contrast to the national figure of only seven per cent. London is thus an attractive market for public transport operators, and the bus companies have a healthy share of it.

How the franchise works

From time to time London Transport Buses places advertisements in the trade press inviting companies which have not already done so to pre-qualify for the tendering process. Individual services — the majority of them operated on a long-standing route pattern — are defined by LTB, and companies are invited to tender for them as and when the franchises come up for renewal. Thus while there is stability — perhaps too much stability — for the London bus network, there is no stability for its operators, who may expect to see the revenue-earning capacity of the business change over a period in ways that can only be unpredictable. This is a problem to which we shall return.

The successful tenderer enters into a 'Framework Agreement' of binding force with London Regional Transport. The world of bureaucracy that this opens up is reflected by 5 preliminary clauses, 16 substantial clauses, Annex A with five Schedules, Annex B with ten more, and Annex C with 14 'Codes of Practice/Sample Forms'. The Route Agreement itself consists of no less than 42 sections, the principal examples being summarized in Figure 3.

It will be immediately plain that the management of a company operating under such a franchise has little freedom. To provide a local bus service outwith the London Transport Area an operator has only to supply the Traffic Commissioner with details of the route and timetable and the number and type of vehicles to be used. The initiative for this rests with the operator, subject only to the constraint (unjustified in theory and unnecessary in practice) of giving 42 days public notice of the intention to commence, modify or abandon the service. If this degree of liberty is justified in the provinces it must be hard to argue in favour of the constraints imposed by the London system of franchise.

FIGURE 2**The Principal London Bus Operators****Companies formerly owned by London Buses Ltd**

Company	Current ownership
Centrewest	FirstGroup
East London	Stagecoach
Leaside	Arriva
London Central	GoAhead
London General	GoAhead
London United/Westlink	Transdev
Metroline*	Independent
MTL North London	Metroline
Selkent	Stagecoach
South London	Arriva

Other companies

Company	Current ownership
Armchair	Independent
Arriva Kent & Sussex	Arriva
Arriva Surrey & West Sussex	Arriva
Capital Citybus	FirstGroup
Capital Logistics	Cendant
Epsom Buses	Independent
Grey green	Arriva
Harris Bus	Independent
Limebourne	Q Drive**
Metrobus	Independent
Sovereign	Blazefield
Tellings Golden Miller	Independent
Travel London	NET

Notes

*Has operating interests outside London

**In liquidation

Let us proceed to discuss these constraints in the light of the normal assumption that commercial objectives are best achieved if managers are given freedom to manage. After all, the purpose of privatization may be inferred to include the belief that the consumer is best served by risk-taking businesses in an open economy (subject only to constraints in pursuit of standards of safety).²

² Clause 6 of the Route Agreement, which is itself effectively part of the Framework Agreement, requires the operator to hold a Public Service Vehicles Operators License, which is the EU-based quality license for all commercial bus and coach businesses.

The constraints on operation

The fares chart. Central to effective management in any business is the power to set prices for the product. This is a risk-related function, and most importantly in service industries like transport, where the product cannot be stored. It makes little sense for prices to be set by a risk-averse bureaucracy, at several removes from the customer, whose preferred mix of price and quality the bus company manager is best placed to identify and to respond. The revenue forecasts contained in the tendering document are primarily derived from this central pricing structure. It is however inevitably complicated by the high volume of traffic using Travelcards and other passes, which are of course a form of average pricing, and open to criticism on account of the distortions that follow; overcharging the short-distance rider and under-charging the longer distance trips. However, these systems have been shown to be highly effective in generating demand, and short of moving to decremental smartcards as an alternative, they will no doubt continue in use.

There is of course no necessity for promotional pricing of this kind to be administered by London Buses; in Greater Manchester and Tyne & Wear, similar schemes are managed by a joint organisation of the operators concerned, who are thus able to determine for themselves the allocation of revenue to services. In the West Midlands the Passenger Transport Executive issues road and rail Travelcards, while the major bus company also offers its own. There seems no reason why London's bus companies should have the management and revenue allocation thrust upon them from above.

The sponsored route. The deregulation of bus services in the provinces since 1985 has been criticized for bringing instability in the route network. There is truth in this, although change was inescapable as managers re-assessed patterns that had been fixed since tramway days. But the up-side of the liberalizing process has been the development of new bus services, providing a more extensive network and penetrating residential areas that had never previously been served. If existing and changing demand are both to be served, managers must always seek to balance the need to provide stability with the need to innovate.

The central London network is at least as old as the century, and there is a clear benefit in maintaining familiar routes and route numbers. But provincial operators have shown how important innovation can be, especially where it avoids the need for people to change buses on their journey. Decisions of this kind are again a riskbearing process, and to deny managers who are close to the market the freedom to seek new traffic by route adjustment is an unjustified constraint.

