Public passenger transport in inter-war Britain: the Southern Railway's response to bus competition, 1923-39

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Abstract

Scholarly criticisms of the quality of British railway management between the world wars have focused partly on the allegedly inept reaction to the threat of bus competition. By contrast this thesis shows that the Southern Railway (SR) developed policies and practices with regard to the bus industry that were rational and broadly successful given the legal, political and economic circumstances.

The SR was probably atypical of the four major inter-war railways. Because of the social and economic geography of the areas it served, it suffered less from bus competition and a smaller decline in receipts from passenger trains. Nevertheless in common with the rest of the industry, management action was greatly hampered in the 1920s by political opposition to direct bus operation. A key finding is that legislation in 1928 had the unintended effect of determining that the railways instead entered into partnerships with bus companies. In the SR's case this policy produced considerably greater returns on capital than historians have hitherto thought.

The SR influenced rather than controlled its associated bus companies, allowing them considerable commercial freedom. Even so the SR was largely able to shape network development to its advantage and to introduce measures, such as through ticketing, that were seen by contemporaries as key elements in reducing public-transport competition and thus enhancing consumer benefits. However, in practice such measures probably proved more advantageous to the company than its passengers.

In sum the SR's policies and practices in relation to bus competition were much more adroit than scholars have previously allowed. This study cannot demonstrate that the quality of the SR's management was equally good across the company's multi-faceted business. Nevertheless in this limited sphere, the SR achieved the most advantageous result possible, an outcome reflecting considerable credit on its managers.

Domine, defende nos
Contra hos Motores Bos!

A D Godley (edited by C L Graves and C R L Fletcher),
Fifty Poems. (London: Oxford University Press, 1927): 123.

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Author’s declaration

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, university. All sources are acknowledged as References.

1. Railway involvement in bus services: an important but unexplored topic

'There is clearly room for further research in this field.' JOHN HIBBS[1]

A key topic emerging amongst historians is the study in a number of countries of the railways' struggle after 1918 to maintain market share in the face of road competition for both passenger and freight traffic.[2] In the United Kingdom such scholarly interest is not new. Studies of the effectiveness of the railways' response, one measure of the quality of their management, began as early as 1928.[3] However, the present debate has its roots around 1968 and has continued sporadically ever since. Much recent research has focused on the British railways' attempts to create passenger traffic by innovative marketing.[4] By contrast much of the earlier literature concentrated on freight traffic, although these researchers appreciated the danger to rail passenger flows from the rise of motoring and the continuing spread of motor-bus services.[5] Nevertheless, the recent studies have largely ignored the bus threat.[6] And the earlier work failed to deal adequately with important questions about the railways' business strategies and tactics with regard to this particular threat. By a close analysis of how one of the four major railways, the Southern Railway (SR), contended with bus competition between 1923 and 1939, this thesis argues that railway management was, at least in this instance, considerably more adept than contemporary commentators and historians have maintained over the past eighty years.

1 John Hibbs, 'The history of the motor bus industry: a bibliographical survey'. *Journal of Transport History*, (Second Series Vol. 2 No. 2 (February 1973)): 46.

2 Gijs Mom, Colin Divall and Peter Lyth, 'Towards a paradigm shift? A decade of transport and mobility history' in *Mobility in history: the state of the art in the history of transport, traffic and mobility* edited by Gijs Mom, Gordon Pirie and Laurent Tissot. (Neuchatel: Editions Alphil, 2009): 13-40.

3 C. E. R. Sherrington, *The Economics of Rail Transport in Great Britain.* (London: Edward Arnold, 1928).

4 Colin Divall, 'Civilising velocity; masculinity and the marketing of Britain's passenger trains, 1921-39'. *Journal of Transport History*, (Third Series Vol. 32 No. 2 (December 2011)): 164-91; Colin Divall and Hiroki Shin, 'Cultures of speed and conservative modernity; representations of speed in Britain's railway marketing' in *Trains, culture and mobility: riding the rails: Volume 2* edited by Benjamin Fraser and Steven Spalding. (Langham: Lexington Books, 2012): .3-24; Matthew Thompson '"A master whose heart is in the land": picturing the tourist utopia of the Great Western Railway 1897-1947' (unpublished PhD thesis, University of York, 2011); Alexander Medcalf, "What to wear and where to go": picturing the modern consumer on the Great Western Railway 1921-1939' in *Trains, culture and mobility: riding the rails: Volume 2* edited by Benjamin Fraser and Steven Spalding. (Langham: Lexington Books, 2012): 61-89; Alexander Medcalf, '" We are always learning"; marketing the Great Western Railway, 1921-39'. *Journal of Transport History*, (Third Series Vol. 33 No. 2 (December 2012)): 186-211.

5 G. W. Crompton, '"Efficient and economical working?" the performance of the railway companies 1923-33'. *Business History*, (Vol. 27 No. 2 (July 1985)): 222-37; Gilbert Walker, *Road and Rail; an Enquiry into the Economics of Competition and State Control.*, (London: George Allen and Unwin, 1947); Derek H. Aldcroft, *British Railways in Transition: the Economic Problems of Britain's railways since 1914.* (London: Macmillan, 1968); Michael R. Bonavia, *Railway Policy between the Wars.* (Manchester: Manchester University Press, 1981); Gerard L. Turnbull, *Traffic and Transport: an Economic History of Pickfords.* (London: George Allen and Unwin, 1979); Peter Scott, 'British railways and the challenge from road haulage: 1919-39'. *Twentieth Century British History*, (Vol.13 No.2 (June 2002)), 101-20.

6 Craig Horner and Julian Greaves 'Mobility spotting: running off the rails in the transport historiography of the United Kingdom' in *Mobility in history: themes in transport* edited by Gijs Mom, Peter Lawson, Georgine Clarsen and Gordon Pirie (Neuchatel: Editions Alphil, 2010): 151-8.

The next section discusses the scholarly debate about the quality of railway management, the larger theme with which the thesis is concerned. A more detailed examination of the threat from road transport, its more specific focus, follows. Against this background, the main themes of this thesis are outlined.

Quality of railway management

The use of a salaried managerial class rather than owner managers marked the railway companies as Britain's first modern big business. In addition they were in the mid nineteenth century by far the largest of all private businesses and remained so well into the twentieth century. The Railways Act of 1921 compulsorily merged one hundred and twenty three existing railway companies into four regional corporations. At a stroke the size of firm, concentration in the industry and the management task all grew. These characteristics made them in Gourvish's view the exemplar of interwar corporatism.[7]

Two broadly opposing views exist among historians about the quality of the managers in these large railways. Studies of particular issues have concluded it to be poor; broader accounts tended to echo the esteem felt at the time. Critics point out the companies' staff and their functional structure did not greatly change. Organisationally each department was headed by an appropriate specialist, co-ordinated overall by a General Manager (the chief executive).[8] Effective performance depended greatly on his ability to make the departmental heads work as a team. Even the London, Midland and Scottish Railway's (LMSR) introduction of an alternative system, in which a President of the Executive, assisted by four Vice Presidents, each responsible for particular activities, was not meant to increase decentralisation or delegation but simply to cope with the workload.[9] Such an arrangement encouraged the separation of responsibility for costs and revenues rather than considering the net revenue of particular operations.[10] Consequently there was little focus on overall business performance; managers were simply concerned with their own function.

According to this set of arguments, recruitment only at junior levels and internal promotion tended to produce one-company men, trained in particular functional departments. As a result, they were imbued with that company's culture, a specific

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7 T. R. Gourvish, 'The railways and the development of managerial enterprise in Britain, 1850-1939' in *Development of Managerial Enterprise* edited by Kesaji Kobayashi and Hidemasa Morikawa. (Tokyo: University of Tokyo Press, 1986): 194.

8 Geoffrey Channon, *Railways in Britain and the United States, 1830-1940: Studies in Economic and Business History*. (Aldershot: Ashgate, 2001): 41.

9 John Michael Quail, 'Proprietors and managers: structure and technique in large British enterprise, 1890 to 1939' (unpublished PhD Thesis, University of Leeds, 1996): 308-9.

10 Channon, *Railways in Britain and the United States*, 42.

way of thinking and acting. Higher managers were very able, technically competent and had a good knowledge of operating problems. But they were limited in their appreciation of broader, strategic issues, particularly the need for a focus on marketing.[11] Here the administrative effectiveness of one of the SR's predecessors, a part of the managerial tradition the company inherited, has been explored by Turner.[12] What economies were made failed to stem the adverse trend in net receipts, many technical improvements were neglected and excess capacity never really tackled.[13] In short, the result was a reluctance to innovate and so adapt to the shifting demands of the passenger and freight markets.

Another set of arguments offer a more positive assessment. Although a contemporary view that there was '…no better type in the country… than…the general managers of the railways…' was too sweeping, their quality was generally conceded.[14] Although judging railway profits poor, and their shareholders long-suffering, *The Economist* always acknowledged the competence of railway managers.[15] Later writers have largely based their evaluations on the high regard in which railway managers were held by their contemporaries. Men of ability and distinction, it was thought unlikely that their policies would lack careful consideration and good judgment.[16] For example Sir Josiah Stamp's academic achievements as a statistician were cited by Barker as justification of his fitness to guide the LMSR; other railway leaders were men of calibre too.[17] But historians' investigations of managers' policies are not very detailed: they do not, for the most part, provide sufficient evidence to come to an independent judgement on railway management.

Given this divergence of opinion, more historical research should help produce a more rounded evaluation. The most effective way to do this is to study in depth a particular managerial issue with which railway managers dealt. Even critical scholars admitted the nature of managerial capitalism in the industry could only be understood by a closer examination of executive actions.[18] The growth of road transport was a major challenge to railway management. A detailed examination of how they responded therefore contributes to the assessment of the overall quality of railway management, as well as demonstrating the appropriateness of policies in

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11 *Ibid.*, 49-50.

12 David Turner, 'Managing the "Royal Road": the London & South Western Railway, 1870-1911' (unpublished PhD Thesis, University of York, 2014).

13 Aldcroft, *British Railways in Transition*, 88.

14 Royal Commission on Transport Final Report, *The Co-ordination and Development of Transport*. (London: His Majesty's Stationery Office, 1931): 229.

15 Crompton, "Efficient and economical working", 235.

16 Bonavia, *Railway Policy between the Wars*, vii.

17 T. C. Barker, Review of *British Railways in Transition: the Economic Problems of Britain's Railways since 1914* by D. H. Aldcroft. *Economic Journal*, (Vol. 79 No. 315 (September 1969)): 617.

18 Gourvish, 'The railways and the development of managerial enterprise in Britain', 201.

a sphere of transport that had a very significant impact on the mobility of ordinary people between the wars. The success or failure of SR management dealing with the particular issue of road competition is here judged on which set of arguments – poor or estimable – overall it supports.

Threat from road transport

Although historians have recently given more attention to the threat of road competition, most of this work concentrates on private motoring and pays scant attention to the arguably greater problem of bus competition. Whilst there is some evidence that the level of railway traffic was beginning to be affected by road competition from around 1905, the real results were seen after the first world war.[19] Four years of conflict had stimulated not only the number of motor vehicles but also those with the necessary skills to drive and maintain them. When war ended, these resources transferred to the domestic market. Whilst the challenge was felt in the carriage of both passengers and freight, the timing and extent differed in each sphere. Instead of the hitherto continuous long-term growth in traffic, the railways' business saw little absolute growth in passenger traffic and suffered the beginnings of a secular decline in freight.[20] In the passenger market railway managers believed that the principal competition came from motor bus services; little mention was made of the challenge from the car, although this might have been because the market was thought to be lost completely. Managers' response therefore concentrated on the bus, where they believed some retaliatory action was possible. By contrast in the freight market, with its myriad of small and own-account operators, action was more difficult. Apart from the purchase of Pickfords and Carter Patterson, two of the larger road hauliers, railway companies' action was concentrated on influencing government to change the terms of competition. The ensuing debate rumbled on through the 1930s. Whilst major road and rail interests eventually reached agreement in 1939 to bring the regulation of both spheres into a rough parity, the outbreak of war deferred the necessary legislation.[21]

With no substantial business history of the four major inter-war companies, railway managers' response to the challenge from road transport remains a topic of piecemeal study. There are few full length treatments; most of the material appears as articles or chapters in books. Inevitably each concentrates on a particular issue; an overall assessment is lacking. Most of the studies take the railways as a single organisation and treat the period as a whole. The viewpoint is largely that of an outside – and not always very well-informed – observer rather than through the

19 Theo Barker, 'Some thoughts on the railways' competitors in general and road competition in particular'. *Journal of the Railway and Canal Historical Society*, (Vol. 28 No.8 (July 1986)): 332-3.

20 Channon, *Railways in Britain and the United States*, 156-7.

21 Thomas Gibson, *Road Haulage by Motor in Britain; the First Forty Years.* (Aldershot: Ashgate, 2001): 277-8.

eyes of railway management. Likewise aggregated statistics are used in preference to the railway companies' disaggregated data. The analyses take different perspectives, providing building blocks for a comprehensive appreciation of the challenge faced by railway management but also running the risk of giving a wrong impression when taken in isolation. Some of these studies appear in more general considerations of the railway industry, some of the road passenger industry, and some from a broader review of transport.

Of the two markets, freight has been scrutinised in more depth than passenger. Beginning with the ground-breaking *Road and Rail*, written by the academic economist Gilbert Walker, the greater flexibility and convenience of the road haulier has long been recognised.[22] Early views of a poor response by railway managers to this threat has subsequently been moderated by Scott; although all commentators have recognised the constraints imposed on the railways by statutory regulation.[23] The challenge from the car in the passenger market has also been widely acknowledged. Although not truly the age of mass motoring, more recent studies have acknowledged that in the inter-war period the car was not confined to higher income groups.[24] In contrast there are few studies of the challenge to the railway companies from the great growth in bus services in the 1920s. After noting that road services enhanced the mobility of those unable to afford a motor vehicle or railway fares, Divall called for more to be known about users of interurban and rural bus services.[25] Reviewing data for 1935, another scholar commented that the estimate of 24 billion passenger miles for private cars was probably optimistic, whereas the figure for coach and bus of 17.4 billion was closely monitored and so more accurate; the bus and the coach may well have been used more than the private car.[26] Even if this conclusion is doubtful, at roundly three quarters of the volume of car usage, the importance of the bus and coach industry has not been reflected in the volume of historical studies, particularly those undertaken in the last decade or so.

What little work has been done treats the challenge from bus services as a comparatively minor part of a wider study. For instance Hibbs mentions the topic as part of a chapter in an introduction to British bus services from 1895 to the 1980s, and he adopts that industry's perspective.[27] Mulley's article on the genesis of the bus licensing system introduced in 1931 showed that the measure was intended

22 Walker, *Road and Rail*.

23 Scott, 'British Railways and the challenge from road haulage':101-120.

24 O'Connell, *The Car and British Society*, 33.

25 Colin Divall, 'Transport, 1900-1939' in A Companion to Early Twentieth-century Britain edited by Chris Wrigley. (Oxford: Blackwell Publishing, 2003): 294.

26 James Forman-Peck, Sue Bowden and Alan McKinlay, *The British Motor Industry.* (Manchester: Manchester University Press, 1995): 80.

27 John Hibbs, *The History of British Bus Services.* (Newton Abbot: David and Charles, 1989): 98-104.

chiefly to improve safety rather than to protect the railway companies from road competition as had previously been thought.[28] Throughout the period, 'co-ordination' between rail and road services was the new orthodoxy. Initially thought of by the Ministry of Transport (MOT) and the Institute of Transport as successor to competition, it was later regarded as an accommodation with it.[29] However warmly it was regarded, few contemporaries could agree exactly what the term meant. Yet even though 'co-ordination' implied that railway companies' had to become involved with the bus industry, there has been no major scrutiny by historians. Effectively the subject remains unexamined. This lack of attention is odd, given the scale of the railway companies' investment in the bus industry. Following a lengthy struggle to obtain parliamentary powers to provide road services, after the third attempt, in 1928, the railway companies purchased considerable shareholdings in individual bus companies and established quite complex arrangements to align timetables and ticketing. It was one way to meet the bus threat: but what alternative options were, or might have been, available? Why was this particular way selected? How fully were the objectives sought actually realised? What results were achieved?

These important questions have only been tackled, and then only in a rather unsatisfactory way, through four scholarly contributions. These can be better appreciated by first understanding how the topic developed. Written in the 1960s, Aldcroft's study of the British railway industry from 1914 to the 1960s considered its performance could have been better. Aldcroft sharply criticised the railway companies' strategy with regard to the bus industry.[30] The distinguished transport historian, Theo Barker, responded that the issues were more complex and less tractable than Aldcroft suggested.[31] Bonavia's series of individual interviews with managers and others witnesses from the inter-war years provides useful evidence but was not thought particularly effective as an analysis by at least one historian.[32] Originally published in 1968 Hibbs thumbnail sketch of the bus industry is valuable. However, as already noted, its insiders' perspective limits its usefulness.[33] Written twenty five years later, Barker and Gerhold's historiographical review of road transport from 1700 to 1990 encouraged further exploration.[34] But, for more than forty years Aldcroft's work has largely remained the received view; whilst the calls for more research in the review of Bonavia, by Hibbs and by Barker and Gerhold

28 Corinne Mulley, 'The background to bus regulation in the 1930 Road Traffic Act: economic, political and personal influences in the 1920s'. *Journal of Transport History*, (Third Series Vol. 4 No. 2 (September 1982)): 1-18.

