



THE LIBERALISATION OF THE BRITISH BUS AND COACH INDUSTRY: AN UNCOMPLETED ENTERPRISE

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FOR LIFE, LIBERTY AND PROPERTY

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The liberalisation of the British bus and coach industry, started cautiously by Norman Fowler in 1980 and greatly extended by Nicholas Ridley in 1985, is still an uncompleted enterprise. Whether it can ever be carried to the desirable conclusion, in which state intervention is limited to ensuring mechanical safety, and the courts are available to deal with the predatory activities of large joint stock companies, is now the issue. And while the most open attack upon the liberty of the entrepreneur to seek and satisfy the requirements of the customer has come from the Labour Party, it undoubtedly reflects a substantial body of well-meaning but muddle-headed thought among people of all party persuasions and of none. (Let it be said at once that the present author has no party affiliation.)

THE QUIET LIFE THAT MONOPOLY BRINGS

The Transport Acts of 1980 and 1985 were radical and far-reaching, and were vigorously resisted by the establishment of the industry. The protectionism that they had been given by the Road Traffic Act 1930 had been seen as part of a bargain with the state, in return for which they surrendered entrepreneurial freedom. Naturally they resented what they saw as Ridley's unilateral decision to break faith, emphasised by his refusal to negotiate. But the legislation put an end to price control; totally freed coach services (above a minimum distance) from licensing; opened the market for new entrants to provide local bus services, subject to a process of registration, and for existing firms to operate commercially; started the sale of state-owned bus companies, which is only now, in Scotland, being completed; and made municipal bus managers operate at arms' length from their local councils.

The 1985 Act also put an end to supply-side subsidy, which in practice had from 1968 tended to remove decision-making from bus managers to local authority planners, with politicians in the background. It was stated that it would also outlaw cross-subsidisation, but this rested upon a misleading definition of the term, itself a consequence of the incentive in the old licensing system for operators to maximise their 'loss-making' mileage, so as to retain protection from

new entrants or other potential competitors. The whole system had progressively undermined the managerial efficiency of the industry, and, among other things, had inhibited any serious attempt to respond to the real competitor, the private car. This amounted to no little achievement. But there remained weaknesses that have in subsequent years come to be seen as hostages to fortune.

Little could have been done about the residual dislike of some bus managers for the new dispensation. While a good many older men took the opportunity to leave, as the companies slimmed down their administrative trains, there remained a resilient commitment to the principles of municipal trading over much of the council-owned sector of the industry. A competitive market still seems to these managers untidy and improper, and they hanker after a return to the protectionist past, when they had the benefit of the quiet life that monopoly brings. They are sincere, and they are the front-line supporters of the pressure to abandon Ridley's reforms. Most ironically, they form an elitist group, genuine in their belief that they know best what facilities should be provided for people to use.

Structurally, the principal weakness of the 1985 Act was to give powers of subsidy to county councils and the 'residual bodies' in the former metropolitan counties, to enable the provision of 'socially necessary' bus services. This was a measure that seemed reasonable in 1984, when there was no certainty as to how the reforms would work out, and many people feared that bus services would be decimated. This was actually unlikely, given the economics of the industry, but as we have seen the years of protectionism had distorted the general perception of transport economics. In the event the cuts in mileage were small, and overall provision of bus mileage actually rose, because of new entrants, but there were marginal areas where some welfare loss was inevitable. The problem that has arisen lies in the powers of subsidising councils to use public funds, just as they did prior to 1986 (when the Act came into force), to behave like bus operators by proxy.

PROBLEMS OF SUBSIDY

There are considerable variations in the involvement of the subsidising authorities, and many of them do quietly seek out pockets of disadvantage, and buy in from local bus firms to provide for them. But there are numerous examples of councils, generally of left-wing persuasion, that have taken a markedly pro-active stance, even to the extent of developing a house style, which they require firms to use if they succeed in tendering for the services the council has decided in its elitist wisdom that the community 'needs'. What is even more a matter for concern is the growth of a specialist bureaucracy in such authorities, with its own enforcement agents, and the very real extent to which the provision of 'socially necessary' bus services damages the commercial activities of companies in the market.