Some longer routes, either within the suburbs or penetrating the central area, have been split into two or more sections. Sometimes this has been designed so

that routes can be served by buses from a single depot, which has managerial advantages, but in other cases the stated need has been 'to

improve reliability' where congestion arises from the inability of the police to control parking and keep traffic moving freely. It might be thought that the bus companies themselves have a part to play in dealing with problems of this kind.

Figure 3

Each contract between London Regional Transport and an operating company contains the following substantial constraints together with a great many minor clauses.

- A **The Sponsored Route** defines the route that the service or services must follow
- B **The Fares Chart** defines the fares that the Operator shall charge
- C **Ticketing Equipment** defines the equipment, software, &c, provided for the Operator's use, for the issue of tickets and for recording revenue and other data as required
- D **The Working Timetable** defines the scheduled journeys, both 'in service' and 'positioning', with timings, including scheduled stand time at each terminus
- E **The Vehicles** may only be used by the operators which is set out in the schedule and in the livery defined in the schedule. Vehicles must be maintained to statutory requirements
- F **The Contract Price** is the payment to the Operator for the provision of the contracted service
- G **Indemnity and Insurance.** The Operator is required to indemnify the Corporation (London Regional Transport) against various liabilities, and to take out insurances of its own
- H **Advertising the Services.** 'The Corporation shall advertise and provide passenger information about the Services...' and 'The Operator shall not advertise the Services without the prior written approval of the Corporation'
- I **Intellectual Property.** This restricts the use by the Operator of the Corporation's registered trade mark (the 'roundel' or 'bar and circle' which was originally developed earlier in the present century)

The working freedom. Seat-miles provided is a measure of output for buses on a given route; deduct passenger-miles (sales) and you have the quantity of production running to waste. External control over the timetable and the vehicles leaves no power for management to influence these vital statistics. Along with this severe constraint goes the lack of freedom to adjust output in terms of quality, which, after reliability and frequency, is at 19% the second highest score in what passengers look for in a bus service. The marketing potential of two levels of service at different fares on the same route, which is being developed successfully elsewhere, is ruled out as an opening for London's bus managers to explore.

Advertising the services. There is clearly a benefit to the bus companies in having a central organisation to promote their businesses, though it is hard to see

why it should not be done commercially on a cost-sharing basis. There is room for a company to take some action of itself, but the style, content and layout of the London Transport advertising and promotion is an imposition from above, which could undoubtedly be improved upon. The London bus map, for example, is singularly difficult to understand, even by enthusiasts.

The press has not been slow to criticize the operation of London's bus services, one concern being the time that it takes to adjust to changes in demand. When the buses on Route 31 became severely overcrowded, it followed before London Buses authorized a change in the terms of the contract, so as to allow the use of larger vehicles. Surely an example of the common failure of bureaucrats to risk taking a decision without due process; but distinctly unfortunate for the passengers.

Conclusion

When the provincial Passenger Transport Executives lost their bus operating function under the 1985 Transport Act, the new operators found that they needed far fewer planners and statisticians, and that their overhead costs could be drastically reduced. London Transport, on the other hand, retains a level of management that is both expensive and unjustified, in that it is a burden upon the operating function, both in cost and in the stifling atmosphere of bureaucratic control. Officials, who are quite rightly risk-averse, can only distort the economic efficiency of a business over which they have controls such as these, and for London's bus service there are whole armies of them. It would appear beyond question that the bureaucracy sits as second level of management over the operating companies, inhibiting the kind of prompt response to changes in the market that are necessary for commercial efficiency and customer care.

However, there are arguments in defence of the system, which was the most politically acceptable alternative to outright deregulation, seen at the time as threatening the 'stability of the network'. A recent text,³ while suggesting that unit operating costs are higher than might have been the case under deregulation, concludes that the policy of route tendering and privatization has been highly successful. 'While efficiency improved,' say its authors, 'the reliability of service to passengers also improved, partly because of enforceable quality clauses in the contracts with the service providers. It was easy for the regulatory authority... to implement policies for protecting integrated ticketing and coordinated service planning.' The reader may judge the balance of advantage emerging from the data presented in this and the following chapter.

³ Glaister, Burnham, Stevens & Travers, *Transport Policy in Britain* (Macmillan, 1998)

3. A system open to criticism

The London buses franchise system has been running long enough now for comments and criticisms to have been heard in the trade press and elsewhere. Yet the system is defended as if it is without fault by those who opposed deregulation of bus services in the provinces in 1985, and who would like to convert the whole country to the London system. There are so many generalizations in this argument that it cannot be allowed to stand unchallenged.