29 Kevin Hey, 'Transport co-ordination and professionalism in Britain: forging a new orthodoxy in the early inter-war years'. *Journal of Transport History*, (Third Series Vol. 31 No. 1, (June 2010)): 25-41.

30 Aldcroft, *British Railways in Transition*.85-87.

31 Barker, Review of *British Railways in Transition*, 618.

32 G. L. Turnbull Review of *Railway Policy between the Wars* by Michael R Bonavia, *Journal of Transport History*, (Third Series Vol. 3 No. 1 (March 1982)): 88-9.

33 Hibbs, *The History of British Bus Services*, 98-104.

34 Theo Barker and Dorian Gerhold, *The Rise and Rise of Road Transport 1700-1990.* (Basingstoke: Macmillan, 1993).

have seemingly remained unanswered. Studies may have been made by members of the more scholarly enthusiast organisations such as the Railway & Canal Historical Society or the Omnibus Society but searches have not been able to find any.

Nevertheless, some key points are not in dispute. All the studies agree that the impact of road transport was the major cause of reductions in railway companies' revenue. More specifically in the passenger market, the bus and the tram deprived the railways of much short distance traffic, whilst the motor bus grew rapidly in importance for longer journeys from the early 1920s.[35] Hibbs considered that the railway companies were likely ill prepared for bus competition.[36] There does not appear to be much, if any, disagreement with this view among scholars.

More divergent views have been expressed about the railway companies' eventual investment in and working agreements with bus companies after 1928. Hibbs thought it doubtful that the railway companies ever intended greatly to expand their direct operation of bus services.[37] Instead he argues that the investment in existing operators during 1928 and 1929 gave them a substantial source of revenue and some protection from competition. In exchange the bus companies obtained a new source of capital and a higher status by association with the railway companies.[38] By contrast Aldcroft considered the money invested by the railway companies in bus companies would have been better spent on improving railway facilities. It did little to curb competition, as it was rarely sufficient to determine bus company policy to railway advantage, and the return on it was very small.[39] But neither of these views was based upon close examination of the evidence at the level of a particular railway company. As a generalisation, this thesis will show that Hibbs was closer to the mark than Aldcroft.

Methodology and sources

Before evaluating the effectiveness of the SR's approach to bus competition, some comment is necessary on the methods and sources used for the study. Although an analytically informed narrative is used for a substantial part of this thesis, it also employs a number of the newer alternative approaches, particularly cultural history, the history of mentalities. Quantitative history and counterfactual history are used somewhat less, whilst comparative history is only marginally employed.

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35 Barker and Gerhold, *The Rise and Rise of Road Transport*, 89-91.

36 Hibbs, *The History of British Bus Services*, 99.

37 *Ibid.*, 99.

38 *Ibid.*, 104.

39 Aldcroft, *British Railways in Transition*, 86-7.

The narrative form is used particularly in the two chapters dealing with the formation of bus policies by all the railway companies and their application by the SR. Especially when dealing with policy formation, events are seen through the eyes of the historical actors, principally the railway companies, the bus companies or government. Whilst the analysis imposes order to aid explanation, those involved in the process no doubt experienced a more muddled process than is here depicted. And the element of chance in determining events, such as the need to make particular concessions to obtain parliamentary approval, can be underestimated.

Whilst cultural history has some relevance in the determination of government and industry policy, its principal use comes in the chapters on the control of bus competition and the benefits from coordination. In the inter-war period many people thought competition could be wasteful and coordination could avoid this. Such attitudes suffuse the contemporary view of benefits that might seem alien to present attitudes. In agreeing not to compete, the SR and its associated bus companies acted in a way endorsed at the time but now seen by neo-liberal attitudes towards 'the market' as against public policy. It exemplifies how historical actors do not always think in the ways common today.

Quantitative history, the processing and interrogation of data, finds its principal use in the chapters concerned with the market for bus and rail travel, as well as in probing the financial effects of the SR's investment in bus companies. Both give structure to previously amorphous data by extracting, combining and comparing it. The result provides conclusions about the behaviour of markets or the return on investment; it moves the focus from the particular to the general. Since the technique is most often used in economic and social history, it appearance here is unsurprising.

Similarly counterfactual, 'what if?' history, is a technique particularly associated with economic historians at least in the sphere of transport. Here speculating on what might have happened to understand what did happen – and more, importantly why – is used in the chapter about policy formation. In particular it aids comprehension of whether the railway companies could have competed directly with bus companies. Again it points out the importance of contingency and chance. If the railway companies had obtained powers to run buses earlier than they actually did, then their domination of that industry might have been more likely. But with that opportunity gone, they had to settle for the most advantageous option available to them.

Comparative history appears fleetingly in a few places in this thesis, where secondary sources can be used, to compare the SR with the three other British railway companies. Similarly, a sole overseas comparison with the Southern Pacific of the USA supports the contention that a different frame of mind from that needed for railway operations was necessary before railway managers could operate bus services successfully. In this way the elements of the SR's history which might apply more broadly can be distinguished.

The sources used for this study are of four broad types. These are unpublished archival records, periodicals, newspapers and government papers; the first forms by far the largest amount of material used. In turn it has two sub-divisions, material originating with the railway companies and that from the bus industry.

SR material forms the bulk of the rail records. It principally comprises the minutes and papers for the Board of Directors of each of the bus companies with which the SR was associated. Accompanying these are similar documents for the associated Standing Joint Committee (SJC). Broad policy was the Board's concern and detailed arrangements the SJC's. Other classes of SR material are occasionally used to explain specific issues, whilst GWR, LMSR and LNER records sometimes clarify or supplement the subject. RCA and RCH minutes and reports are used when considering topics which affect all four companies. The RCA dealt with the industry's external relations, notably with government, whilst the RCH was primarily concerned with its internal arrangements.

Bus records are either of the individual operating company or of the group of which it formed a part. Shareholding arrangements and major policy negotiations with the railway companies are found among the group records, whilst the operating company information largely duplicate those in the SR material. The industry yearbook is particularly valuable in providing quantitative data before 1931. Finally the personal papers of the late transport historian Charles E. Lee provide a range of ephemera from the industry, much of which is unobtainable elsewhere.

Periodicals comprise mainly the trade press for the rail or bus industry. They are supplemented by two SR house magazines, *Over the Points* principally for customers and *Southern Railway Magazine* mainly for staff. Specialist information is available in either *The Journal of the Institute of Transport*, the professional body for the transport industry, or *The Omnibus Magazine,* produced by the society dedicated to the study of the bus industry. *The Times* is almost exclusively the only newspaper source. Finally the government papers comprise parliamentary material as well as MOT records. The parliamentary information is the minutes of evidence on the bill to grant road powers to the railway companies, the official report of the debates on the bill and the resulting Act. Ministry records are the reports of the committee on road conveyance of goods by railway companies and its internal correspondence on the bill.

The major benefit of the unpublished primary material is showing some of the internal discussions and setting out the decisions that were reached. However, its major limitation is the omission of the informal debate that lay behind negotiations and decisions. What material was created has been depleted. German bombs largely destroyed the SR offices at Waterloo.[40] Bus company records were lost when the two major holding companies that invested in the industry were acquired by other firms. However, the operating subsidiaries records were largely transferred to an industry archive at privatisation in the 1980s. Both rail and bus records sometimes have gaps in a run of material.

The trade press for both the rail and bus industry is a valuable source. Although it was dependent on the companies to provide information, it was generally in the industries' interests to do so. In addition, investigative articles could take a more independent line, whilst the editorial columns would shape or reflect current opinion in the industry. The staff working in these magazines would be more familiar with the business and so produce more knowledgeable accounts than found in newspapers.

Whilst the SR magazine for customers tended to be laudatory about the company, that produced for staff allowed a certain degree of critical comment. It can therefore be useful to judge the ordinary railwayman's perspective on a topic. The professional journal is particularly valuable as probably the only record of papers delivered at Institute meetings and the subsequent debate. Often delivered by key individuals in organisations, these events saw less guarded expressions of information or opinion than in more public arenas. The bus society magazine reports developments in the industry, especially cooperation arrangements between rail and bus.

The Times is useful for its political and financial reporting. This is particularly true at the time the railway companies were promoting their road transport bills in Parliament and making subsequent agreements with the bus holding companies. Apart from occasional contributions, detailed coverage of transport was not usually found in its pages.

Parliamentary material shows the opposition to the railway companies' bills

40 Alan A. Jackson, *London's Termini.* (Newton Abbot: David and Charles, 1969): 236

and the grounds on which it was based. Unfortunately the evidence on the bills is very voluminous. Since each company's bill was virtually identical, Parliamentary scrutiny was principally confined to the LMSR bill. This means that Sir Josiah Stamp of that company was the principal witness. However, Sir Herbert Walker also gave some detail of the SR position.

By contrast there are comparatively few MOT records. The Minister appointed a committee to advise him on the attempt by railway companies to obtain road powers for goods traffic in 1921. Its report is merely background to the later attempt. Whilst the Minister's memorandum to the Cabinet on the bill of 1928 gives a valuable insight into the agreed view, there is little to show how that was developed. It would be instructive to understand how the railway and road sections of the Ministry initially reacted to the bill and which had more influence. However, little remains beyond one commentary from a bus industry perspective.

Specifying the study and its structure

The 'mobility turn' in transport history encourages a focus on the user. In the ideal world the thesis would therefore explore who used bus services. It might, for instance, determine whether their journeys would have previously been made by train or were only made possible by the development of bus services. It could explore public reaction to and use of the coordination arrangements, a topic neglected in the literature. Such themes would complement the latest research focusing on British railway companies' attempts to create passenger traffic. As a recent survey of modern mobility historiography notes, work on road vehicles is limited, particularly on the bus.[41] Any analysis of how the railway companies contended with bus competition between 1923 and 1939 has the potential to extend our understanding of how buses and trains together enhanced the mobility of inter-war Britons. The potential scope of such a study is huge.

With four railway companies, whose circumstances and decision-making processes were not exactly identical, a comparative study would provide the most thorough treatment. But that is impractical. Moreover, narrowing the focus to just one company enables a clearer appreciation of the subtleties of decision making. And it is too easy to assume there was a unique 'railway policy' from a managerial perspective. There was no one organisation to form it; despite the co-ordinating efforts of the Railway Companies Association (RCA) and

41 Horner and Greaves, 'Mobility spotting', 54.

the Railway Clearing House (RCH) each of the companies was independent. An industry-wide approach on common issues had to be negotiated from differing views. Consequently a broad consensus on principles, with flexibility afforded in how each company applied it, was the most that could reasonably be achieved. Study of a particular company makes analysis more subtle and nuanced. And in any case, the constraints of a doctoral study mean that it is only practical to examine one company. Since three quarters of the SR's income was from passengers (as opposed to two fifths with the others) losses in such a key market posed a danger to its very existence. With so great a threat, the company almost identifies itself as the most appropriate one to study. Of course generalisations cannot extend very far on the basis of a solitary example. Such factors as the greater prosperity of the area the Southern served may make it unique in terms of the response to bus competition. However, each company will probably have had different circumstances: the point is that we need more company-specific studies.

Thus the purpose of the study is to evaluate the SR's policy towards bus competition between 1923 and 1939. In turn the effectiveness of that policy gives a measure of a larger topic, the quality of the company's management. Whilst the smallest of the four railway companies, the SR's issued capital of £161.8m in 1938 was about twice that of Imperial Chemical Industries.[42] To some extent therefore, it can also speak of the quality of industrial management in the inter-war years.

This thesis divides into seven aspects. It begins with an examination of the stimulus for the SR's action, the trends in the market for passenger travel by rail and bus from 1923. Whilst the general stasis in railway traffic has already been noted, more specific data for the SR's business and leisure markets indicate change in its competitive position. Quantitative data is used wherever possible to give a more precise picture than qualitative data.[43] Ideally a similar analysis would be carried out for the bus industry within the SR's area. In the industry, the 1920s were anecdotally viewed as a time of great growth.[44] However, measurement is hindered by a dearth of statistics until 1931, when the bus industry had already reached maturity.[45] Nevertheless, the fragmentary material available in trade year books can give an estimate of the traffic carried by the major bus companies in the SR's area.[46] Comparing that with the railway company data makes more explicit the nature, development and extent of competition. The introduction of regulation of bus services in 1931 and the onset of the Great Depression meant that the

42 Gourvish, 'The railways and the development of managerial enterprise in Britain', 195.

43 *Railway Returns.* (London, His Majesty's Stationery Office, 1924 -38).

44 Hibbs, *The History of British Bus Services*, 84.

45 D. L. Munby, *Inland Transport Statistics Great Britain 1900-1970.* (Oxford: Clarendon Press, 1978): 229.

46 *The Motor Transport Year Book and Directory.* (London: Electrical Press, 1916-1940/1).

competitive environment differed in the 1930s from that of the 1920s. Chapter four concludes that for the SR the inter-war years divided into two periods around 1930 when unrestrained bus competition ceased. Chapter two notes that the depression particularly affected the SR's receipts between 1930 and 1932 but surmises that, compared to elsewhere, its effect was less severe in the company's area. This is the backcloth against which the SR's policy was developed.

The second element of the thesis focuses on the development of policy. Of course the challenge from bus services did not only concern the SR; the three other railway companies were affected. All four companies met in formal and informal ways to discuss this common issue and to make joint plans to combat it. Their discussions and decisions on bus competition formed the broad principles of policy within which each acted. Two questions were fundamental. Would they compete or cooperate with bus companies? And having resolved on cooperation, what form would it take? The answers to both required a publicly united front, although tensions and disagreements surfaced in private. It has sometimes been argued that the railway companies' response would have been more effective if they had competed either jointly or individually with the bus companies.[47] Whether that was possible or advisable requires investigation.

Thirdly, developing industry-wide principles involved the railway companies trying to influence government transport policy. Here the companies engaged with the new orthodoxy of coordination, which started to gain support from about 1920. This set of ideas – it is too much to describe it as a policy – formed the background to obtaining parliamentary powers to run road services and then agreeing how they would be exercised. These were particularly important areas where the companies wished to speak and act as one. Judging the most advantageous deal that could be struck with government was integral to developing the principles of a policy that could be applied across the entire rail industry. The SR's involvement in these discussions forms one measure of the evaluation of its policy.

Fourthly, individual circumstances of each railway company necessitated some flexibility in applying the principles. Although negotiations were aided by the regional and financial structure of the bus industry (holding companies had major shareholdings in many operating companies), final agreement was always struck between the individual railway and bus companies. It was at this level that the detailed arrangements had to be devised to implement the agreed principles. These processes involved the SR's nominated directors of the bus companies; the appointment of committees to oversee rail and bus cooperation;

47 Bonavia, *Railway Policy between the Wars*, 102.

and the development of ways in which collaboration could be achieved. In two instances where the bus company operated in the area of both the SR and the Great Western Railway (GWR), arrangements were modified to give both companies a voice. This detailed application of policy needs separate appraisal, although it is inescapably linked to the previous aspect – its formation.

Fifthly, the whole rationale for the SR's involvement in the bus industry, albeit not publicly acknowledged, was to control competition. How effectively this was realised is the most direct measure of the SR's success. Its relations with bus companies have been described by Bonavia, a sympathetic commentator, as perhaps exceptionally good.[48] Certainly it could have used its substantial shareholdings and directorships in the bus companies to handicap them at every turn. The reasons why it chose not do so say much about its attitude, a crucial determinant of how single-mindedly it pursued its control of bus competition. In addition the SR could have replaced some of its local train services by buses provided by one of its associated companies. The extent to which this took place is a further measure of the effectiveness of its policy of developing bus services.

Sixthly, the arrangements between the SR and the bus companies that developed after 1928 were publicly trumpeted as practical examples of coordination, echoing widely held sentiments. As well as the benefits to the Southern, those gained by the bus companies merit examination. These were threefold. They obtained additional capital from the purchase of their shares; the railway connection gave them a higher status; and their purchase of independent operators was encouraged, as Hibbs argues. That acquisition promoted concentration of ownership, which in turn increased the railway company's influence over the bus industry.[49] But the alleged public benefits require the closest scrutiny. Three were felt to be of such importance that they were included in the SR's official history. Combined road and rail tickets; the facility to return by rail on a road ticket or vice versa; and harmonisation of fares and services.[50] But only by finding how widespread they were, and crucially what use was made of them, can their real worth be tested.

Finally, in addition to viewing the SR's substantial shareholdings in bus companies as a source of influence over a strengthening competitor, they can be seen simply as an investment. From this viewpoint the principal measures of success are the reasonableness of the price paid to acquire the shares and the

48 *Ibid.*, 102.