The provision of bus services by tender, which is what is now being canvassed as a total alternative to the market, is of course an effective blanket upon innovation or any other form of entrepreneurship. It has already had this effect, most of all in the rural areas, where commercial operation is admittedly more difficult. But urban bus operation, were it not for the problems of congestion, takes place just where demand is highest - and it is uncomfortably true that many 'socially necessary' services provide for the middle class areas, where demand may be weaker. But before turning to the new proposals, and their implications for the market, it is worth reflecting upon one further area of intervention as it is practised under the Transport Act 1985.

This is the provision of user-subsidy for 'senior citizens'. Practice here varies widely between authorities, from outright 'free' travel to limited support, enabling holders of a plastic card to pay less than the full fare. The use of tokens that can be offered instead of or alongside cash to pay for a bus ride is also to be found. The Act simply states that the authority offering such concessions must allow any bus operator in its area to take part; an obvious constraint upon anti-market policies. But the system does also re-inforce the paternalist leanings of many councils, and it is open to question whether it is either justified or needed.

Clearly its justification is questionable on the grounds that the subsidy is available to many people whose financial circumstances make it unnecessary. In the 1960s there was a specious argument that encouraging the better-off to leave their cars at home by lowering the cost of public transport would be offset by reducing spending on the roads, but there is an equally weak justification for pensioners' passes, on the grounds that 'access' is a public good, and should be made more widely available to them, whether they want it or not. It is plain that many people will wel-

come such subsidy, and make use of it to improve their access to the market; no-one would argue that this benefit should not be widely available. The interesting question is how far the market itself could be relied upon to provide for it, without the administrative costs inherent in the system, and the further interference that it implies with the freedom of bus managers to do their job.

For we have only to look at the pensioners' reduced fares on offer by British Rail, with no compensating subsidy, to see that the market *can* provide - and if you will go to the poorer parts of our cities, you will find hairdressers and television rentals firms offering special rates to pensioners, too. In the food trade, cut-price chains such as Aldi play an important part in maintaining the standard of living of people on low incomes, without asking any support from public funds. (Indeed, councils are often besought to refuse such firms planning permission, on the grounds that they are a threat to the established chains, or to branded manufacturers). In the absence of public subsidy, any bus company that took the sensible commercial decision to offer reduced fares off-peak to pensioners (and to other 'disadvantaged' citizens) would start a chain reaction as other firms found it desirable to do the same. Here as elsewhere, it seems now that the reforms of 1980 and 1985 did not go far enough.

PRESSURE OF CHANGE

It is against this background that the newly emerging pressure for change should be evaluated. At its most simple, and extreme, it has been expressed by John Prescott on behalf of the Labour Party, in a communication to the trade press at the end of 1990, but it must be emphasised that Prescott's prescription is likely to find many sympathisers outside his own party.

The system proposed would extend to the whole country the way bus services are increasingly being provided in London (where Ridley's nerve failed, and deregulation was never applied). Large regional authorities would determine the bus services that they judged to be 'needed', and would invite large bus companies to tender for the provision of such services in bulk. (It is part of the policy to drive small firms out of bus operation, leaving them the coach charter business in which to make their living.) The companies would be subject to regulation, similar to that which applies to privatised monopolists such as gas, electricity and water companies; how odd, to be creating monopolists, that then need to be constrained!

What we have here is a planner's dream. But this is an industry that does not lend itself to planning. There is presumably an assumption that by putting

groups of services out to tender it would be possible to obtain lower operating costs than those to be expected from publicly owned undertakings; the sharp rise in costs that accompanied the period of 'network subsidy' from 1968 to 1986 has no doubt been recognised as a danger to be avoided. But it is hard to see an alternative scenario to that in which the monopolistic companies sought to rig the market in their own favour, while the proposal to support monopolistic capitalism sits ill with the principles of the Labour Party.

But this is not just a party matter - indeed, it was put forward as a policy by the Liberals some years ago, and it would suit the paternalism of one wing of the Conservative Party, too. It might be argued that the problem is one of scale, and indeed the prospect of an authority in, say, Bristol deciding what buses should run in West Cornwall is surely far-fetched. (Yet the Area Scheme for the North-East of England prepared by the British Transport Commission under a Labour government in 1949 would have suffered from the same disease of giantism.) Many people, including not a few bus managers, would settle for a similar scheme that was based on cities, conurbations, districts or counties - yet no local government boundary relates to travel habits, or even travel 'needs'. And the ultimate criticism of the planners' solution must still be that it makes no provision for customers to indicate their own ideas of what the market might be expected to provide. (The 'consumer representative bodies' that are supposed to fulfil this function have yet to demonstrate any ability to do other than express the beliefs of their exclusively middle-class members about what they consider the people should be given.)