While it is true that passenger carryings in the London area have risen over the past ten years, at times when there has been a reduction in the remainder of Great Britain, these figures mask so much as to be of little use other than to demonstrate political correctness. Circumstances are radically different; Londoners have never been as attached to the use of cars as people are in other cities, and the provincial figures include wide areas of countryside where the bus cannot provide the density nor the frequency of service that people require, while the car can.

But there is more to it than this. While the decline in bus usage over the country as a whole outside London, is a matter for concern, the statistics cannot show up the success stories that demonstrate the increases that have followed where progressive and innovative companies have taken advantage of their freedom to develop effective marketing management. Furthermore, the development of quality partnerships between bus companies and local authorities (or Passenger Transport Executives) has opened even greater opportunities to attract more passengers by offering better service. The key to all this is of course the commercial freedom of the provincial companies; a freedom that does not exist within the London franchise. It is interesting to contemplate the advances that the bus in London might make if it did.

In all fairness, the London system does achieve high standards in the provision of on-street service information, an area that has been much improved in recent years. (Sad to say, the same cannot be claimed for many provincial cities, where poor quality material is only too common and its provision falls between the responsibilities of the bus companies and the local authorities.) This is not to say that publicity in London could not be improved were the bus companies to have more freedom to develop it.

If we examine the London franchise through the eyes of a bus company manager, there are several interesting points to be made. The contestability that marks the industry elsewhere, and is welcomed by many in the provincial bus

industry for its effect in keeping managers on their toes, is replaced in London by security of tenure, within the life of the agreement with LRT. In some franchise systems the operator is able to exploit the security element by various innovative ideas, but the London system limits this freedom very closely. It may be argued that the market for bus use in central London is different from that to be found in the suburbs, which perhaps resembles rather a provincial city — a point which is illustrated by the boundary problems discussed on page 13. But the terms of the franchise are the same and the area is fixed for reasons to be found only in the history of the London Transport monopoly.

The most frequent criticisms of the system relate to this lack of freedom for management, exacerbated by the rigid bureaucracy that London Regional Transport seems to have inherited from its predecessors. A letter published in the magazine *Transit* (30 October 1996) expresses the issue with some vigour:

Public transport is about being accountable to your customers by way of providing a service, which should be at the fairest price and performed in an efficient manner.

It should be responsive to local requirements and able to suit the residents of the districts it serves. The people who run it should know the area and its people, and not be sitting in ivory towers surrounded by hundreds of faceless bureaucrats.

One cannot help wondering how much money could be saved at the stroke of a pen if London Transport simply ceased to exist and was replaced by a simple tendering agency. Instead of 1500 staff it could manage with 25. Instead of two office blocks it could work from one floor.

Strong language, no doubt, but it opens up from another angle the policy of centralized decision-making, characteristic of London Transport's organisation for so many years. There is indeed a conflict inherent in the situation, whereby commercially-minded managers find problems in relating to the bureaucrats who control them. Evidence suggests that this amounts to a barrier which must work against the interests of bus users, as was hinted at by *Transit's* letter-writer. Surely if the franchised businesses are to be responsive to local residents and responsive to local requirements, then the franchising authority should be open and approachable for the operating companies to make the kind of adjustments that this requires. A strictly top-down control cannot be the best way to ensure that the demands of the market are responded to quickly and effectively.

The extraordinary amount of detail contained in the franchise agreements indicates an extreme reluctance on the part of LRT to hand over any real commercial responsibility to its 'tenants' (the term has long been used by the

Belgian state bus company, many of whose services are provided on a similar franchise). But the outcome can be a serious conflict of interest for the operators. A requirement for money to go into new vehicles may inhibit spending on staff, at a time when improvements in customer care should be a wiser investment.

It is characteristic of any franchise that it leads to cost-cutting. Little room is left for the management of the business to balance the various opportunities for the development and improvement of the product; and the London system also prevents the operating companies seeking to adjust the relationship between its price and quality. When we add to these obstacles the short-termism prevalent in so much industrial investment in Britain today it becomes plain that the London system, however much it may be praised, denies many further benefits that could be available for the London passenger.

Nor is this all. Ultimately, LRT has the duty of inviting tenders for the renewal of its franchise, which denies management the continuity of policy that justifies both experiment and investment. The rail passenger franchises turn upon the leasing of rolling stock, but a LBL company can have no certainty that its franchise will extend to the full period of its loan capital. There have been suggestions that LRT has accepted tenders from non-LBL companies (see Figure 2) so as to ensure that the larger groups should not dominate the market, but it is worrying to find this element of doubt which must be a further constraint on future investors in an already highly regulated market.

So it is hardly surprising that managers find their greatest limitation to be the restricted opportunities that remain for them in marketing management. Marketing cannot function effectively as a bolt-on activity, but must drive every aspect of a business if it is to succeed. But for London the function is effectively reserved for London Transport itself. LT has always tended to be product-driven, whereas the success stories in the provincial bus industry come from businesses that have been market-led. What is more, there must be a suspicion that London Transport's detached marketing policy is weighted toward the Underground system, with its greater investment and higher public profile. The buses, after all, were acquired by the tube company back in 1912.