49 Hibbs, *The History of British Bus Services*, 44, 104 and 183.

50 C. F. Dendy Marshall, *A History of the Southern Railway.* (London: The Southern Railway Company, 1936): 547.

dividends that were paid on them. Judged solely on these criteria, the return the SR achieved on its outlay measures the financial wisdom of its action. By relating that to the return from the railway business it is possible to see where investment would best have been made. The disputed returns on bus company investment at the aggregate level of the railway industry and the suggestion it might better have been spent elsewhere have already been noted. Investigation of the SR's accounts establish the returns it achieved from its road and rail investment; examining its electrification programme demonstrates if buying shares in the bus industry delayed the implementation of this important aspect of modernisation.

This thesis is broadly structured according to these seven aspects. With one exception, a chapter is dedicated to each aspect. However, the second and third aspects, railway industry policy and government transport policy, are so inextricably linked that they are both examined in the same chapter. The final chapter concludes the analysis by considering the two broad issues raised by this historiographical discussion – the effectiveness of the SR response to bus competition and the quality of its management. It concludes that its response was adept, although it was partly constrained by the need to act with other railway companies. Consequently the evidence of its road transport activities does not sustain a verdict of inadequate management.

Objective and approach

The objective of this study is to judge the quality of the SR's management, based on its response to the threat posed to its core passenger business by the sharp growth of bus services. Since the railway companies saw the bus as their principal competitor, this study investigates a critical area of its business. It examines the hypothesis that the SR made the most effective response that it could do in the circumstances. It does so by appraising in turn the seven aspects outlined above. The judgement of the company's effectiveness on each contributes to the overall conclusion.

In accounts of his work writers have much admired the management skills of Sir Herbert Walker, the SR General Manager, although this has perhaps more been based on judgement of his technical expertise. But this process of evaluation will give a much more rounded verdict on the company's management, based on its success as a business. It seeks to discover if, in the words of the Railways Act, the management was 'efficient and economical' at least with regard to the ways in which the company met the challenge of bus competition.[51]

51 Railways Act, 1921, Section 58.

2. Analysing the rail and bus markets

'…the solid-tyred bus climbed the dusty hills and more people came and went.' LAURIE LEE[1]

Anecdotally the inter-war years are seen as a period when railway passengers declined and bus passengers grew considerably. The railway companies maintained the growth of one had caused the decline of the other. By contrast the bus companies argued their growth had largely come from serving new markets, such as Lee's Cotswold villagers. Any analysis of the SR's actions therefore must begin by studying the rail and bus markets in its area from 1923 to 1938. This illustrates the changes with which the SR managers had to contend. The dearth of statistical material from the bus industry during the 1920s means that little attempt has been made previously to do this, even on a national scale. Nonetheless trade directories give sufficient information to demonstrate broad trends in the SR area.

As necessary background, the chapter begins with a brief appreciation of national developments that led to the SR's formation and an outline of the company. The second section of the chapter gives an appreciation of SR markets over the period. After commenting on sources, it shows the relative proportions of the company's receipts by passenger and goods trains, identifying the significant groups of travellers. It adds another dimension by measuring the relative proportions of passenger receipts at full or reduced rates. It concludes by identifying significant changes in both physical and monetary terms. The next section considers the demand for bus and coach services in the SR's area in the same period. After again commenting on sources, it estimates the receipts of the ten bus companies with which the SR was associated. These are then used to measure changes in bus passengers over the period. This detailed analysis is then compared with the evidence from national statistics to see whether the pattern it discloses coincides with the general trend. Next comparing the total of the ten bus companies' receipts with those of the SR identifies the relative importance of each in the carriage of passengers and their respective rates of growth. Again the trend it discloses is compared to national statistics. The fourth section considers the nature of the bus and rail markets and the degree to which they overlapped. Finally bus as a possible alternative for rail is examined using what competition theory states about substitute products to judge if the SR acted in the way it suggests. Taken as a whole these sections give an understanding of the two markets against which the SR's involvement with the bus industry can be studied.

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1 Laurie Lee, *Cider with Rosie*. (Harmondsworth: Penguin Books, 1963): 216.

Railway grouping, road transport growth and the SR's birth

Understanding the situation facing the SR at its birth in 1923 requires an appreciation of government railway policy in the aftermath of the first world war. Delay and indecision in formulating it meant the railway companies were not able to concentrate on responding to the inexorable growth of road competition. Instead they were preoccupied with the physical renewal of equipment worn out by heavy wartime traffic, influencing the future shape of the industry and subsequently implementing it. Only when this process of organisational change was substantially complete could the road challenge be confronted. For the SR this meant starting during 1924.

On the outbreak of war the Government took control of the railways; they remained privately owned but were operated as a single system under the control of the Railway Executive Committee (REC), a body comprised of eleven general managers drawn from a number of the individual companies. The arrangement made the Government liable for compensating the private owners for any losses whilst their undertakings were state controlled. In practice this meant the railway companies were guaranteed their net income for 1913. While perhaps an obvious choice as the last normal year, 1913 had been a prosperous one for the companies, which thus felt the agreement was a valuable one.

The operation of an integrated system was seen to bring the benefits envisaged by those who had proposed such ideas before the war. More traffic was handled with fewer staff. Such initiatives as the pooling of wagons from individually controlled fleets into a common one demonstrated the inefficiencies of private ownership.[2] Consequently immediately after the war ended, nationalisation of railways looked to be an inevitable step. In the General Election of December 1918, even Winston Churchill was one who had advocated it.[3] But the post war boom led to demands for decontrol and in the bonfire of wartime regulations ideas for the nationalisation of railways were consumed.[4]

David Lloyd George, the wartime Prime Minister, was returned to office in the 1918 election, leading a largely Liberal and Conservative coalition. In his new cabinet Sir Eric Geddes was appointed Minister without Portfolio and began to draft the Ministry of Ways and Communications Bill (renamed the Ministry of Transport Bill in August 1919). Significantly he urged rapid action to capitalise on the immediate feeling for nationalisation.[5] The new department was intended

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2 Aldcroft, *British Railways in Transition*, 31.

3 Charles Loch Mowat, *Britain between the Wars 1918-1940*. (London: Methuen, 1968): 16.

4 *Ibid*., 29.

5 Keith Grieves, 'Sir Eric Geddes, Lloyd George and the transport problem, 1918-21'. *Journal of Transport History*, (Third Series Vol. 13 No.1 (March 1992)): 27.

to control all forms of transport. Competition was generally to be avoided and the intended scale of direction was immense. But as MPs from commerce feared expropriation of private property the bill was delayed and reduced in scope. The scale of the controversy astonished Geddes, who noted 'there is a great deal of politics in all this business'.[6]

By the time the Act received royal assent in August 1919, delayed by five months, the Ministry was effectively reduced to the supervision of railways. To give time to frame future policy, the Act extended the period of control, and the income guarantee, for a further two years.[7] [8] By September 1919 Geddes declared railway nationalisation 'imprudent', since the wartime agreements were an impossibly expensive framework to discuss the issue.[9] So a solution was found by amalgamating the railway companies into what were initially conceived as seven geographically based groups and seeking to ensure uncontrolled private enterprise would not return. In this Geddes looked back to his pre-war experience in managing the North Eastern Railway, seeing it as exemplifying the benefits of regulated monopolies in well defined regions.

Although neither was entirely new, Geddes extended statutory force into two significant areas of the grouping companies, the machinery to determine the wages and conditions of their staff and the charges they could make. The eight hour day and the guaranteed week were obtained in 1919, which was followed by a comparability based wage increase in mid-1920.[10] Geddes saw that private enterprise might involve a return to different conditions and wages for the staff of each company and a reluctance to grant trade union representation.[11] The Railways Act therefore gave statutory force to a system of national bargaining agreements to be jointly supervised by representatives of the companies and of the employees.[12]

The Railways Act also established a Railway Rates Tribunal. This was entrusted with establishing a set of charges capable of providing a net revenue equal to that of 1913, which was known as the 'standard revenue'.[13] In this way the railways wish to maintain their favourable wartime bargain was met. Gibbs's recent thesis studies the

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6 *Ibid*., 31.

7 Sir Gilmour Jenkins, *The Ministry of Transport and Civil Aviation*,.(London: George Allen and Unwin, 1959): 35.

8 Grieves, 'Sir Eric Geddes, Lloyd George and the transport problem, 1918-21', 33.

9 *Ibid*., 34.

10 Gerald Crompton, '"Squeezing the pulpless orange": labour and capital on the railways in the inter-war years'. *Business History*, (Vol. 31 No. 2 (April 1989)): 67.

11 Grieves, 'Sir Eric Geddes, Lloyd George and the transport problem,', 35.

12 Railways Act, 1921, Part IV.

13 Railways Act, 1921, Section 58.

Tribunal's work in more depth.[14] By these two measures Geddes gave shape to his feeling that to standardise practice would eliminate uncreative competition and re-establish efficient management of railway operation as the key to profitability.[15] But his concern to address the pre-war problems of inter-railway relations meant that the legislation drew greatly on past experience rather than looked to the problems of the future.

One of the most significant was to be the rise of road transport, as a powerful competitor to the dominant position in inland transport the railways had held in the pre-war years. Then the motor vehicle was an auxiliary providing feeder services to the railway in much the same way as horse drawn vehicles had done.[16] By 1914 there were 354,232 vehicles on the road including 122,035 cars and 118,045 motor cycles.[17] Cars were largely confined to the upper and middle classes but the less well off were able to use the motor bus and charabanc. Heavy goods vehicles, such as the first Leyland vehicles of 1904, were petrol engined but the diesel engine, increasing pulling power and reducing fuel costs, had been invented in 1897.[18]

The use of London buses and Leyland lorries in the first world war began a process of vehicle development. Military demand for vehicles stimulated both production and technical development on an unprecedented scale.[19] Whilst the number of vehicles in 1919 at 330,518 showed a slight decline on 1914, disposal of former military lorries began the growth of road transport.[20] Some 60,000 vehicles were sold, whilst at least as many men had been taught to drive in wartime.[21] Aided by a discharge gratuity, demobilised servicemen set themselves up as haulage contractors or bus operators; some took part in both. Abetted by motor manufacturers keen to recommence peacetime production, the number of vehicles expanded rapidly as road transport grew. Significantly the successful use of road transport during the railway strike of 1919 demonstrated it could act as an alternative form of transport.[22]

By 1921 there were few places in Great Britain without a motor bus service.[23] Long distance motor coaches operating express services between towns 50 to 100 miles

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14 Simon Gibbs, 'Of Pious Memory': railway regulatory tribunals in the UK, 1854-1939, (unpublished PhD Thesis, University of York, 2014) .

15 Grieves, 'Sir Eric Geddes, Lloyd George and the transport problem', 35.

16 Harold Perkin, *The Age of the Automobile.* (London: Quartet Books, 1976): 15.

17 *Ibid.*, 45.

18 *Ibid.*, 49.

19 Scott, 'British Railways and the challenge from road haulage', 102.

20 Perkin, *The Age of the Automobile*, 129.

21 Scott, 'British Railways and the challenge from road haulage', 103.

22 Mowat, *Britain between the Wars*, 40.

23 John Hibbs, *The Bus and Coach Industry: its Economics and Organisation.* (London: J M Dent and Sons, 1975): 32.

apart were also beginning to be seen. They nibbled into the railways traffic between London and the south coast by serving the suburbs where expresses did not call. And finally charabancs took much of the excursion, tour and private outings business.[24] Such competition was to grow more intense in the years until 1939.

The concentration on the past in the drafting of the Railways Act is illustrated by the treatment of a memorandum for the Minister of Transport. In June 1920, at a time when railway nationalisation had been rejected and the White Paper detailing the government proposals had been published, it noted wartime development had quickened the development of motorised road transport.[25] The railways 'are now faced with a situation which would in any event have arisen sooner or later but which the war has greatly accelerated'.[26] Despite this prescient warning the legislation continued unchanged.

So in an atmosphere of threat to their pre-eminence the four grouping companies began their existence on 1 January 1923. The seven geographically based groups originally envisaged had been reduced by three in discussion. Significantly the proposal for a Scottish group had been withdrawn because those companies felt they did not have the financial strength to become independent, especially in view of the need to accept national wages and conditions of staff.[27] The Southern group became the SR. The Western group became the GWR. The North Western, Midland and West Scottish group became the LMSR. The North Eastern, Eastern and East Scottish group became the London and North Eastern Railway (LNER).[28] Virtually all of the existing railway companies were amalgamated into one of these four groups.

The SR was comprised of five major constituent companies and fourteen minor subsidiary companies. It was concentrated in the area south and east of a line between London and Exeter with a further area in North Devon and Cornwall. The first constituent was the London and South Western Railway (LSWR) with a London terminus at Waterloo. The second was the London, Brighton and South Coast Railway (LBSCR) with London termini at Victoria and London Bridge. The third constituent was the South Eastern Railway (SER) and the fourth the London, Chatham and Dover Railway (LCDR). The latter two companies had established the fifth constituent, the South Eastern and Chatham Railway Companies' Managing Committee (SECR), in 1899 to operate their systems as one undertaking, although the separate companies remained in existence. The Committee had London termini

24 Mowat, *Britain between the Wars*, 235.

25 Scott, 'British Railways and the challenge from road haulage',103.

26 *Ibid*., 103.

27 Howard C. Kidd, *A New Era for British Railways*. (London: Ernest Benn, 1929): 73.

28 Railways Act, 1921, First Schedule.

for its complex system at Victoria, Charing Cross, Holborn Viaduct, Blackfriars, Cannon Street and London Bridge. From its predecessors the SR inherited essentially two types of local passenger railway, either London suburban or rural byway. The map shows the SR area, together with those of the bus companies with which it later became associated.

Government control ceased in August 1921 and management reverted to the individual companies. They then had two simultaneous tasks. Whilst trying to restore their own finances, they had to negotiate the terms of amalgamation.[29] The constituent companies of each group were charged by the Act to submit to the Minister of Transport, on or before 1 January 1923, an amalgamation scheme framed in accordance with its principles.[30] In turn the Minister would refer the scheme to an Amalgamation Tribunal for confirmation. Considerable work to a very tight timescale was therefore needed to prepare each scheme. Henry Thornton, General Manager of the Great Eastern Railway, said a thing had to be produced almost overnight 'which elsewhere had taken thirty or forty years to produce'; the RCA believed it could not be done before 1 January 1924.[31] However, the immutable deadline gave considerable impetus to the grouping proposals.

For the SR the approval of the Amalgamation Tribunal did not come until 12 December 1922.[32] Noting on 1 January 1923 that this approval had been given only a few days previously, Sir Herbert Walker commented that consequently '…it has not been possible to proceed with the reorganisation which will become necessary'.[33] As the GWR had fewer companies to amalgamate, its organisation became effective from 1 January 1922. By a year later the reorganisation was 'complete and in good working order'.[34] On the LMSR '… today [1 January 1923] the real work of organisation begins. It is a task of great magnitude'.[35] Consequently the companies could claim with some credibility that their first duty was to introduce a new organisation and their attention was drawn away from responding to the new competitive challenge.

However, when that task was completed, railway managers' attention could do so. Throughout the period the inexorable growth of road transport continued; by 1939 the number of vehicles grew tenfold from what it had been in 1919. Cars increased from 109,715 to 2,034,000, goods vehicles from 98,000 to 488,000 and bus and coaches from

29 Douglas Knoop, *Outlines of Railway Economics*. (London: Macmillan, 1923): x.

30 Railways Act, 1921, Section 2.

31 Kidd, *A New Era for British railways*, 77.

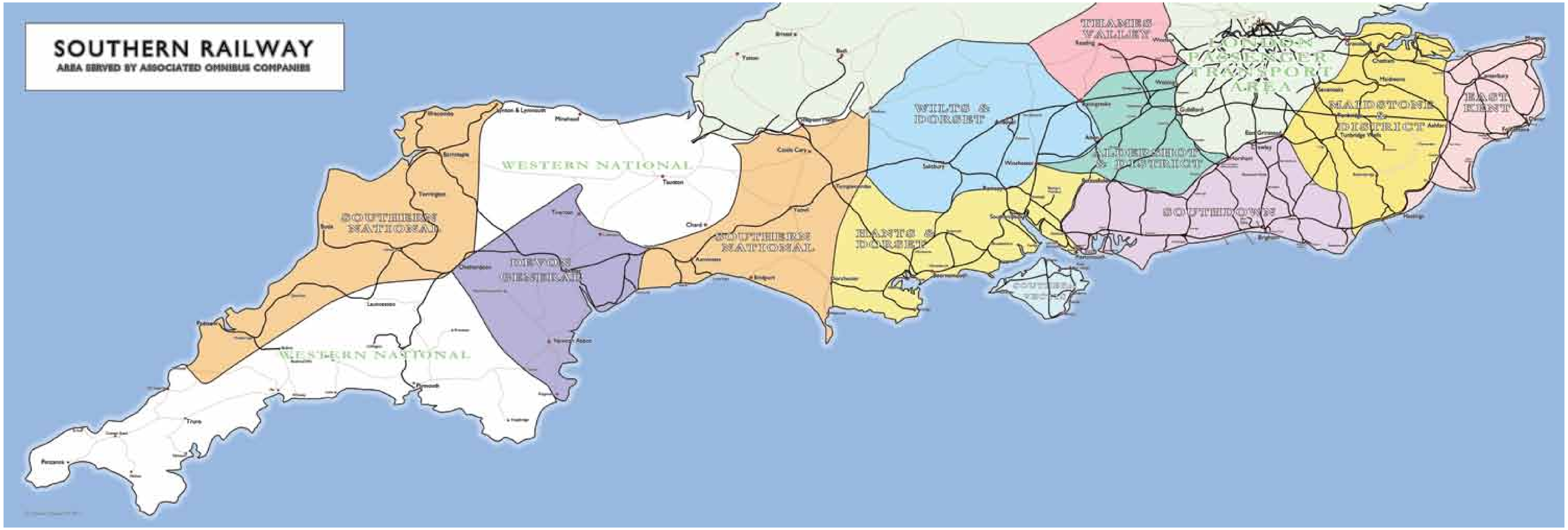
32 Dendy Marshall, *A History of the Southern Railway*, 512.