This approach to the bus industry has been misleadingly labelled 'competition *for* the market', in contrast to what we are supposed to have now, which is called 'competition *in* the market'. Setting aside the extent to which the present system is a fully competitive one, and we have already seen the constraints that exist, it must be emphasised that 'competition for the market' is itself a tautology. But what is being proposed by John Prescott, and quite widely supported in one form or another, is *competition for a monopoly*. It is mercantilism in a thin disguise, and belongs in another century, not this one, or the next.

ENCOURAGING A MARKET SOLUTION

The liberalisation of the bus industry, which has been undertaken in other countries as the costs and inefficiency of planned and subsidised services have been recognised, has yet to run its full course in Britain. The deregulation effected by the 1985 Act only came fully into force early in 1987, and the privatisation clauses of the Act have even yet to be completely

enforced. There is unfinished business here, and there is also a need to adjust some aspects of the current dispensation, to make the system work better. From this it will be clear that it is also too soon to attempt a substantial critique of the 'success' of the legislation, but there are good grounds to refute John Prescott's politically loaded statement that "all in all it's been pretty bloody disastrous". It has been notable throughout the past five years that most hostile comment upon deregulation has come from organisations such as the Association of Metropolitan Authorities, which is itself controlled by a Labour majority (though a minority view has not so far been presented).

By way of an interim comment, it can be said that the outcome of deregulation has been much as economic theory would predict. Where demand is strong and the established operator's services were seen to be unsatisfactory, as in Greater Manchester and Merseyside, new entrants have been numerous, and the quantity of the product has been greatly increased. In other cases, as in Bristol, the established operator has been able to provide a service perceived to be sufficiently satisfactory, so that new competition has not appeared. In the West Midlands the publicly-owned company demonstrated a strong commercial drive from the start, but has not escaped a limited amount of competition from small firms with lower costs.

In general, the subsidiaries of the two parastatal companies, the National Bus Company (NBC) and the Scottish Bus Group (SBG), made the transfer from protectionist licensing to a semi-free market with little difficulty, using the 'transfer provisions' to set up their post-deregulation output well in advance of D-(for deregulation) day. The experience of the municipal sector was more mixed, but in many towns and cities the consequence of becoming directors of an arms-length company released capable managers from the day-to-day control of a council committee, and this they welcomed. In the former metropolitan counties, where the Councils retained control until March 31st 1986, and the 'residual body' (the Passenger Transport Authority) became the beneficial owner of the new public transport company, political intervention seems to have inhibited managers from overtly preparing for D-day, and their background in seeking to maximise 'social welfare' made many of them ill-fitted for the requirements of maintaining profitability in a commercial world. This situation must go far to account for the chaotic situation that gave the start of deregulation such a bad image in these areas, where the debilitating effects of massive producer-subsidy had been concentrated.

In some but not all of the public transport companies political control continued, and professional man-

agers were less than free to respond to the signals of the market. In one case the policy laid down by the directors was that of 'non-profit-making', which, as the standard management texts suggest, is also a 'non-target', unlikely to offer satisfaction, and unattainable in practice. The special case of South Yorkshire, where a notably left-wing county council had set itself a policy objective of nil-fares for the bus undertaking (total subsidy, that is to say), the increased charges made necessary by the requirement that the public transport company be commercial did not prevent it from becoming both efficient and predatory.

THE TYNESIDE EXPERIENCE

The experience of Tyneside has been of special interest. The Passenger Transport Authority had never used its powers of compulsory purchase, but with them in reserve had integrated the services of the former municipal undertakings with those of the local NBC company, and the suburban electric railway. In the early post-deregulation period both the NBC subsidiary and the PTA-owned public transport company were sold to their respective managements, and since then have co-existed quite happily, in the knowledge that the Office of Fair Trading would be keeping an eye on their relationship, and that any attempt to merge would not meet favour. For a time there was a 'third force', but this was bought by one of the companies and then sold on to the other. A number of smaller firms, and a neighbouring ex-NBC company also entered the market, but a considerable degree of stability has been achieved. Uniquely in the British experience, the Tyneside firms practise inter-available ticketing, through a jointly-owned company which manages the ticket system and shares out the receipts in proportion to each firm's share of the total vehicle mileage. (This of course inhibits price competition.)