4. Marketing — the missing freedom

Some half a century of public ownership and financial support has meant that public transport businesses in Britain have had to face a steep learning curve since being returned to the commercial market. For far too long the management culture of the industry rested upon the assumption that what mattered was running trains and buses; not moving people. This may have been appropriate for a monopoly supplier in the situation that bus, tram and train managers occupied up to the 1950s, but it was disastrous when mass car ownership produced a new competitor in the market. Largely because of protective legislation, management failed to recognize this until it was almost too late. (In many towns and cities in the United States it was left until it was too late, and they lost their transit services altogether.)

FIGURE 4

What do people look for in a bus service?

Quality	Score out of 100
Reliability and frequency	29
Well designed, comfortable buses	19
Decent bus stop or station	16
Knowledgeable, pleasant staff	12
Caring staff, who inspire confidence	12
Good information	12

Source: 'Popular Facts 1998/99', published by the Confederation of Passenger Transport and based on a MORI survey and the HMSO publication *Social Trends*.

The leading British bus and train companies have put this problem behind them, and their success in repositioning their product is praiseworthy, as is the contribution of local authorities who have invested in busways and other improvements in the infrastructure and support systems. The idea of 'marketing management' is becoming accepted, and it is producing results. (I have argued elsewhere that no public transport company should have a stand-alone marketing department; marketing should be the concern of everyone in the firm.)

In the 1960s, London Transport appointed a Marketing Director, but despite this the business remained product-driven. Marketing management necessitates a devolution of decision-making such that large corporations, in the public sector and the public eye, find difficult; the BBC is a further example. But the principles of marketing in service industries have been well defined, and the freedom of London bus managers to apply them is worth investigation.

We will now examine the meaning of each of these for bus services, and the extent to which London bus managers can apply them, with some comparison of best practice elsewhere in the country.

The product

The textbook definition of the product of any transport business can be taken to be 'safe arrival, or safe delivery of goods, in accordance with a published schedule if such exists'. Everything else is part of the *quality* of the product. For bus services the *quantity of the product on offer* is defined as seat-miles, and the *quantity sold* as passenger-miles. Any short-fall of the second from the first is a measure of production running to waste, because of the inescapable *perishability of the product*. (Similar statements can be made of other service industries, such as catering and hospitality.)

Reliability. Figure 4 sets out in order of importance the values that people expect of a bus service, and it will be seen that reliability and frequency rank highest. London bus managers, like any others, must place reliability as their own first objective, and they are at liberty to pursue this with but one constraint: street congestion. There is equally little that LRT can contribute in the short run, but in some provincial cities bus companies have entered into quality partnerships with local authorities, permitting considerable improvements in reliability. If such arrangements are to be sought in London, serious attention should be given to the level at which a partnership should be set up, but the case for the bus company to be closely involved is inescapable. The provincial examples have been effectively public-private partnerships, and little confidence can be placed in an imitation set up by two publicly owned organisations.

Frequency. Frequency is of course determined by London Buses, with but little contribution from the company managers (see box on page 22). The time has gone when it could be said of the London bus 'there'll be another one along in a minute', yet from a marketing point of view there can be little worse than having customers waiting at the bus stop, feeling envious of people going past in cars. This is especially true of suburban bus services, but the decision whether or not to increase the frequency and attract more custom is a commercial one, involving risk, and thus best taken by the commercial manager.

Design. The design of the bus itself is fundamental to the quality of the product, yet up until some twenty years ago buses were designed by engineers, for engineers, all of whom were men. Government pressure to cater for special needs passengers, including the disabled and young women with toddlers, pushchairs and parcels, has delivered a new generation of buses, with greatly improved standards for access. (At the same time, a different kind of ease of access — the ability to 'jump on a bus' — has remained popular with many riders, so that we still have the politically incorrect Routemaster, with its open rear platform, engineered for long life, and not yet to be pensioned off. Along with the ever-popular bus conductor.)

London Transport does not have a history of customer care in this matter of bus design. When conductors were first being dispensed with, a class of single-deck buses was equipped with turnstiles, behind the entrance platform at the front, itself reached by two steps. It is hard to imagine anything more calculated to discourage passengers, and hard to believe that anything could be designed with less use of the imagination. Today's buses have improved access, thanks to the reaction of manufacturers to the real needs of the industry, but some reservations are being made concerning a tendency to follow continental practice in terms of the number of seats. If the quality people want is comfort, this is a marketing matter, where design must be determined effectively by managers close to the market.