33 *Financial Times, Special Railway Supplement*, 1 January 1921, 18.

34 *Ibid.*, 18.

35 *Ibid.*, 18..

Southern Railway – Area served by associated omnibus companies



42,000 to 52,000.[36] Clearly road competition to railways nationally increased greatly. To give the context for later analysis the focus now narrows to the markets of the SR and its bus competitors.

SR markets

The information on the SR as a whole has been drawn from the *Railway Returns* 1923-38.[37] The 1923 data gave information on a similar basis for 1913, the year chosen for the calculation of Standard Revenue. 1938 was the last year for which full statistics were published; information for 1939, partially estimated, was finally published in 1946. The analysis is therefore of the years from 1923 to 1938 inclusive. The categorisation changed in 1928, affecting both passenger and goods receipts. In the former this affects mails, parcels, parcel post and other passenger-rated merchandise, where the detailed information for 1928 and subsequent years is not strictly comparable with the previous data. Since this analysis is concerned with major trends in passenger traffic, the effect of these changed categories was avoided by simply calculating the total for mails, parcels, parcel post and other merchandise in each year. In goods receipts eight classes of merchandise were replaced by twenty one classes.[38] However, since the thesis is only concerned with passenger traffic, this change does affect it. The more detailed information on passengers was taken from the monthly figures published for the SR in *Railway Statistics-Great Britain*, which have been aggregated into yearly totals.[39] Whilst the categorisation of reduced fare passenger receipts changed in 1928, this does not affect the conclusions drawn from the exercise, which is simply concerned with the proportion of total passenger receipts that were attributable to reduced fares. The changes in price levels over the period of the analysis can be divided into three phases. Broadly prices were static from 1923 to 1926. Then a slow decrease began which lasted until 1934. This was followed by a gentle increase but by 1938 prices had only recovered to about 1930 levels.[40] The consequent eight years of deflation and the succeeding four of inflation affect comparisons. However, since the conclusions drawn here are sufficiently broad as not to be significantly affected by these changes in price levels, no adjustment has been made for them.

Looking first at the composition of total receipts, Chart 1 shows that throughout the period roundly twenty five per cent of SR receipts came from goods traffic and seventy five per cent from passenger. Total receipts in 1923 of £23.4m remained broadly constant

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36 Perkin, *The age of the automobile*, 129.

37 *Railway Returns*..

38 William Oldham, *The Grocers and Allied Trades' Handbook on Railway Rates and Charges.* (London: George Allen and Unwin, 1928): 16

39 *Railway Statistics: Great Britain*, (London: Ministry of Transport, 1924-1938).

40 *Ibid.*, 44.

until 1927, although declining to £21.9m in 1926 from the effects of the miners' strike. Although the decline began in 1928, the major fall came from 1930, to a low of £19.4m in 1932, from the effects of the economic depression. A slow recovery then began to reach £21.7m in 1938 but this was still some £1.6m below the level of the company's early years. Broadly the relationship between goods and passenger receipts remained constant in all years. On this evidence the SR's business was primarily the carriage of passengers. Its total receipts began to fall in 1927 and, although there was some recovery from 1933, it faced difficulties in generating income for the remainder of its pre-war existence.

Chart 1 – SR percentage of goods and passenger receipts 1923-38

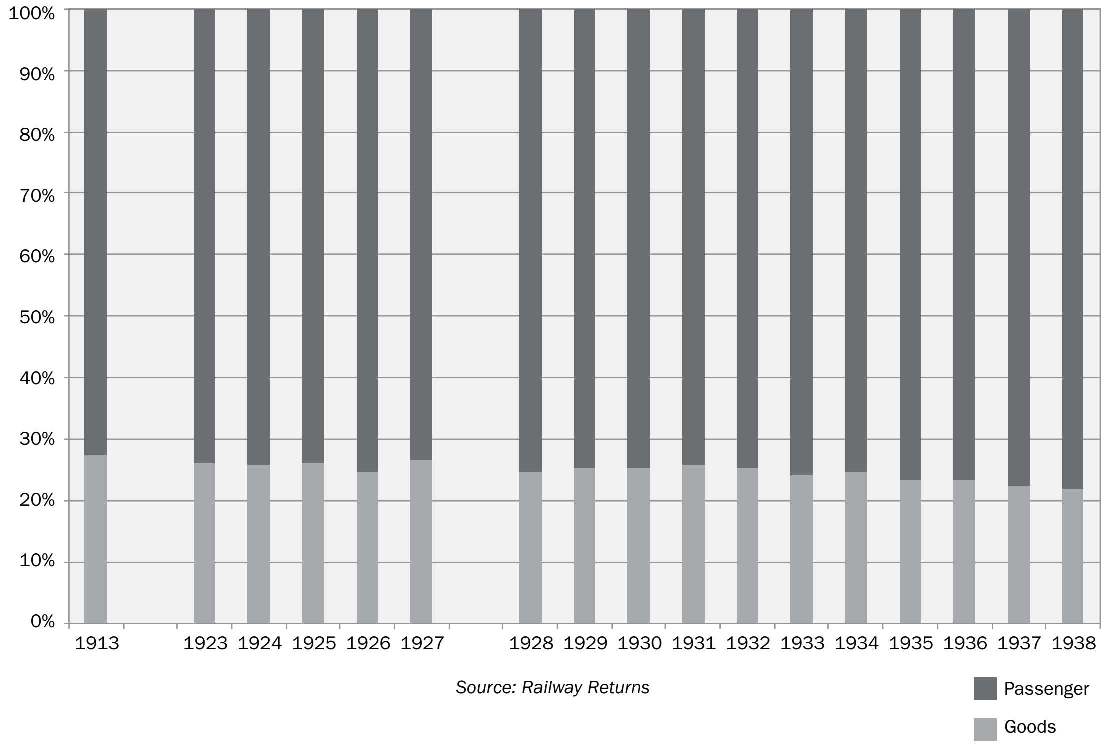
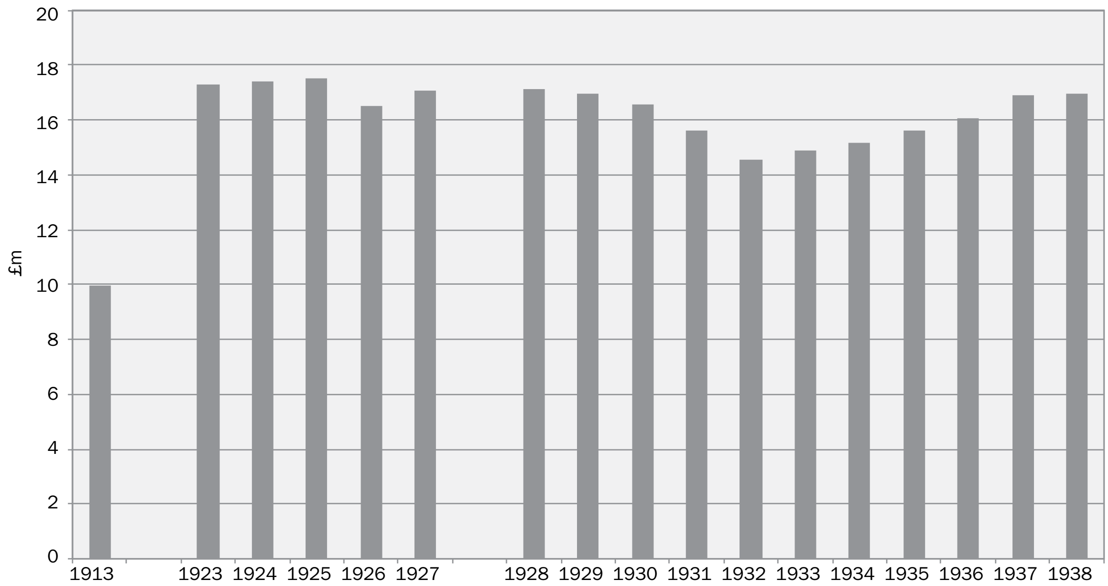


Chart 2 shows the level of passenger receipts in the period. Broadly they remained constant at some £17m. However there was a slight decrease in 1926 and a fall from 1930 to a low of £14.5m in 1932. There was then a slow recovery but it took until 1937 to regain the 1930 figure. The passenger business comprised four major segments. They were ordinary tickets, workmen's tickets, season tickets and a final group of mails, parcels, parcel post and other merchandise. The ordinary and season ticket groups can be further categorised by class of travel into first, second or third. Workmen's tickets, available only between certain stations and for outward journeys that reached the destination station by 8.00 a.m., were exclusively third class.[41] Using this additional categorisation of class produced the eightfold analysis of SR Passenger receipts shown in Chart 3.

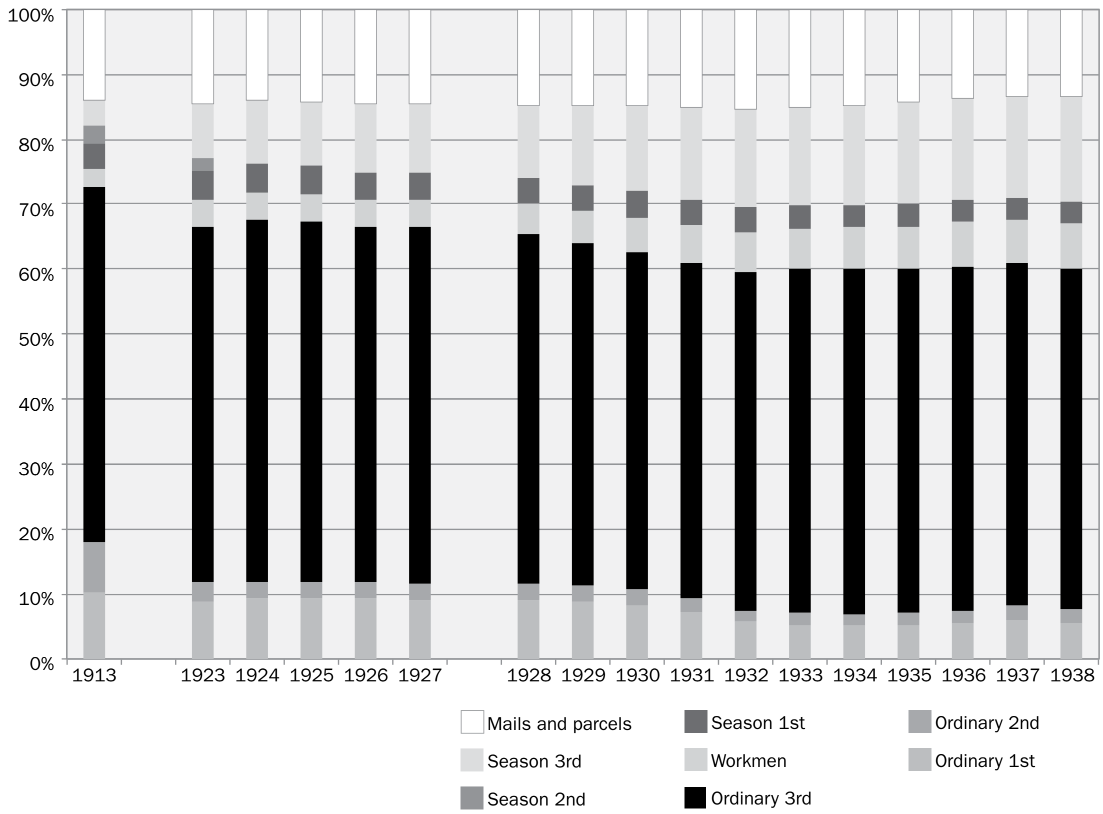
41 *Southern Railway Summer Time Tables July2nd to September 4th 1939.* (London: Southern Railway, 1938): 540.

Chart 2 – SR passenger receipts 1923-38



Source: Railway Returns

Chart 3 – SR composition of passenger receipts 1923-38



Source: Railway Statistics: Great Britain

Taking each in turn, the first class ordinary receipts, which in 1923 were ten per cent of the total, halved during the period to become five per cent in 1938. Although small in comparison to third class receipts, such passengers would be likely to be people of influence and the company consequently needed to pay particular attention to them. Second class ordinary receipts remained constant at about two per cent of the total. However, since such tickets were only issued by the SR to Continental passengers from 1 October 1923, they can be ignored in this study of the British market.[42] Third class ordinary tickets remained constant at fifty five per cent of the total and throughout the period formed the largest part of the passenger business. As they were fifty five per cent of passenger receipts, and passenger receipts were seventy five per cent of total receipts, just over forty per cent (fifty five per cent of seventy five per cent) of the company's income came from this source. As such, it was the major influence on the SR's prosperity.

Workmen's tickets were something of a misnomer. Essentially they were available for daily return travel between home and work on specified early-morning trains at greatly reduced fares; no proof of status was required to travel by them. Such tickets were confined to urban areas and could be valid for a week. This meant, in the SR's circumstances, that they were effectively cheaper season tickets in London. Accounting for four per cent of passenger business in 1923, they gradually grew to become seven per cent in 1938, almost doubling. In season ticket receipts, first class remained almost static at four per cent of passenger receipts throughout the period. Yet, as with ordinary first class receipts, this market was more important than its size alone would suggest. Second class can be ignored since such tickets could not be purchased on the SR from 1 October 1923. However, third class season ticket receipts doubled as a proportion of passenger receipts from eight per cent in 1923 to sixteen per cent in 1938. As this is a similar rate of increase as for workmen's tickets, both should effectively be considered together as another major influence on the SR's prosperity.

Finally mails, parcels, parcel post and other merchandise remained constant at around fifteen per cent of passenger receipts throughout the period. Whilst the changes in categorisation of this group after 1928 do not allow its components to be easily analysed, in total it was another key influence on the SR's prosperity. Essentially all these traffics were attracted by the higher speeds and quicker transits provided by passenger trains.

To complement this segmental review of the SR's passenger receipts, additional analysis can illustrate the important relationship between full and reduced fares. This relationship was not affected by the categorisation change in 1928. Chart 4 shows that passenger traffic, other than season ticket, charged at full fares accounted for some sixty five per cent of the total in 1923 and remained reasonably constant until 1927. In that year they fell to sixty per cent of passenger revenue and then began a long steady decline. This finally ceased in 1934 at twenty per cent and continued at this level until

42 Charles E. Lee, *Passenger Class Distinctions.* (London: The Railway Gazette, 1946): 68

1938. This is broadly similar to the experience of all British railways, although there the decline continued after 1934, reaching fifteen per cent in 1938.[43] On this evidence the SR became more and more dependent on reduced fare business during the period, as the effect of road competition limited its ability to charge full fares.