The amount of new competition over the rest of the country has been very variable, as has the reaction of the formerly protected operators. The system of tendering for 'socially necessary services' has given a number of small coach firms their first experience of line-haul operation, and many of them have gone on to register commercial services as well. Some of the previously state-owned companies have been quite willing to tolerate smaller competitors, recognising in some cases that one effect has been to encourage their own drivers to be more 'customer-friendly'. Managers of some established businesses, however, have reacted with resentment, demonstrating a kind of atavistic desire to protect their territory - it must be recalled that the structure of the industry had developed from 1916 on along the lines of 'area agreement' companies, and that this had been given the protection of statute under the licensing system intro-

duced in 1931. It may be sad, but it is hardly surprising to find history leaving its mark in this way.

One consequence of this attitude has been a tendency for such firms to engage in predatory activities designed to put the smaller firm out of business, as happened notoriously in the case of one Scottish operator. Alternatively, the large firm has bought out the smaller one, making 'an offer that could not be refused', with the threat of direct predation in the background. This use of overwhelming market power is clearly contrary to the intentions of the liberalising Acts, but it could readily be contained by enabling the victim of predation (or the liquidator) to sue for exemplary damages; a few such successful actions would serve *pour encourager les autres*, and quickly put an end to the practice.

STRUCTURE OF THE INDUSTRY

The larger firms are of course under the temptation to combine, for reasons that are of interest to the economist. Despite the lower barriers to entry, both financial and administrative, and despite the fact that authorities agree in finding no significant economies of scale in road motor transport, the bus industry remains what it has been since the 1930s: a medley of substantial companies, with a substantial fringe of much smaller ones. This may reflect the existence of quite substantial economies of scope, and because of the standardisation of the product, and the limited market power of the individual consumer, it is possible for a large business, in contemporary terms, to be highly efficiently managed. The limit of growth, in fact, is probably determined by the managers' span of control, and this is perceived in quite a few firms as offering rewarding opportunities through thoroughgoing decentralisation.

Thus, so long as the market remains contestable, and given a measure designed to check predation, it may not be seriously anti-competitive for the industry to be typified by firms of whatever size is found to be optimal. Some commentators, however, recalling the dominance of three ownership groups throughout the non-municipal sector in pre-1945 Britain, are concerned lest the process of combination take place at this level, and there is certainly room for such concern. For one thing, a market advantage of the post-deregulation world is the variety of management style and of company policy, in marked contrast to the standardisation enforced by the parastatal holding companies. Just as in catering or the retail grocery trade, there is a need for new ideas and product variations to flow constantly into an industry that, on the evidence of past behaviour, could easily become staid and unimaginative. And while it is true that firms thus weakened will eventually fail, the level of capitalisation among the large British bus companies is

such that they might be able to struggle on for some time, and inhibit the appearance of alternatives.

The policy of the Department of Transport and of the Scottish Office, in disposing of the NBC and SBG subsidiaries, has been consistently to refuse bids from the same source for neighbouring companies, producing what has been called a 'patchwork quilt' effect. The subsequent tendency for the emerging groups to seek to control wider territories has been monitored by the OFT, which has required divestment in some cases. It would seem that such an oversight is likely to be needed in the future, although the yardsticks available to the OFT, related to percentage of the market, are probably inappropriate.

To conclude this survey of post-deregulation experience, and before attempting any evaluation, it is worth noting that some of the larger companies, including a few still in the beneficial ownership of district councils, have been engaged in quite substantial competition. The result has generally been some sort of settlement, and there is little reason to criticise the behaviour of any of the businesses concerned. But a peculiarity of the requirement for commercial services to be registered is that it imposes a kind of exit control, for a firm withdrawing its services (unless it is actually going out of business) must give 42 days' notice - during which period its drivers will be actively seeking new jobs! In one such case, the operator was subjected to the rather anti-competitive ruling that it could not register any new services in the area concerned for the future. There is in fact very little reason why the requirement to register should be retained.

A CRITICAL COMMENT

Thus it seems hard to justify John Prescott's wholesale condemnation of the liberalising measures of Normal Fowler and Nicholas Ridley. It is hard to avoid the conclusion that for some people the market is disliked because it is untidy, although it is not to be supposed that the imposition of centrally planned tidiness would produce any relative welfare gain. Experience as well as theory suggests that a customer/contractor relationship of the kind that has been outlined would be costly to administer, wasteful of resources, and weak in its response to consumer demand.