Conclusion. Getting and keeping the product 'right' for the market is fundamental to marketing management. London bus company managers have too little control over the choice of vehicle for their services, and over the frequency at which the buses run. The reliability of their services could be improved by further public-private partnerships, or quality partnerships, going further than the existing 'red routes' in their design, and involving the companies in their make-up.

The place

Routes. For too long after the demise of the electric tramway in British cities, buses continued to run on 'invisible tramlines'. Deregulation led to the end of such rigidity, and new routes have been opened by operators both large and small, so that buses now run closer to the homes of their passengers than they have ever done before. Yet the major restructuring of routes in some towns and cities led to confusion and some loss of traffic. Clearly there is a balance to be sought between stability and change.

Most of the London bus routes established by the horse-bus Associations in the 19th century remained unchanged after the motor bus took over, and the London bus map remained largely unaltered until recently. (While many of the 'pirate' operators in 1922-24 followed established routes, others played a significant part in developing new services over routes that had been neglected by London General.) Since 'the place' is so central to marketing, it must be a matter for concern that LRT has in recent years changed a number of routes

substantially, without reference to the companies that have to make a living by serving them. Fairly drastic shortening of routes between central London and some suburbs has led some to surmise that the objective has been to protect the tube railways.

Stops. The 'place' can also be considered in terms of stopping places and bus stations. Fixed bus stops are a relatively new practice in most parts of the country, their situation having been influenced by use and custom, and they became of greater significance with the disappearance of the open rear platform double-decker, which could be joined or left whenever the bus was stationary. But street congestion caused the police to take an interest in the siting of bus stops, not always with the interests of the passenger in mind. London Transport has in the past been criticized for failing to defend its own patch in its negotiations over stopping places.

It may also be observed that the frequency of bus stops varies considerably from one city to another, while those in London are fewer in number than in many other places. Here again marketing requires a balanced view, allowing for the customer who wants the stopping places to minimize walking, and the need to limit the time spent by the bus which otherwise could be moving — not to mention the interest of the passenger who is already on the bus. Decision-making here is not best left to bureaucrats in offices with no real incentive to make the right compromise. It is a matter for the manager, who has most to lose by getting it wrong.

Stations. The value of land in urban uses is such as to make the provision of bus stations problematic everywhere. Who shall calculate the return on capital that such investments may provide? In a city such as London there is little choice but for them to be the responsibility of a public authority. Problems have arisen elsewhere when charges for the use of bus stations have driven operators to use curb-side stops instead, but whatever solution is found, the bus company managers must themselves be involved in the policy decisions.

Conclusion. A system in which the marketer has no say in the choice of 'place' has no justification whatever: LRT must be criticized for its retention of power over the selection of bus routes and the placing of bus stops. These are matters where the companies, customer-driven as they must be, should have the opportunity for a significant part in the content of the London bus map, and in bus stop and bus station policy for the city.

The price

Setting the price at which the product is to sell is the one essential responsibility for autonomous management. Lack of freedom in this area can be shown to have been one of the greatest — perhaps indeed the greatest — cause of the decline of bus use after 1950, as managers were unable to react to the new competition from the private car. Price control always and everywhere militates

against the interests of the customer, and thus, in an open market where customers can choose to go elsewhere, against the interests of the producer too.

There is a further issue. Price can never be determined in a vacuum: the customer's decision whether or not to buy is determined by the customer's assessment of the mix of price and quality that is on offer. Thus Price must be seen as closely linked with Product in our analysis. And the London bus company manager has virtually no autonomy in deciding this important marketing matter.

Pricing formulae. Pricing for public transport over most of the country is complicated by the spread of Travelcards, covering various areas and periods, and often, as in London, including both rail and road services. These are a marketing weapon in that they make travel by bus easier, and also save time when passengers are boarding. But they are a form of average pricing, which makes longer trips cheaper than short ones, and they pre-empt any form of discriminatory pricing and segmentation of the market. It has been expected that the spread of decremental smart cards would enable trips to be priced by stage once more, but the indications are that public acceptance of smart cards will not come about quickly. In the meantime the one-off trip for an individual customer has to be allowed for, as well as the substantial number of trips that, while frequent and regular, are so short that it pays to buy a ticket on the bus.

Pricing in London is a policy reserved to the franchising authority. In provincial cities where competition exists, no problems have appeared in making cards inter-available, while smaller firms with low overhead costs frequently offer lower fares to cash-paying passengers, sometimes, though by no means always, on less up-market vehicles. What the London standard price structure denies is the opportunity taken by certain large firms in the provinces to offer two levels of product, at two levels of price: up-market buses at higher fares than those charged on older buses over the same route. The policy is feasible where frequencies are high, and the outcome reported is an increase of traffic on both types of service.