Chart 4 – SR passenger receipts (excluding season tickets) – Percentage of full and reduced fares 1923-38

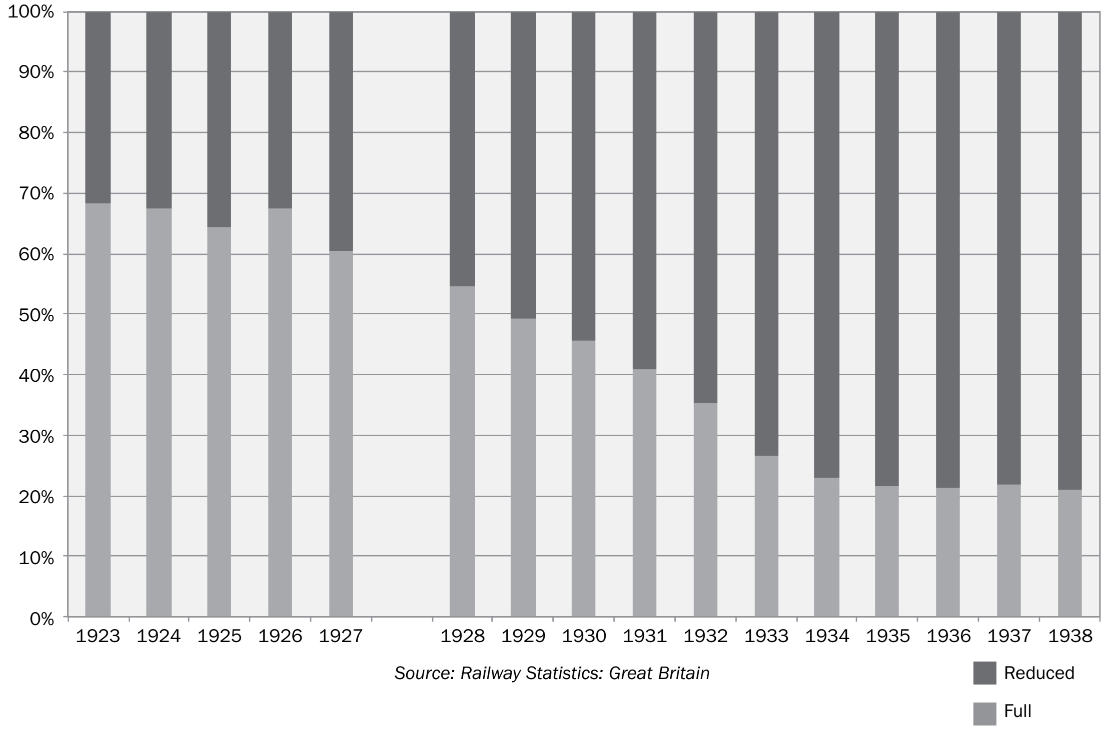
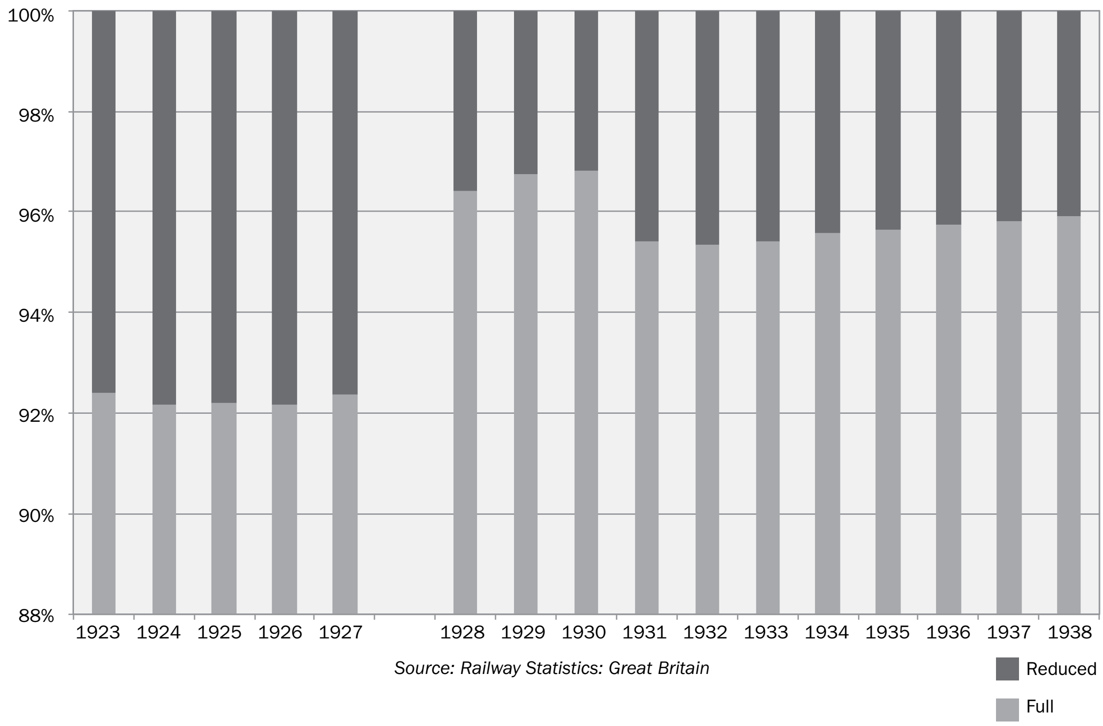


Chart 5 – SR season tickets – Percentage of full and reduced fares 1923-38

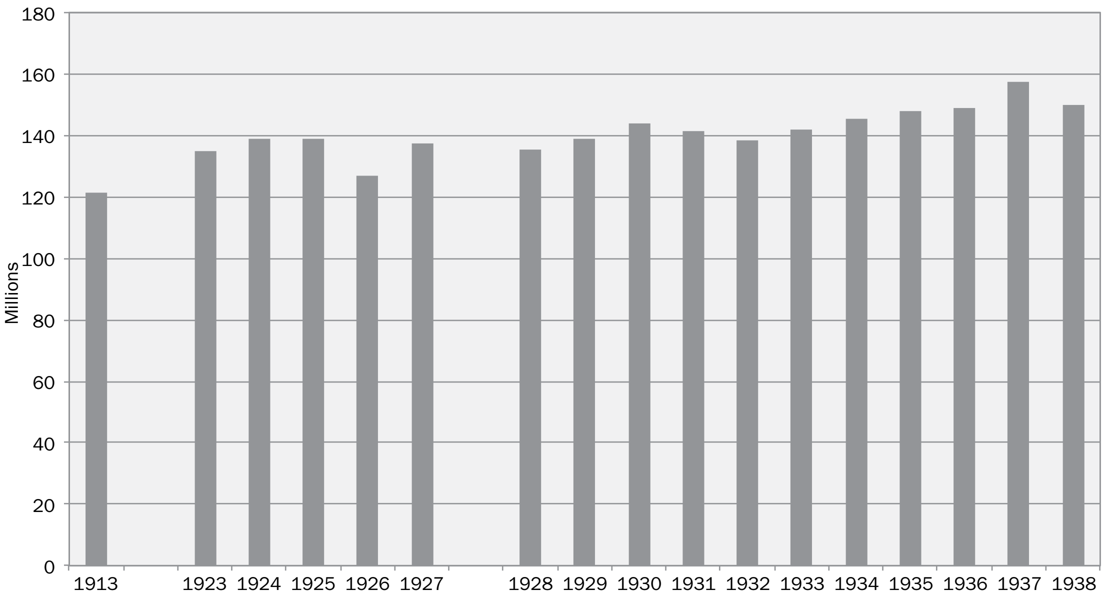


43 *Railway Returns 1931*, 25; *Railway Returns 1936*, 27: *Railway Returns 1938*,, 27.

By contrast, the season ticket data, shown in Chart 5, displays a very different situation. In all years full fare business was roundly ninety per cent of the total. In the SR context this largely represented commuting in the London area, where road competition was a much less effective alternative. In this market the increasing number of electrified services was attractive to passengers, which allowed full fares to be charged. Holiday and traders season tickets comprised the remaining ten per cent of reduced fare business. Both of these tickets were priced below the rate for ordinary season tickets.[44] They are not significant for this analysis. Of course the ability to charge full fare for ordinary season tickets was modified a little by the existence of workmen's tickets. Although these were effectively lower cost season tickets, they were only available for certain journeys. However, they do not affect the conclusion that competition was less effective in this market.

From this analysis, passenger traffic emerges as the most important area of business for the SR. Within this, the largest part is third class ordinary traffic. At just over forty per cent of the SR's income, it was approximately three times the level of each of the other categories. These were firstly first class ordinary and season tickets, secondly third class season and workmen's tickets and finally mails, parcels, parcel post and other merchandise. During the period the proportion of passengers, other than those travelling with season tickets, charged at full fares gradually declined. By contrast, almost all season ticket holders continued to be carried at full fares.

Chart 6 – SR third class ordinary passengers – Numbers originating 1923-38



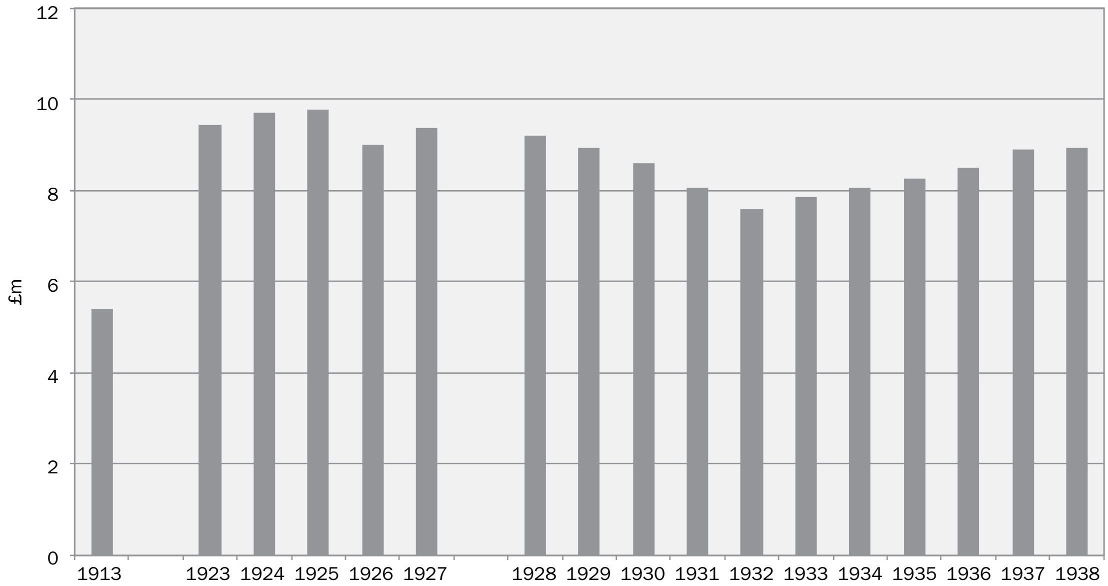
Source: Railway Statistics: Great Britain

When related to passenger numbers, the SR passenger receipts can provide more information about its performance. Looking first at the largest part of its business,

44 *Modern Railway Administration, Volume II.* (London: The Gresham Publishing Company, 1925): 128

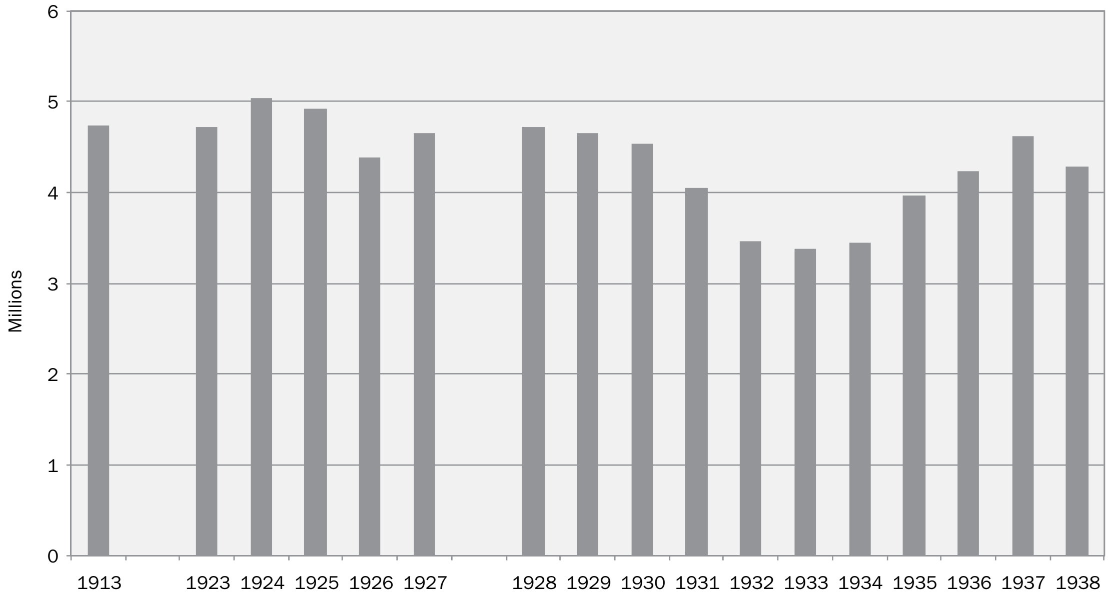
information on Third Class Ordinary tickets is given in Charts 6 and 7. Chart 6 shows that originating passenger numbers were broadly 140 million a year. With the exception of 1926, the level remained the same until 1933 when there was some growth until 1937. 1938 was ten per cent above the level of 1923. By contrast receipts shown in Chart 7 remained constant until 1927, fell until 1932 and then finally recovered to ninety five per cent of 1923 levels by 1938. Bringing the numbers and receipts together in the calculation of an average fare shows the 1/5 (7p) of 1923 to 1928 declined to 1/2 (6p) for the remainder of the period. This decline illustrates the increasing proportion of reduced fare business in this key area, confirming the point already noted for the total.

Chart 7 – SR third class ordinary passengers – Receipts 1923-38



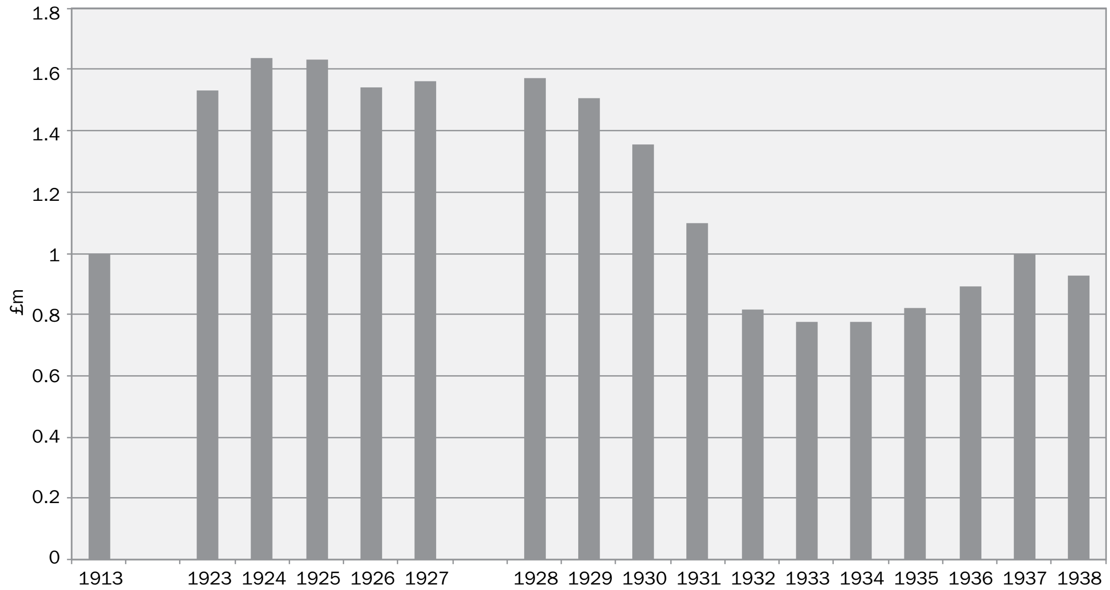
Source: Railway Statistics: Great Britain

Chart 8 – SR first class ordinary passengers – Numbers originating 1923-38



Source: Railway Statistics: Great Britain

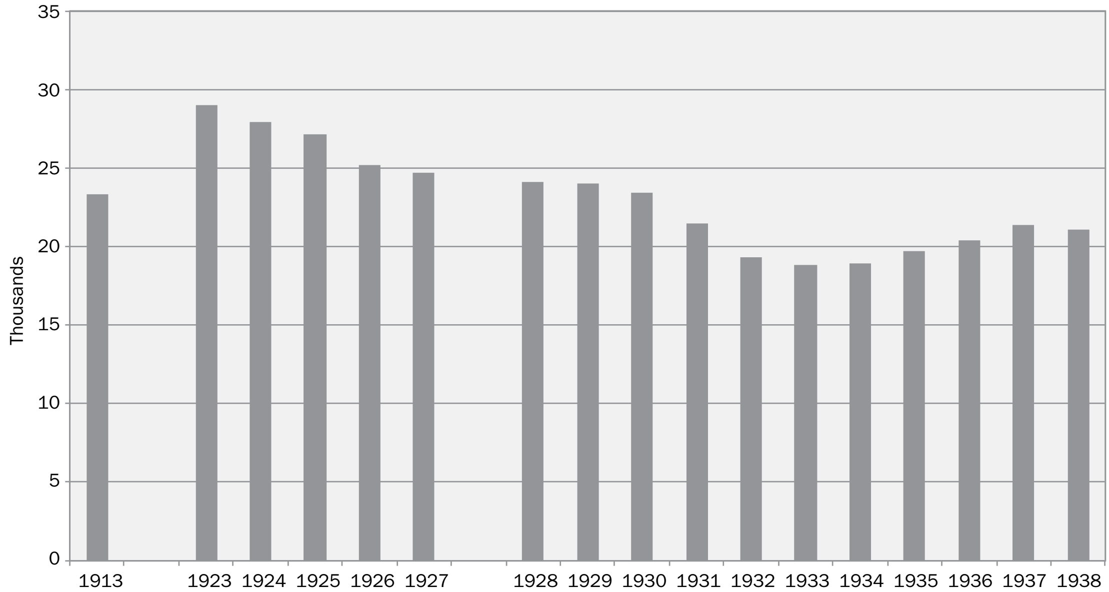
Chart 9 – SR first class ordinary passengers – Receipts 1923-38



Source: Railway Statistics: Great Britain

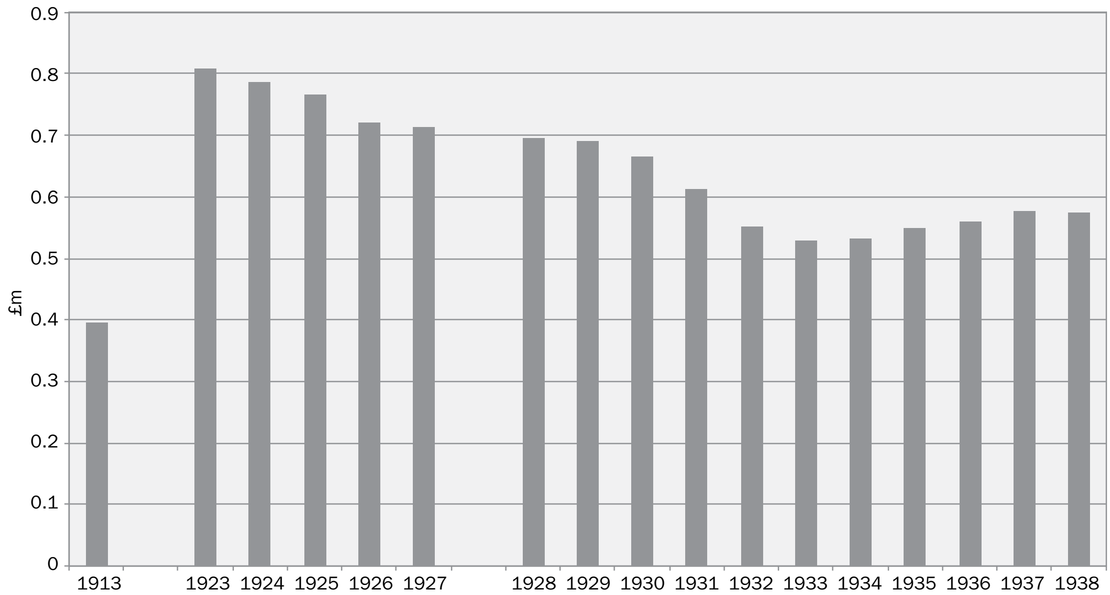
First class ordinary and season tickets require separate consideration. Charts 8 and 9 consider First Class Ordinary tickets. Chart 8 shows that originating passenger numbers, with the exception of 1926, remained constant at around 4.5 million a year until 1930. There was then a fall to 3.37 million in 1933, followed by growth until 1937 to reach ninety per cent of the level of 1923. This is broadly the same pattern as third class ordinary tickets. Chart 9 shows receipts remained constant at £1.5m until 1929. They then almost halved until 1934 when there was some growth to recover to sixty per cent of the 1923 level. The average fare for this traffic shows a greater decline than that for Third Class from 6/7 (33p) to 4/3 (21p) in the period. Evidently first class fares had to be more substantially reduced than third class to attract passengers.