This is not to say that the evolution of the industry since 1980 has been a story of unmixed benefit to the consumer. The deregulation of the express coach industry, which left the parastatal company in a position of market dominance, did not lead to a highly competitive situation, and the subsequent privatisation of the National Express franchising network left the situation unchanged, save for the Anglo-Scottish services. But prices did fall sharply, and frequencies

were greatly improved on the busy routes, with some withdrawal from the cross-country ones. The effect on British Rail was to encourage the Board's marketing effort, while the overall expansion of travel seems to have benefitted train as well as coach services. The increased congestion of the motorways is now threatening the coach service operators, and strengthening the monopoly power of the railway, but that is another issue entirely.

It is ironic that so much criticism of the 1985 deregulation should have turned upon the undoubted confusion that marked 'D-day' in the metropolitan counties, since the absence of such confusion in cities served by NBC subsidiary companies, before even the start of privatisation, indicates that it was unnecessary. In the special case of South Yorkshire the sharp increase in fares followed from the ending of a controversial policy of high and increasing subsidy; it will never be possible to strike a balance here, but it is certainly possible that the ending of the consequent distortions brought a net gain in the trade-off of costs and benefits.

There is an argument that identifies as a cost of deregulation 'the weakening of the network'. It is supposed to be a consumer gain to be able to consult a map and plan a journey, using a series of transport services. This is largely specious, since, for one thing, such figures as are available indicate that by far the greatest number of trips involve the use, and usually the regular use, of one vehicle; a small number of trips may involve one change, but those involving more than one are a negligible percentage. The network argument may betray an element of 'enthusiasm', and it sounds oddly detached from the reality of urban public transport, which, rightly or wrongly, is predominantly engaged in satisfying working-class demand.

Nevertheless there has been an overall reduction in passenger mileage since the 1985 measures were first introduced, with at the same time an increase in output, measured in vehicle miles. (The actual figure is hard to estimate, because of the substantial growth of minibus services; seat-miles, which are a much better measure of production, are not available.) This fall continues a secular trend that began in the 1960s, and coincides with the expansion of car ownership. It does however represent a weakness of the industry that it is to be hoped that market forces will, if they are given the chance, soon begin to rectify.

The tragic outcome of the protectionism of the 1930-1980 period was the misguided assumption among far too many managers that they had a 'captive market', shared at first by many railway managers - who at least were shaken out of their complacency by the Beeching years. Thinking that the licensing system had dealt, once and for all, with the problem of com-

petition, bus managers neglected to observe that they had new competition after 1950, in the shape of the private car. Practising crude and misleading costing, subject to statutory price control that prohibited creative charging, and ignorant of the tenets of marketing management, they seem to have lived in a fools' paradise.

The new generation of managers has shown that these handicaps can be overcome, but it has taken time to turn an inward-looking industry, with such a history behind it, into one in which market forces rather than production form the ethos of management. Nowhere is this more true than in the area of marketing communications, where there has actually been a decline from what was a seriously weak standard of practice since 1985. Aggressive marketing, not aggressive on-the-road competition, is what the industry needs if it is to take advantage of its commercial freedom, and pass that advantage on to the consumer. It must be admitted that, while there are many examples of good marketing management of this kind, there are also many places where management still smacks of the 1970s.

DEREGULATION NOT A FAILURE

Underlying all this, however, is the open question as to how the industry will survive if it does nothing to improve its overall cash flow. There seems little doubt that bus fares, as distinct from those on long-distance coach services, are too low for the companies to renew their assets. The efficiency of the industry has been greatly increased, by streamlining management and maintenance, and by innovations like the spread of minibus service (which actually began before the 1985 Act came into force). But pricing is a central tool of marketing management, and most companies are loth, it seems, to accept the challenge that flexible, discriminatory pricing offers them. Standard charging, with the travelcard as a protectionist weapon, is still the common practice, whereas British Rail has succeeded in using price discrimination very effectively to maintain and increase market share.

The more these arguments are pursued the more difficult it becomes to accept John Prescott's wholesale condemnation of deregulation as a failure; and equally it becomes the more necessary to identify the weaknesses that require attention in the dispensation that the industry has inherited from Norman Fowler and Nicholas Ridley. Any balance of gains and losses following from their legislation can only be a temporary one, for a deregulated industry is one in which change is to be expected. Perhaps one of the most difficult areas for analysis is the trade-off between over-rapid change, a potential disbenefit of deregulation, and inflexibility of the kind characteristic

of the former system, where buses in some places were said to run on invisible tramlines. Such inflexibility, it should be remembered, may be a consequence of scale, since it might be expected in large bus companies with markedly bureaucratic structures, but at least an open market allows smaller firms to innovate.