Conclusion. London's bus company managers have no freedom to set prices for the product, nor to adjust the relationship of price and quality. As a result they have no opportunity to innovate, and the potential gains from segmentation and price discrimination are not available to them. This is a serious barrier to beneficial marketing management, and must be a disadvantage to the London traveller.

The people

There is a widespread shortage of labour in the bus industry today, apparently because pressure on margins and the need to keep fares down precludes

operating companies offering packages that will attract and hold drivers in a fairly tight employment situation. This is a pity, because, as Figure 4 shows, customer care at point-of-sale is a quality of the product that customers value. What is more, certain provincial bus companies have succeeded in making significant gains by repositioning the product in this way.

The personal qualities that make a good bus driver are not the same as those that were typical of the traditional bus conductor, but even so, where firms have brought back the conductor, gains in traffic have usually been relatively slight. This is an area where difficult trade-offs have to be made, and if the franchise requires heavy investment in new vehicles there may be little room left for investment in people.

Conclusion. In one of the few areas where the London bus manager is left some liberty of choice, the overall tightness of control leaves too little opportunity to develop this essential quality of the product, making the driver a valued member of the marketing team.

Promotion

A common misunderstanding has it that marketing is about advertising. Another mistaken assumption is that marketing promotion will make people buy things they do not want. Sales managers have a warning here, well known in the business: 'You can promote the wrong product, once'. If the customer doesn't like the product once he or she has tried it, no amount of hype will make that customer try it again. And this is just as true of services as it is of goods and foodstuffs.

Good information is regarded as important (Figure 4). But it is generally accepted that this is the Achilles heel of the public transport industry, and that this has been so for far too long. In 1984 the London Transport Passengers Committee, an independent body, published a devastating critique of the design of passenger information literature, and a year later the National Consumer Council, in a report called *Catching Up With the Bus*, endorsed this criticism. Since then, efforts have been made to improve the situation, in London, although the London bus map still does not bear comparison with the underground map for clarity and ease of use. (It is interesting that Travel West Midlands has recently produced a 'topographical' bus map for Birmingham, clearly modeled on the LT map of the tubes.)

But promotion is substantially the province of LRT, even though the bus companies have some freedom under their agreements to develop their own advertising. For some reason public transport is not seen as an exciting or 'sexy' product, though recently a provincial train operating company (Central Trains) took a prize for its promotional efforts, centered on television advertising. In the days of Frank Pick the London Passenger Transport Board had a high reputation for the quality of its design; respectability now seems to have set in, and hard-hitting, customer-oriented promotion awaits development.

Conclusion. The London bus companies may reasonably complain that they might expect better efforts from the franchising organisation, acting on their behalf.

The process

Unlike the product of manufacturing industry, and most of the goods on sale in supermarkets, the product of a service industry does not usually lend itself to standardization. The bus journey that is finally offered to the customer is the result of a lengthy and complex process, and its quality may well vary from one trip to another, even on the same route. This is where marketing management, and the need for everyone (including the driver) to be part of the marketing team, is so important if the product is to please the passenger, at the price that is asked for it. Compare it with a product such as hairdressing and the point will become plain.

This concept gathers up each and all of the rest of the six Ps, and expresses the generic responsibility of management if a service-sector business is to succeed.

The conclusion, then — and this applies to the whole of this chapter — must be that the London system retains so much power in the hands of the franchising agency as to leave too little freedom for marketing management to flourish, and in this way deprives the London bus passenger of the benefits that are being developed in the best of the provincial bus companies.

5. How to improve the system

Avoiding false comparisons

Central travel. Figure 1 shows that, overall, the number of people using buses in London has been growing, while the number in the rest of the country has tended to decline. The vastly over-simple conclusion is often reached, that the 'London system' works better than the much more open market which exists in the provinces. This is a fallacy.

For one thing, London is not comparable with provincial cities; not only are its central streets subject to severe congestion, but central London is large enough to have bus and tube services that cater for the demand of the central area alone. In London there is an established market for such travel: people do not to any significant extent use buses to travel within the centre of cities like Birmingham or Manchester.

Provincial innovation. Furthermore, there have been remarkable success stories in the provinces, where bus companies have taken marketing seriously. Trent Buses 'Rainbow Routes', with guaranteed standards of service; Stagecoach 'Magicbus', with two levels of quality on the same route at different prices; Birmingham's 'Line 33 Showcase', with a quality partnership including Travel West Midlands, Birmingham and Walsall councils and the Passenger Transport Executive, CENTRO; these are but a few of the developments that have succeeded in getting more people on to the buses, and to leave the car at home.

Rural decline. On the other hand, figures for Great Britain outwith London include the rural as well as the urban areas, and rural bus services continue to decline. We saw in Figure 4 how important frequency is, and the volume of demand in the rural areas can never be sufficient to maintain the frequency that gets people to use the bus. However defined, urban and rural bus operations are radically different markets, and to ignore this when comparing London's bus use with the rest of the country is simply bad statistics.