Chart 10 – SR first class season tickets – Annual Number 1923-38



Source: Railway Statistics: Great Britain

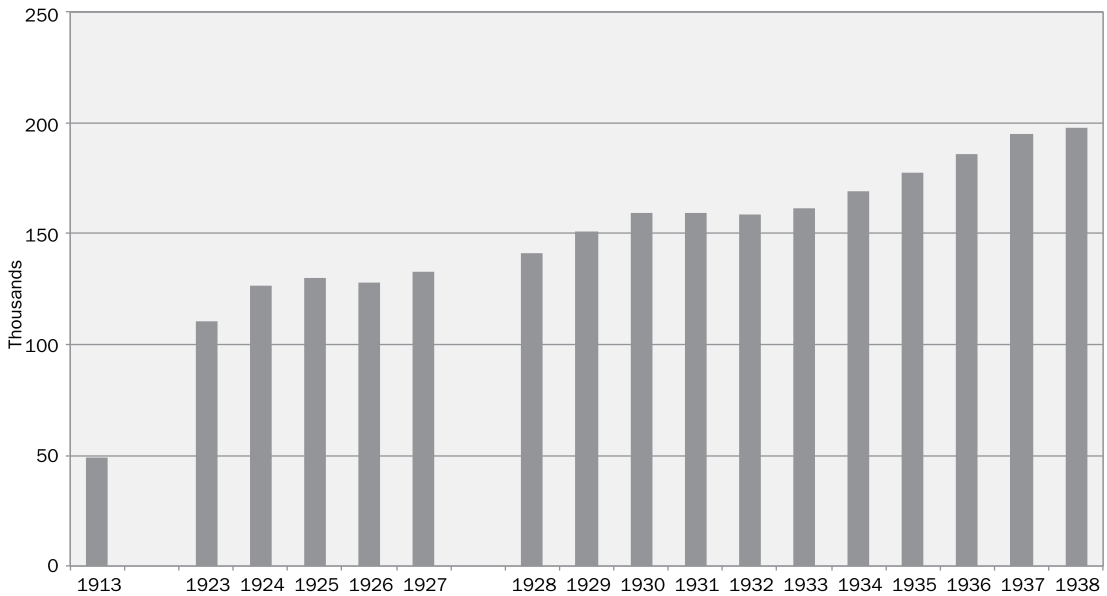
Chart 11 – SR first class season tickets – Receipts 1923-38



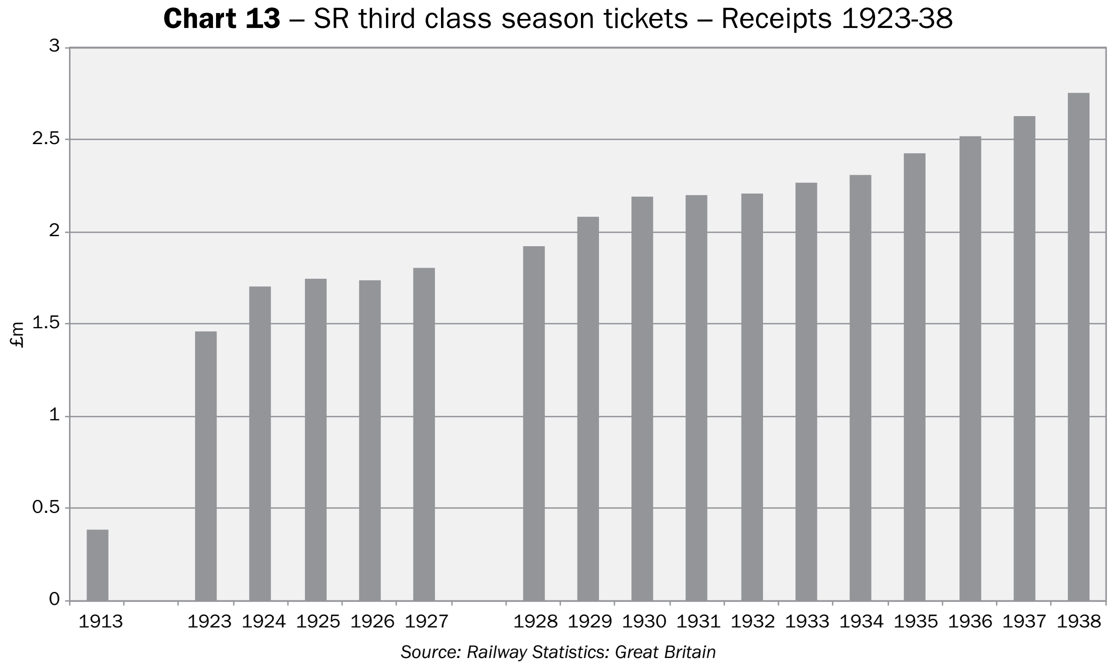
Source: Railway Statistics: Great Britain

Charts 10 and 11 show the picture for first class season tickets. Chart 10 illustrates the almost continuous fall from 29,000 season tickets in 1923 to 18,800 in 1933. A slight recovery until the end of the period brought 1938 back to seventy per cent of the 1923 level. Broadly the same picture is shown in Chart 11 for receipts, a fall from £0.80m in 1923 to £0.53m in 1933, recovering to £0.57m by 1938. The average fare therefore shows little movement. Starting around £28-0s-0d (£28.0) in 1923, it fell slightly to £27-6s-0d (£27.3) in 1938, a reduction of 14/- (70p). The maintenance of full fare charges for season tickets noticed earlier therefore is an overall effect, masking two opposite changes. One of them is this reduction for first class season tickets; investigation of third class in necessary to complete the picture.

Chart 12 – SR third class season tickets – Annual number 1923-38



Source: Railway Statistics: Great Britain



Third class season ticket data is shown in Charts 12 and 13. The 1923 figures are affected by the issue of second class season tickets only until October of that year so in this instance 1924 has been taken as the base point. However, it seems most likely that after the withdrawal, second class season ticket holders purchased third class seasons. Chart 12 shows that the number issued began at around 127,000 a year and grew fairly constantly to reach 198,000 in 1938. This is one hundred and fifty five per cent of the 1924 level. Chart 13 indicates receipts followed much the same trend from £1.7m in 1924 to £2.8m in 1938. This is one hundred and sixty per cent of the 1924 level. In this instance the average fare grew from £13-4s-0d (£13.20) in 1923 to £13-18s-0d (£13.90) in 1938. This increase is the second of the opposing changes, offsetting a reduction in the average for first class season tickets.

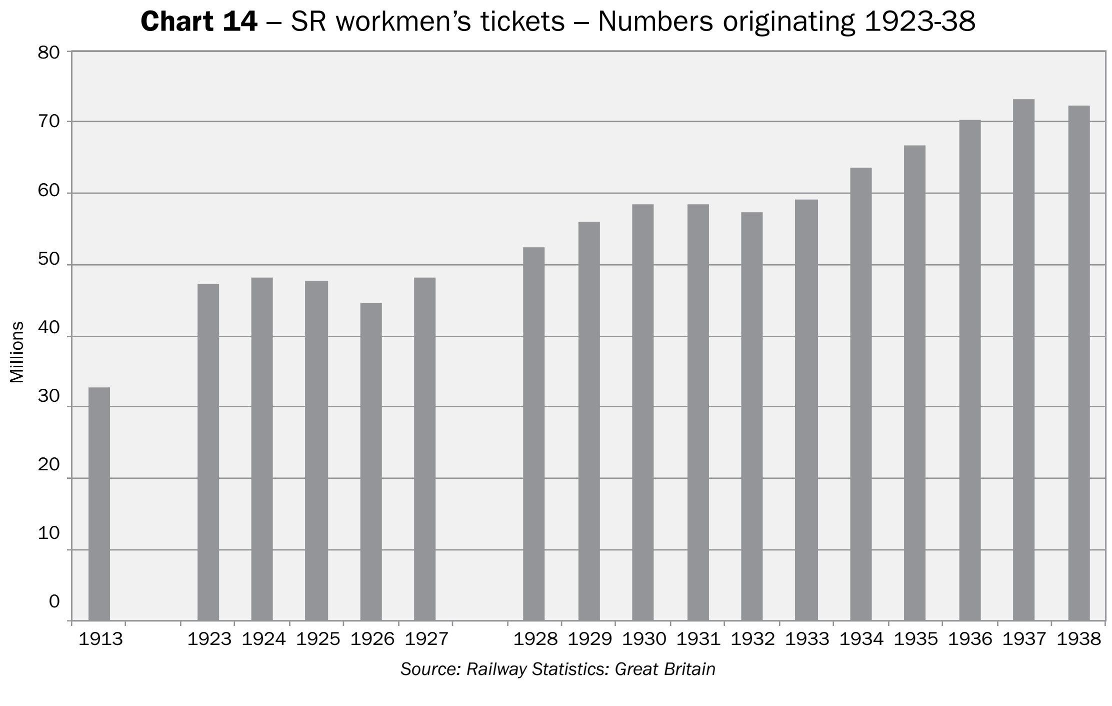
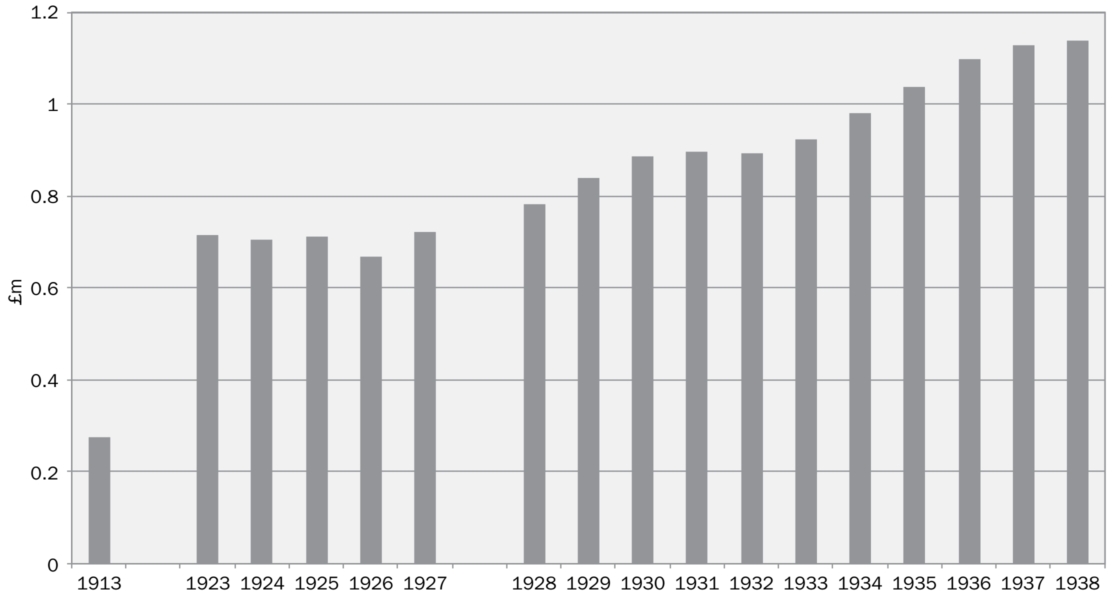


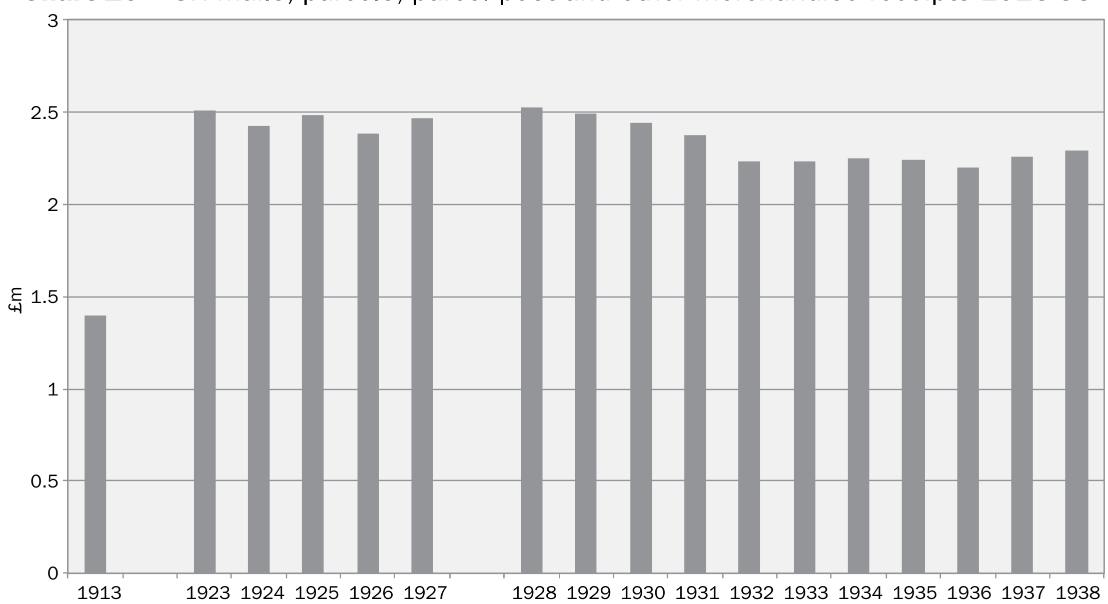
Chart 15 – SR workmen's tickets – Receipts 1923-38



Source: Railway Statistics: Great Britain

Workmen's tickets are shown on Charts 14 and 15 and bear a remarkable resemblance to the third class season ticket data, confirming that they were effectively cheaper season tickets. Chart 14 shows the number of these passengers was some 47 million in 1923, held constant until 1927 and then grew gradually to reach 72 million in 1938. It was then one hundred and fifty per cent of 1923. In receipts Chart 15 shows a similar pattern from £0.7m in 1923 to £1.1m by the end of the period. This was one hundred and sixty per cent of the 1923 level. The average fare of 4d (1.5p) did not vary at all. Although the rate was maintained, by definition these tickets were issued at reduced fares.

Chart 16 – SR mails, parcels, parcel post and other merchandise receipts 1923-38



Source: Railway Returns

Mails, parcels, parcel post and other merchandise were a heterogeneous group for which only receipts data is available. Its merchandise component may be distinguished from its goods counterpart by carriage on passenger rather than goods trains. Speeds on the former were much higher so this was a premium service largely catering for high value consignments needing rapid delivery. Chart 16 shows that receipts for the group remained broadly level around £2.4m from 1923 to 1930. They then declined marginally to about £2.2m, ninety per cent of the 1923 level, for the rest of the period. With no common physical units, it is difficult to establish the pattern of average rates. However, since mails and parcel post were in the main carried by rail throughout the period, it seems likely that rates, at least for this group, remained stable.