All that has been said supports the view that the standard assumptions about economic behaviour apply to the bus industry with as much force as they do to any other human activity wherein scarcity is a constraint. Central planning of bus services must be subject to the same criticism as similar centralisation of decision-making, with the further proviso that the subjectivity of consumer decision-making and the sheer volume of demand make any centralisation of supply inherently ineffective. Other things being equal, bus service provision is comparable to the retail grocery trade, with room for large and small firms, and a considerable spillover effect, in that diversification into cognate activities may be an effective strategy for survival.

Thus there can be no reason to suppose that politicians and administrators in a regional (or local) planning office must be graced with some peculiar insight that can tell them what people in the market want, nor that they have been permitted a dispensation from the laws of economics. That there is a need for some further adjustment of the system of control bequeathed by the 1980 and 1985 Transport Acts, so as to dismantle some remaining provisions for intervention and to constrain anti-competitive behaviour, is not to be doubted, but to abandon the whole attempt to treat bus operation as an ordinary trading activity would be to return the industry to its 'dark ages'.

THE INSTINCT TO INTERVENE

It should not be assumed that John Prescott's initiative is a unilateral party political move. It has the support of a group of consultants and environmentalists, whose elitist thought matches the Labour Party's traditional practice, and it would no doubt be attractive to the Transport and General Workers Union. The Union might well hope to re-establish national bargaining, despite the evidence that plant bargaining, achieved after de-regulation, has greatly improved the economic health of the bus industry. But the motive of the Union may be taken to be the possibility of exploiting supply-side subsidy to raise wages, as it did so disastrously after 1968. For the Achilles heel of the Prescott policy is the prohibition it would place upon small firms with lower costs tendering for services and holding down the going rate. Indeed, it is not impossible to imagine the 'rings' in smoke-filled rooms; thus a cozy time would be had by all.

Be this as it may, there is undoubtedly a body of opinion, spreading across the party boundaries, so that some would claim it to be non-party, which sees buses as a tool for social intervention. It has been well put that, in this scenario, it should be possible for 'the bus to become an instrument of transport policy'. Whether or not the Prescott policy proposals are supported, it is this statement that sums up the interventionist trend.

It seems to be thought that a halfway house can be found which retains the economic benefits of a market process in the bus industry, while permitting intervention to achieve unquantifiable social benefits. That this is nonsense should not need to be restated - but it does. Experience with the system as it has been working since 1986 demonstrates that the bus industry can function perfectly well in a market economy, as had been forecast; there is a need to free the entrepreneurs still further, and the introduction of electronic road-use pricing could be expected to underpin the prosperity of urban bus businesses. Experience with the element of intervention that was retained in 1985 shows that its costs outweigh any rewards that it may be thought to achieve (though, since they are not measurable, we cannot be sure what they are). In short, we have an industry here that demonstrates once again the Hayekian assumption that *any* constraint upon the market will act to reduce the prosperity of the individual. (Ironically, the late Sir Arnold Plant forecast this when the 1930 licensing system was introduced.) The bus must be 'an instrument for people-movement', and the people

who want to use it must have the maximum opportunity to influence its services, through the working of the market. This means ensuring that bus managers are driven to undertake more marketing, not to inhibit them by taking vital decisions away, to some elitist and bureaucratic planning authority.

Nothing that has happened since 'D-day' gives reason to conclude that the liberalisation of the bus and coach industry was mistaken. Attempts at gross national or regional statistical assessment produce only naive approximations, and mask the human realities of supply and demand just as they ignore the local variations in the working of the market. If a future problem can be identified, it is the slow progress towards a general understanding of marketing management, and the future of the industry is also under threat so long as the training of the next generation of managers receives relatively low priority. John Prescott's proposals would do away with the need for marketing management in the firms acting as agents for his regional authorities, and reduce the status of bus company managers to that of administrators of somebody else's policy. All other issues apart, this is a certain recipe for weakened 'sharp-end' management, and it can be reliably assumed that capable managers would leave the industry. To offset this, attempts at quality control by the regional authority would run into the standard process whereby contractors seek to capture the regulators, and, lacking the spur of competition, quality would tend to fall, however much money was spent on seeking to maintain it.