Not like High Street franchising

But in any case, the 'London system' is a franchise. And the objective of public transport franchises, world-wide, is the reduction of cost. This kind of franchise is quite different from what we see on the High Street, where goods are sold in a highly competitive market by shops and fast food outlets, subject to a franchise agreement. Those are not about cost-cutting but about *marketing*. And it is marketing of goods, not services.

The London system aims to give the successful tenderer a degree of monopoly for a period of years. It gets round the problem of how to end a franchise by the re-tendering of about a fifth of the 'network' each year. But that is all. It is a cost-cutting exercise, and it leaves no room for the progressive, customer-centered marketing initiatives that have been successful elsewhere. And it has not denied the London Transport inheritance of central control and management.

Stifling initiative. Opportunities for better marketing may exist within some forms of franchise, as many of the Train Operating Companies have shown. But it is in the *process* element of the marketing mix, that the freedom of London bus managers is so severely constrained as to prevent initiatives being developed that could improve the service offered to the public. The great risk-averse bureaucracies like London Transport do not readily allow for the initiative of the manager who is close to the market.

The element of process in the marketing mix may be called the 'how' of service delivery, and it brings together under one managerial responsibility a wide range of functions. In manufacturing industry the classical textbook departments of personnel, production, marketing and finance may be delegated, but they must be taken together, when the product itself is intangible and totally perishable. Managers must be concerned with such matters as the capacity levels available, the flows of information and service, the appropriate technology, the discretion allowed to service employees at various levels, the response of customers, and the policies and procedures needed for these things to function smoothly. All of this, together with the traditional matters of product, place, price and promotion, and, of course, people.

Whatever else may be said about the London franchise system, it is plain that the detailed top-down requirements of the framework agreement and its terms and conditions leave the London bus manager with an absolute minimum of freedom — freedom to manage and freedom to innovate. Things have not changed over the years: all wisdom is still believed to reside at 55 Broadway.

Freeing up the system

Whatever new authority for London's transport may appear, and into whatever hands the decision-making power may come to rest, the present system of bus franchise should be critically examined, with a view to greater freedom of managers close to the market to respond to the needs of the London bus passenger. What is certain is that the close and detailed controls that now exist leave virtually no such freedom for response. Bureaucracy is everywhere and always the enemy of freedom, initiative and risk — and without risk, initiative is stifled.

The need is to decide not how little but how much freedom should be given to franchisees: freedom to design the product, to select the place, to control the price, to undertake promotion, and, inclusive of all these, to be responsible for the process. ('People', in the sense of the selection, training and control of the point-of-sale staff, is in the hands of management today, but it must be part of the whole process, not a stand-alone).

The first thing to be looked at is the definition of bus routes. Then there is the selection of appropriate design of the vehicle so as to satisfy the requirements of both the passenger and the operator. Freedom to set the price raises issues about the nature of the franchise, but it is not a matter to be avoided. Companies gain advantage from centralized promotion, and there is some room for them to act themselves, but there is much to be said for giving them more freedom (and for looking with a critical eye at the way it is centrally managed today). Finally, far too many of the petty constraints that are imposed on managers by the existing Framework Agreement and all that goes with it interfere with the process, which is so important for marketing in service industries.

In Chapter 4 these issues were examined in more detail, and the problems were highlighted. It is time for them to be examined, free of the traditional ethos of the London approach. Liberalization of the transport industry remains at the centre of EU policy, though there are some indications that the European Commission would like to see franchise replace both municipal and outright commercial operation of bus services throughout the Union. Despite the ill-founded criticism of the provincial bus industry, there is much to be learned from its many successes, and, assuming that London bus services are still going to be franchised, they should be able to compare with best practice anywhere else. But this means a much looser form of franchise, with much more freedom for managers to manage.

Transport in London inevitably has a high political profile. Be that as it may, the issues discussed here concern the serious business of management, and the freedom of managers, within whatever structure is deemed necessary, to manage. At present, too little such freedom exists, and to a large extent the reasons for this lie in the past. Since 1933 London Transport has been a semi-commercial board, a nationalized industry, a municipal undertaking, and now, a

government-controlled board. It is to revert to municipal status, under the new London authority, and it is to be the direct concern of the newly-elected Mayor. But if the future is to offer more efficiency and more effectiveness in satisfying the demand for bus services, then the ethos and the bureaucracy that has lasted unchanged for so long requires to be challenged, and changed.

Conclusions – Marketing Matters

The bus industry in Scotland, Wales and the English provinces evolved during the 1930s to produce a structure based on territorial companies, with municipal fleets in many towns and cities and a large number of independent firms, large and small. Each business was financially discrete, and although such a policy was not strictly maintained by the National Bus Company, the nationalization of one-third of the industry, completed in 1969, did not seriously challenge the commercial ethos of the industry; it was in fact weakened rather more by the introduction of producer subsidy in 1968, which enabled local authority officials to intervene in the decision-making process.