Having considered each of the groups in detail, it is possible to draw some broader conclusions about the SR's passenger business in the period. In volume terms there was a clear difference, where first class traffic was lost but third class traffic gained. In receipts terms, the pattern was almost identical but there was one key difference. First class traffic receipts were less but third class, with the exception of ordinary tickets, were more. Receipts for mails, parcels, parcel post and other merchandise, for which no volume measures are available, reduced.

Combining these two factors to obtain average rates goes to the heart of the SR's passenger business. Its competitive position was strong enough to obtain an increased average fare for third class season tickets and maintain, the albeit reduced, rates for workmen's tickets. By contrast in the whole of its first class business and in third class ordinary its deteriorating competitive position meant it had to reduce fares to mitigate the loss of business. In common with the other three companies, the introduction of Monthly Return tickets in 1935 was the principal way it did this. Charged at one and a half pence a mile first class and one penny a mile third class, these tickets were available on any day and by any train.[45] SR advertisements proclaimed 'First Class Travel is now cheaper.'[46] However, it did not stress the minimum fare the company charged for such tickets was twice that of the other three companies. Its justification was that, with so high a proportion of its receipts coming from passengers, any reductions in fares had a proportionately greater effect than on the other companies. Furthermore the average SR journey was shorter, and the average fare thus lower, than the others.[47]

With such a wide variety of patterns, it is not easy to point to a single year in which the SR's competitive position changed. However, its total receipts began to fall in 1927. This

45 *Railway Gazette*, 7 December 1934, 953.

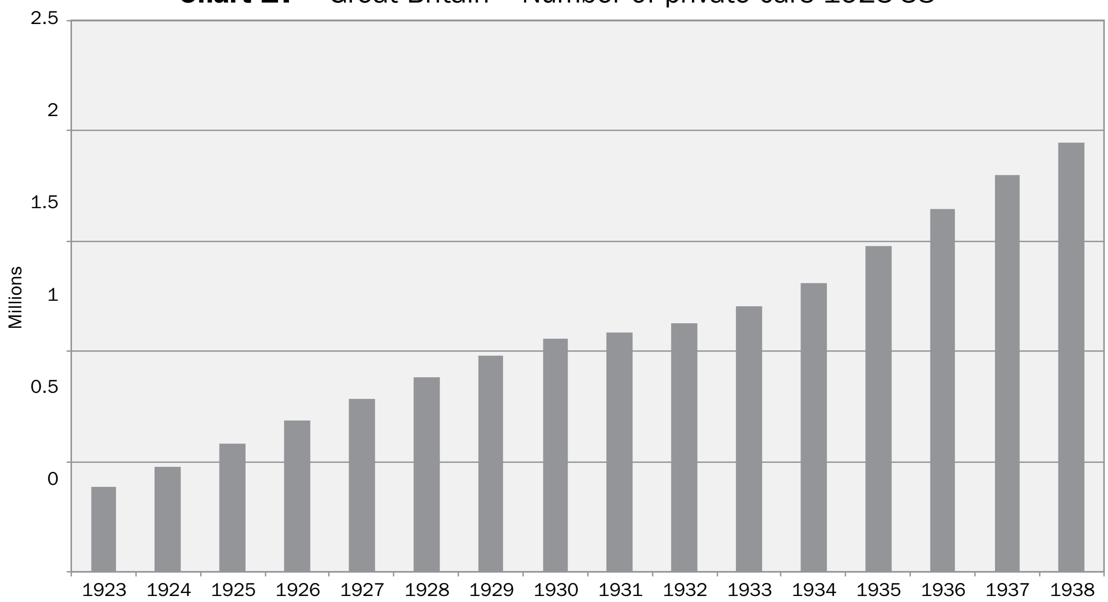
46 The National Archives, London, RAIL 1017/1/82.

47 *Railway Gazette*, 7 December 1934, 953.

is also true of third class ordinary receipts, the largest part of the passenger business, which show deterioration from that year. In addition the decline in the proportion of passenger traffic, other than season ticket, charged at full fare began then. The data therefore points to 1927 as the beginning of major competition for the company.

Significantly the SR Directors Report for that year referred to the upsurge of road competition. Noting the decrease in revenue compared to 1925, it identified two causes. The first was the incomplete recovery in trade from the stoppage in the coal industry during the previous year. The second was 'the phenomenal development… in the production and use of motor cars and heavy motor vehicles, whereby much traffic has been diverted from the railway'.[48] In his remarks at the meeting to consider the Report, the SR Chairman felt this cause to be 'the most serious matter of all' and added 'the motor-bus and the charabanc' to the competitors for passenger traffic. That passenger numbers had declined less than passenger receipts was solely due to 'a large extension of cheap bookings…the one method open…of fighting this road competition'.[49] The availability of a wider range of such tickets is one of the reasons for the growth in reduced fare receipts, mentioned earlier.

Chart 17 – Great Britain – Number of private cars 1923-38



Source: An Economic History of Transport

An examination of the number of road vehicles should establish if there was a sudden rise in 1927. Charts 17 and 18 give data for private cars, as well as buses and coaches during the same period as those extracted from the *Railway Returns*.[50] In Chart 18 taxi-cabs are included in the years from 1923 to 1925 and allowance should be made

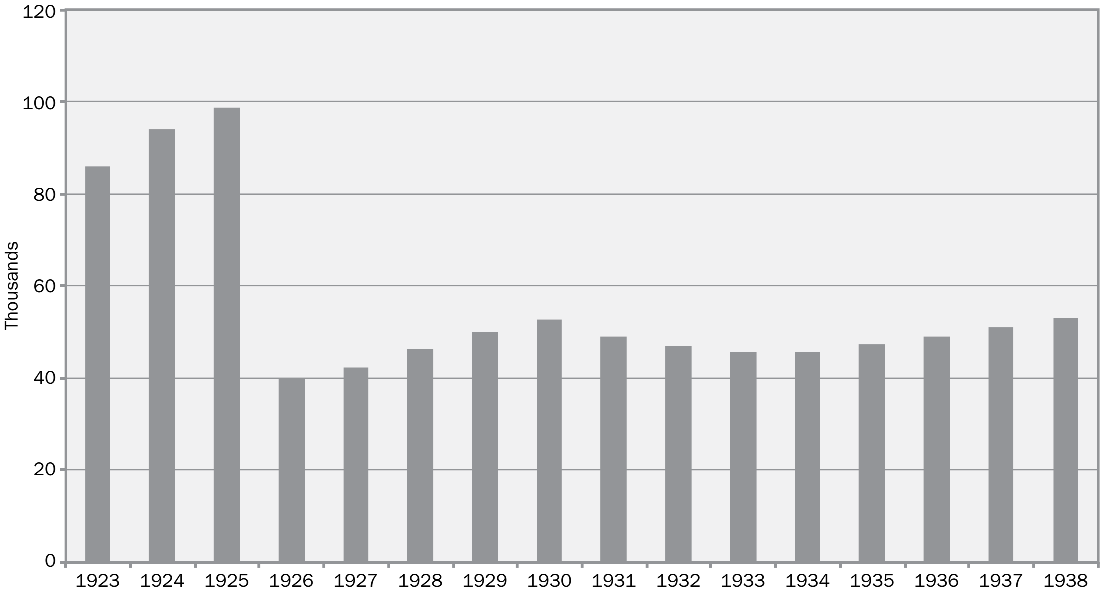
48 TNA, RAIL 645/1.

49 *Railway Gazette*, 21 February 1928, 247.

50 T. C. Barker and C. I. Savage, *An Economic History of Transport*. (London: Hutchinson, 1974): 161-2.

for this in any comparisons. Similarly it should be remembered that the data is for the whole country. As 'the economic depression fell very hard on…the West and North of Britain', the situation in the area served by the SR, could be different to this overall pattern.[51] On the face of it, there could be expected to be greater competition from cars in the company's more prosperous area than elsewhere in the UK. Without a great deal of work, confirming this hypothesis for these years is difficult. The annual estimate of vehicles on the road was only published nationally. Figures for the number of vehicles registered for the first time are available monthly but are shown by licensing authority (County Council or County Borough). Considerable work to summarise this data is therefore necessary to obtain any indication of car ownership in the SR area. In view of limited time this has not been done.

Chart 18 – Great Britain – Number of buses and coaches 1923-38



Source: An Economic History of Transport

Looking at the competition to passenger rail traffic, Chart 17 shows the inexorable rise in the number of private cars from some 0.4 million in 1923 to just less than 2 million in 1938. 1927 at 0.8 million fits the general upward trend but does not show any sudden increase on the previous year. The pattern of buses and coaches shown in Chart 18 is of a slow increase to some 53,000 in 1930, followed by a fall to 46,000 in 1934. Growth is then resumed to reach 53,000 in 1938. Yet 1927, at 42,000, once again is not out of line with the trend. On this evidence there was no sudden spurt of growth of road vehicles in 1927 that made it a significant year. Instead it seems more likely that the compound effect of the yearly growth experienced since 1923 meant that road competition became especially effective in that year. Since 1923 cars had grown at roundly 100,000 a year and buses at about 2,500 a year. Whilst there must have been competition in the intervening years, only in 1927 did the numbers in the competitive fleets pose a much more

51 Martin Pugh, *We Danced All Night*. (London, Vintage Books, 2009), 424.

formidable threat. It is possible too that people continued to use the alternatives to the train they had discovered during the General Strike in the previous year. In his lament the SR Chairman noted the effect 'Every road in the country is covered with motors, and it seems curious there is anybody left to go on the trains'.[52]

SR associated bus companies markets

No comparable publication to the *Railway Returns* is available for the bus and coach business. Receipts, passenger journeys, vehicle-miles and number of vehicles are only available from 1931 to 1937 from the Annual Reports of the Traffic Commissioners.[53] Passenger journeys from 1923 to 1938 would give a constant measure of traffic. But these are simply not available for the first part of the period. Consequently bus company receipts have been used as a proxy for traffic, since they are fairly easily obtained. The data used is largely drawn from adding together each company's information given in the succeeding annual volumes of *Motor Transport Year-Book and Directory*. As no standard format was specified for this publication, it has been necessary to supplement this in those cases where information on receipts was not provided. The further sources used were therefore memoranda produced by the SR Accountant, bus company minute books, annual accounts statements and insurance records.

The information was extracted for the years 1923 to 1926 for the ten bus companies with which the SR became associated. Their names are given in the column headings. Unfortunately it proved impossible to obtain details for Wilts & Dorset for the years 1923 to 1926. Information obviously cannot be provided for Southern National and Southern Vectis before they were both formed in 1929. However, their predecessor companies, National Omnibus and Transport Company (NO&T) and Dodson Brothers respectively, began trading in 1920. But Southern National only represented a part of National's business, whose records in any case are lost, as are those of Dodsons. Information on both is therefore not included. The consequent missing data for all three companies means that the receipts from 1923 to 1929 are understated and this should be borne in mind when interpreting the figures.

In addition there was an almost continuous process throughout the period of these larger companies purchasing other bus businesses. Mainly the operators acquired were small but occasionally they were large. Maidstone & District for example absorbed Autocar and Redcar in Tunbridge Wells in 1935.[54] This process too makes the receipts figures understated for the earlier years, as no data is included for such

52 *Railway Gazette*, 21 February 1928, 247.

53 Richard Stone and D. A. Rowe, *The Measurement of Consumers' Expenditure in the United Kingdom 1920-1938.* (Cambridge: Cambridge University Press, 1966): 65.

54 TNA, RAIL 650/36.

Table A – SR bus companies – Receipts 1923-38

Year End in	Aldershot & District		Devon General		East Kent		Hants & Dorset		Maidstone & District	
	Receipts	Index	Receipts	Index	Receipts	Index	Receipts	Index	Receipts	Index
1923	112,023	100	72,364	100	178,699	100	66,771	100	177,999	100
1924	133,926	120	85,243	118	198,952	111	81,190	122	167,746	94
1925	159,192	142	108,127	149	214,995	120	87,806	132	230,729	130
1926	187,130	167	128,745	178	270,622	151	127,952	192	286,752	161
1927	217,320	194	142,649	197	295,274	165	155,755	233	361,743	203
1928	241,797	216	166,629	230	363,198	203	201,786	302	442,806	249
1929	287,219	256	201,170	278	416,424	233	228,271	342	517,549	291
1930	328,639	293	239,466	331	482,143	270	294,105	440	624,581	351
1931	336,644	301	265,815	367	476,926	267	342,494	513	665,138	374
1932	325,205	290	270,786	374	462,864	259	363,929	545	691,994	389
1933	310,673	277	273,036	377	460,745	258	353,721	530	675,080	379
1934	300,907	269	347,295	480	492,466	276	361,884	542	623,870	350
1935	312,222	279	350,275	484	507,428	284	365,739	548	684,560	385
1936	327,197	292	350,275	484	540,777	303	445,767	668	851,274	478
1937	343,915	307	367,066	507	658,195	368	473,471	709	852,957	479
1938	334,690	299	353,103	488	671,301	376	496,190	743	807,611	454

Source: Motor Transport Year-Book and Directory, *Kithead Trust, Droitwich, The National Archives, London, RAIL 650 series, Omnibus Society Library, Walsall. Notes: Southern National data for 1929 is for a nine month period .*

businesses before their purchase by the acquiring company. Replacement of tram by bus services by contrast accounts for a substantial increase in bus receipts in the year of the change but does not mean that previous bus figures were understated. For example, as part of the abandonment of tram operation, Devon General took over its parent, the Torquay Tramways Company, whilst East Kent absorbed the Isle of Thanet Tramway Company.

However, the overall change revealed by the figures is so great that these qualifications do not affect the validity of the conclusions drawn from them. Table A shows the receipts for each of the companies in each of the years, together with an overall total. In addition they are used to produce a receipts index, using 1923 as the base year. In three companies where it has not been possible to obtain receipts for the whole period, the first year for which the information is included is used as the base year.

Looking first at the total receipts for all ten companies, 1938 had virtually five times the level of 1923. The rate of increase varied throughout the period. In four years

Table A – SR bus companies – Receipts 1923-38

Southdown		Southern National		Southern Vectis		Thames Valley		Wilts & Dorset		Total	
Receipts	Index	Receipts	Index	Receipts	Index	Receipts	Index	Receipts	Index	Receipts	Index
232,005	100					74,129	100			913,990	100
246,717	106					97,275	131			1,011,049	111
313,008	135					120,268	162			1,234,125	135
399,160	172					164,488	222			1,564,849	171
481,261	207					172,321	232	34,940	100	1,861,263	204
513,294	221					200,419	270	51,130	146	2,181,059	239
600,656	259	136,428	100			185,435	250	64,821	186	2,637,973	289
700,116	302	294,105	216	61,670	100	202,989	274	89,835	257	3,317,649	363
797,196	344	178,639	131	78,099	127	197,321	266	106,939	306	3,445,211	377
808,870	349	178,988	131	73,715	120	192,929	260	115,113	329	3,484,393	381
792,767	342	193,013	141	71,913	117	205,506	277	123,026	352	3,459,480	379
806,552	348	201,780	148	73,375	119	217,225	293	134,602	385	3,559,956	389
835,346	360	251,805	185	78,357	127	229,856	310	138,019	395	3,753,607	411
897,183	387	251,805	185	89,041	144	268,676	362	145,256	416	4,167,251	456
951,067	410	313,288	230	98,002	159	304,681	411	158,902	455	4,521,544	495
981,908	423	314,560	231	114,234	185	312,593	422	166,537	477	4,552,727	498

the 1923 level doubled, providing some basis for the previous identification of 1927 as a significant year. By around 1930 it trebled. The depression years checked that progress and indeed there was a small decline in 1933. So it took until 1935 for the increase to quadruple. But the rate then increased so that it only took three years to quintuple. Although receipts in the earlier years may be understated for reasons already mentioned, and the rate of growth may thus be slightly overstated, it can safely be concluded that all the companies were operating throughout the period in expanding markets.

Turning to the companies for which figures are available for the whole period, only Hants & Dorset with a seven and a half times increase exceeded the overall result. Devon General was in line with it, as were Maidstone & District and Southdown, when allowance is made for their much larger receipts in 1923. Clearly a substantial increase is harder to achieve when starting from a larger base. Thames Valley, East Kent and Aldershot & District were below the overall result, quite substantially so in the last case. Of the remaining companies, Southern National only doubled from 1929 to 1938, although this result was flattered by a nine month base period.

Southern Vectis was broadly similar, especially as its base period was a full year. But, thanks to a low base, Wilts & Dorset shone, it almost achieved the overall result of a fivefold increase over a four year shorter period.

Having established the pattern for the SR associated bus companies, it is instructive to compare that with the national trend. Consumers' expenditure on bus and coach services rose from £33.7m in 1923 to £76.2m in 1938. This is an increase of about two and a quarter times, suggesting that the overall growth of the SR associated companies was broadly twice this national trend. However, in passenger miles the national increase was from 4.6 thousand million to 19 thousand million, about four times. The rise was continuous throughout the period except for a fall in the slump years of 1931 to 1933.[55] It therefore appears that the growth rate for the SR associated bus companies was greater than the national trend. This may be because the companies served a more affluent part of the country or more people moved into their area. However, despite differing growth rates, both sets of data confirm that the market for bus travel throughout the period was an expanding one. Having studied the demand for rail and bus travel separately, the picture can be completed by comparing one with the other.