As a consequence it was straightforward for privatization (and deregulation) in 1985 to reinstate a commercially based industry, extending this to the case of the municipal and PTE undertakings, which became joint-stock companies. When advocating the 1985 Act, not without obloquy, I disclaimed any foresight as to the outcome, arguing along with others that the practice of quantity control (the road service licence) worked contrary to the best interests of both the consumer and the bus industry. But I did express one general conclusion, which was that the industry would be forced by commercial competition to develop its marketing competence. It had become seriously product-driven, and it would have become customer-led.

My expectations were a long time a-coming, but the best of the bus operators outside London are now showing how marketing management can produce growth. A one per cent increase in bus traffic in the West Midlands may not seem a great deal, but it reverses a long sequence of decline.

Traffic in London has been rising significantly in the past few years (see Table 1). This doubtless reflects a range of circumstances particular to London, both demographic and economic, as well as the cost and availability of car parking, the importance of commuting to the centre, and, not least, the tourist demand. But these factors are unrelated to the London system of tendering; neither do they show it to be necessarily superior to the contestable market to be found elsewhere. So, other things being equal, we may conclude that buses in London would be used still more if London's bus companies were given greater freedom to innovate, being released, to some extent at least, from the apron-strings of London Buses.

The bus industry in London was never allowed to evolve in the way it has done elsewhere, and the introduction of commercially driven management ran counter to the entrenched top-down controls inherited from the past. This has not been

widely appreciated. The authors of a magisterial study of London Bus tendering conclude: 'What London now has is a system that embraces all the benefits of an organised route network with most of the benefits of private sector management'.⁴ When we examine the framework of tight bureaucratic control that acts as a strait-jacket on the private sector managers, we must be permitted to question their conclusion. The private sector is not just better at keeping costs down; it has an incentive to get sales up by better marketing of the product. Surely the time has come to consider how far the London bus companies might be moved from the shadow of 'London Transport', in all its manifestations over the years, and into something of the freedom that has always been valued by managers elsewhere in the country.

Table 1
Trends In Passenger Journeys, 1986-1996

Millions of bus passenger journeys

Year	London	English Metropolitan Counties	English Shire Counties	Scotland	Wales
1985/86	1,152	2,068	1,588	671	163
1986/87	1,164	1,810	1,571	644	152
1987/88	1,207	1,732	1,550	647	156
1988/89	1,211	1,695	1,501	647	161
1989/90	1,188	1,648	1,474	613	151
1990/91	1,178	1,547	1,396	585	145
1991/92	1,149	1,478	1,333	571	133
1992/93	1,129	1,383	1,307	532	129
1993/94	1,117	1,337	1,274	525	133
1994/95	1,167	1,331	1,277	513	132
1995/96	1,205	1,292	1,265	494	127

Source: Transport Statistics Great Britain 1997 (The Stationery Office)

The figures for London reflect the considerable difference in the market for buses in Central London compared with the provincial cities ('English Metropolitan Counties'), while the figures for areas other than London mask the considerable successes to be found where effective marketing and quality partnerships have recorded considerable increases in journeys.

⁴David Kennedy, Stephen Glaister & Tony Travers, *London Bus Tendering*. LSE: March 1995

Sources and Further Reading

T C Barker & Michael Robbins, *A History of London Transport*. George Allen & Unwin: Vol. 1, *The Nineteenth Century*, 1963; Vol. 2, *The Twentieth Century to 1970*, 1974.

Michael Bonavia, *The Nationalization of British Transport*. Macmillan: 1987

Michael F Collins & Timothy M Pharoah, *Transport Organisation in a Great City: The Case of London*. George Allen & Unwin: 1974.

Paul E Garbutt, *London Transport and the Politicians*. Ian Allan: 1985.

Stephen Glaister, Nathaniel Lichfield, David Bayliss, Tony Travers & Tony Ridley, *Transport Options for London*. Greater London Group: 1991.

Stephen Glaister, June Burnham, Handley Stevens & Tony Travers, *Transport Policy in Britain*. Macmillan: 1998.

David Kennedy, Stephen Glaister & Tony Travers, *London Bus Tendering*. LSE: March 1995

John Hibbs, *Marketing Management in the Bus and Coach Industry*. Kingston upon Thames, Croner Publications: 1989.

John Sheldrake, 'The monopolization of London's transport', in *Urban Transport* (ed. Kevin Hey & John Sheldrake). Aldershot, Ashgate: 1997.

William Tyson, 'Metropolitan transport policy in the 20th and 21st centuries', in *Urban Transport*, op cit.