Table B – SR- Comparison of third-class rail and bus receipts 1923-38

	Rail Receipts 3rd Class £	Bus Receipts £	Bus as proportion of Rail %
1923	9,423,692	913,990	9.7
1924	9,696,790	1,011,049	10.4
1925	9,775,170	1,234,125	12.6
1926	9,007,326	1,564,849	17.4
1927	9,381,828	1,861,263	19.8
1928	9,215,195	2,181,059	23.7
1929	8,946,860	2,637,973	29.5
1930	8,588,894	3,317,649	38.6
1931	8,046,460	3,445,211	42.8
1932	7,597,406	3,484,393	45.9
1933	7,871,944	3,459,480	43.9
1934	8,048,996	3,559,956	44.2
1935	8,273,535	3,753,607	45.4
1936	8,510,429	4,167,251	49.0
1937	8,916,393	4,521,544	50.7
1938	8,928,435	4,552,727	51.0

Source: Railway Returns Table A

55 Stone and Rowe, *The Measurement of Consumers' Expenditure in the United Kingdom*, 72-73.

Table B shows a comparison of rail and bus receipts. The rail receipts are taken from the *Railway Returns* studied in the first section of this chapter and are those for SR third class ordinary passengers. This was taken as the closest approximation to the market served by bus services. Season and workmen's tickets have been disregarded as exclusively applicable to the London area, which was not served by any of the SR associated bus companies. Although some season and workmen's tickets must have been sold elsewhere, the large change in the relationship of rail to bus receipts to be shown later means that the effect of this simplifying assumption is not great. The bus receipts are the total of the ten companies shown in Table A. In each year the bus receipts are expressed as a percentage of the rail receipts.

Table C – Expenditure on public transport in the UK – Comparison of rail and bus 1923-38

	Railways Other Travel £m	Buses & Coaches £m	Bus as proportion of Rail %
1923	50.2	33.7	67.1
1924	52.1	35.5	68.1
1925	50.9	40.9	80.4
1926	44.8	45.8	102.2
1927	47.5	49.1	103.4
1928	46.4	57.2	123.3
1929	44.6	57.3	128.5
1930	42.2	61.7	146.2
1931	38.7	57.5	148.6
1932	36.0	57.4	159.4
1933	36.2	57.3	158.3
1934	36.9	59.3	160.7
1935	38.2	61.4	160.7
1936	39.9	64.3	161.2
1937	42.3	66.6	157.4
1938	41.6	76.2	183.2

Source: The Measurement of Consumers Expenditure and Behaviour in the United Kingdon 1920-1938. *(Cambridge: Cambridge University Press, 1966), 72.*

The effect of the relatively unchanged rail receipts over the period and the large increase in bus receipts is shown in the third column. Whereas bus receipts were just under a tenth of rail receipts in 1923, they had grown to half by 1938. On these figures rail appears a static market but bus is one of growth. In fact, as was seen in the rail analysis, passenger numbers remained constant until 1933, after which there was some increase until 1937. This helped to maintain receipts, since rail fares had to be reduced to combat road competition. But the national picture shown in Table C demonstrates the SR's situation was better then some of the other railway companies. In 1923 expenditure on buses and coaches at £33.7m was two thirds of that on rail travel, excluding workmen's and season tickets, of £50.2m. 1926 was the first year when consumers' expenditure on bus and coach services of £45.8m exceeded that on rail of £44.8m. By 1938 it had reached £76.2m about four fifths more than the rail figure of £41.6m. In passenger miles buses and coaches in 1938 at 19 thousand million were about a half more than the rail figure of 12 thousand million. This was the complete converse of 1923. Then the respective figures were 4.6 thousand million and 10.0 thousand million, where bus and coach was only about a half of rail.[56] That the SR rail receipts in 1938 were still twice the bus receipts, compared to a national picture where bus receipts were four fifths more than rail receipts, suggests the company was in a better competitive position than the three others.

The national statistics also show a decline in rail receipts over the period greater than that experienced by the SR. This probably reflects the SR's improvements to its passenger services, either to combat a decline in their use or to generate growth in outer suburban traffic. Despite any imperfections in the figures, it can be concluded that the SR receipts, like those nationally, show the rail market was static or declining. By contrast the ten bus companies associated with the SR, like those nationally, were in an expanding market. This was aided by a reduction in average fare on buses and coaches nationally from 2.3d (1p) per mile in 1921 to 0.96d (0.5p) in 1938.[57] That the railways' traffic remained static but bus and coach increased suggests the latter served new markets which had not been served by rail. Some attempt must be made to evaluate this tentative conclusion.

Overlap in rail and bus markets

Having compared rail and bus receipts, the key question is whether both competed for the same market. Here any analysis is greatly handicapped by the lack of any statistics for the bus industry before 1931, when it had reached maturity.[58] In these circumstances some answer can be given by considering a variety of sources. All point to a conclusion: 'Country buses were catching up on the railways and penetrating where the railways had failed to do.'[59] The penetration was both to different customers and in different geographical areas.

The first source is Richard Howley of the London and Provincial Omnibus Owners' Association (LPOOA) who gave an appreciation of the size and composition of bus markets to the Royal Commission on Transport in 1929. He began by describing the

56 *Ibid.*, 72-73.

57 *Ibid.*, 72-73.

58 Munby, *Inland Transport Statistics Great Britain*, 229.

59 A. J. P. Taylor, *English History 1914-1945.* (Oxford: Oxford University Press, 1965): 304.

business of the sixty five members of LPOOA. Extending over the whole of England and Wales and much of Scotland, the members were the larger firms providing regular services. They owned a fleet of 12,000 buses and ran 500 million bus miles per annum. On average they carried 10 million passengers each day. He emphasised he spoke of services outside the Metropolitan Police area, where conditions were quite different to London. Rural bus services were more akin to railway services than urban bus or tram services. Printed timetables were circulated and in areas of low population services were often restricted to one or two days in the week. Provincial bus services could be said to date from about 1912. By 1914 '…quite a number of services had been established…' but the first world war saw some discontinued and serious reductions in frequency of those that remained. 'After the war provincial motor omnibus services rapidly increased in number…' and the country was now provided with adequate passenger road services. The private car brought advantages to the well to do; 'the motor omnibus to those less fortunate'.

Howley divided bus operation into five classes. The first were urban and semi-urban services, generally at intervals of less than ten minutes, worked to a headway and not on a timetable. Services in London or those run by municipal undertakings were of this character. The second type was routes outside towns, covering most main and many secondary roads. The route length was anything up to thirty miles and the services varied from every fifteen minutes to only two trips a day. In exceptional cases the service was provided on market days only. The third type was long-distance services, '…which have increased rapidly in the last year or so…'. Some ran throughout the year whilst others were purely seasonal. '…without doubt many patrons…travel by omnibus rather than by rail… [to enjoy riding in the open air often through interesting country]'. Fourth, there were excursions, largely for pleasure purposes, that could be booked by individuals. Day trips, evening trips or seaside excursions were typical of this group and generally there was no plying for hire other than at the starting point. Finally coaches could be hired as a whole either by one person or firm or jointly by a group for a return trip to a chosen destination. Payment was made either as a lump sum or by so much per head. [60]

Howley's view on the private car is substantiated in other work. A 1993 study showed that by 1937 car ownership had reached the upper middle class. It was becoming a necessity in rural areas but had already been accepted by the professional middle classes.[61] O'Connell's later work modifies this conclusion to suggest that there were lower middle class and working class owners in this period,

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60 Royal Commission on Transport, *Minutes of Evidence Volume 2.* (London, His Majesty's Stationery Office, 1929): 363-4.

61 Sue Bowden and Paul Turner, 'Some Cross-Section evidence on the determinants of the diffusion of Car Ownership in the inter-war UK economy'. *Business History*, (Vol. 35 No. 1, (January 1993)): .67.

ahead of other middle class groups who might have been thought to precede them.[62] But this does not negate the conclusion that bus passengers were mainly drawn from the lower middle and working classes. Both groups could of course use motor cycles. However, this would reduce the number of bus users from each group rather than change the class basis of the potential bus market. Similarly Hibbs suggests the country bus was successor to the carrier's cart. 'Never patronised by the gentry, it was truly the people's carriage…'[63] However, the bus was more of a middle-class vehicle.[64] So his view is also of a potential bus market of lower middle class and working class people. Further confirmation comes from Richard Tilling, Chairman of Thomas Tilling, in 1929: '…when all is said and done, the motor omnibus is very largely the motor car of the poorer section of the community.'[65]

Information about rail passengers is even more difficult to find. Whilst the earlier study of SR markets used the detailed analysis of its passenger income, such data demonstrates the type of ticket sold rather than the type of person that bought it. Even Ashton Davies, Chief Commercial Manager of the LMSR, admitted 'we knew very little about what sort of traffic it really was' and it seems this conclusion holds true of the SR.[66] The LMSR went on to undertake market research in 1933 to help rectify the omission but it concentrated on the distance travelled rather than the identification of the traveller. With such an absence of contemporary data, analysis has to be speculative. Since the early railway companies believed that a select, high-class business would be the most profitable, customers would be drawn from higher income groups.[67] However, the Midland Railway's abolition of second class in favour of improved third class accommodation in 1874 began a process of progressively extending rail travel to lower income groups.[68] Gradually other railway companies adopted this approach but to what extent it had increased lower income group usage of rail travel by the interwar years is almost impossible to estimate.

What appears to be the earliest study of the social status of rail users used data from the 1972 Family Expenditure Survey, based on a representative sample of some 7,000 households. The richest twenty per cent of the sample accounted for fifty one per cent of personal expenditure on rail travel: the remaining forty nine per cent was spread over the other groups, declining in each successive quintile until the poorest twenty percent who only accounted for five per cent of personal expenditure on rail

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62 O'Connell, *The Car and British society*, 38.

63 John Hibbs, *The Country Bus*,. (Newton Abbot: David and Charles, 1986): 16.

64 *Ibid.*, 24.

65 *The Times*, 19 March 1929, 25.

66 TNA, RAIL 1107/12.

67 David Norman Smith, *The Railway and Its Passengers.* (Newton Abbot: David and Charles, 1988): 19.

68 *Ibid.*, 21.

travel. Since the highest income groups presumably account for most of business travel, its inclusion would strengthen the conclusion that rail passengers are drawn from higher income groups.[69] Although data for 1968 and 1970 showed a similar result, extreme care should be taken when using it as a guide for the inter-war years. However, its demonstration that the poorest sixty per cent of the sample accounted for almost half of personal expenditure on bus travel is consisistent with the earlier discussion and so gives some confidence of the applicability of the rail data.

Reviewing this information, it seems reasonable to conclude that bus and rail in this period did not both serve exactly identical customers. Of course some would use both modes. However, higher income groups would tend to favour rail and lower income groups would choose the bus. This can be further confirmed by the poor quality service offered by buses in the first part of the period. An uncomfortable ride, possibly cold and wet if no weather protection was provided, would only be used by those attracted by the cheaper fare. And that would be lower income groups. More work is needed to determine the degree to which rail and bus served different markets. But this analysis concludes that, whatever the result, the SR investment in bus companies was justified.

Turning to the different geographical areas served by buses, Hibbs points out their convenience. By the end of the 1920s there was scarcely a village that did not have a bus service at least once a week into the nearest town. And those who lived on a route between two towns might have a half-hourly service, which was better than many railway branch line services.[70] The bus stopped more frequently than the train and so was able to serve more customers directly. No walk was needed to reach the station and in towns the customary terminus was the market square, probably more convenient to passengers for shopping or social purposes. An admittedly extreme example of lengthy walks to train services was the Basingstoke to Alton line, where the intermediate stations were at least a mile from the communities they served.[71] Winchester illustrates the buses 'convenience; the bus station of 1935 was on the north side of the main street.[72] By contrast the railway station was some three quarters of a mile from the town centre.

The principal services of the ten SR associated bus companies fell into Howley's second type, those outside towns. Some operated long-distance services, as well as excursions and private hire. However, these were a small part of their business: predominantly they were operators of stage carriage services. Southdown, arguably the largest operator of express coaches of the ten, drew only ten per cent of its

69 Richard Pryke and John Dodgson, *The Rail Problem*. (London: Martin Robertson, 1975): 195.

70 Hibbs, *The Country Bus*, 26.

71 W. J. K. Davies, *Light Railways*. (London: Ian Allan, 1964): 55.

72 Colin Morris, *History of Hants & Dorset Motor Services.* (Newton Abbot: David and Charles, 1973): 134.

income from them.[73] Nationally receipts from express services were some five per cent of total receipts in the late 1930s.[74] Admittedly this is fragmentary information but it seems to support the preponderance of stage carriage business.

With regard to local services, the SR served two passenger markets. The London suburban services differed greatly from the rest. Largely electrified, they took passengers to work or on leisure trips to London. Essentially suburban in character, they were less exposed to road competition, because they offered a faster and more frequent service in an area prone to traffic congestion. By contrast the remaining passenger services were mainly rural in nature, taking passengers to market towns or providing inter-urban links. It was here that the SR was susceptible to bus competition. Not so much because rail passengers transferred to road but rather the lower cost of bus travel developed a new market. Those who had not previously been able to afford rail fares now travelled by road. By the very nature of its services the SR could not participate in such markets.

There was some competition with rail in the other types of bus market. Although slower, long distance coaches were cheaper than rail services, which enabled them to compete. The relatively short distances from London to South Coast destinations meant that the SR was affected by this competition earlier than other railway companies. In the excursion market coaches competed not only with rail but with other coach operators. Again the SR suffered from the attractiveness of the South Coast for such trips. And finally private hire to some extent competed with party travel by rail. Indeed, the more bespoke service that could be given by coach gave it a competitive edge rail found hard to match.

Substitute products in competition theory

Although the bus companies developed new markets, some of their users must have made journeys by bus which they had previously made by train. Expanding markets for bus but static ones for rail exemplify the effects of substitute products, a phenomenon analysed in modern competition theory. Since the fear of such substitution was a major reason why the SR became involved in bus companies, it is worth briefly considering the implications. Moreover use of the theory helps identify the strategic thinking and management action that companies facing competition have to undertake. Exploration in later chapters of how the SR behaved can be guided by the analysis here.

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73 TNA, RAIL 650/9.

74 Munby, *Inland Transport Statistics Great Britain*, 252.

Of the five basic forces affecting competition in an industry, the threat from substitute products had the strongest effect on the SR.[75] As the other four each had a much lesser effect, they need not be so closely examined. Whilst there was some threat from the bargaining power of customers and of suppliers, there was none from new entrants to the rail industry and little from the jockeying for position from those already in it. The structure had been established by statute and the companies largely peacefully coexisted with one another. By placing a ceiling on the price that can be charged for an existing product or service, the theory holds that substitutes limit the potential of an incumbent.[76] The study of the SR and bus markets earlier in this chapter has illustrated this effect. Unless the product quality can be upgraded or differentiated in some way, an incumbent industry's earnings will suffer as well as its growth.[77] Again the previous sections have shown evidence of this taking place on the SR. There was some improvement in its earnings but the company did not shown any major growth in its passenger markets.

The theory suggests that those substitute products with the greatest potential – therefore requiring the most strategic attention – are those that improve the price-performance trade off by comparison with the incumbent industry's product or are produced by industries earning high profits. Substitutes come rapidly into play if some other development increases competition in their industries and causes some combination of price reduction or performance improvement.[78] Both price reduction and performance improvement was experienced in the bus industry during the early years of the SR. Competition between bus companies intensified in the early 1920s, causing fares to reduce. Meanwhile vehicle technology improved to give a better standard of passenger comfort at a lower cost. The result was a bus industry charging cheaper fares for more comfortable and convenient services. It necessarily required the SR's strategic attention.

Specific defensive strategies have to be developed for industries with declining demand. In those cases where the industry has competitive strengths to cater for the remaining demand and is likely to go through an orderly decline, companies can either seek market leadership (by takeover or predatory competition) or defend a niche.[79] Obtaining market leadership by becoming one of the few companies left in the railway industry was not really an option for the SR. For example, it could not very easily purchase the GWR or drive it out of business. By contrast a niche

75 Michael E. Porter, *On Competition*, (Boston: Harvard Business Review, 1998), 21

76 *Ibid*., 21.

77 *Ibid*., 32.

78 *Ibid*., 32.

79 *Ibid*.,112.

strategy was very possible. Here a segment of the industry that will maintain a stable demand or only decline slowly is identified, with structural characteristics that will allow high returns. A company then moves to gain a strong position in that segment, whilst disinvesting from others.[80] The most obvious example of this niche strategy for the SR was the development of its electric suburban network.

Experience has shown that those companies that are most successful about managing decline are those that are participants in the substitute industry. They have a clearer perception of the prospects of the substitute product and the reality of decline.[81] With its participation as both a collaborator with and an investor in the bus industry, the SR is an example of this principle. Its perception of bus as a substitute product to rail is assessed in operational terms in chapters five and six, whilst the financial return is evaluated in chapter seven.

Competition theory therefore suggests that, among suitable strategies, a firm in a declining industry can specialise in niche markets and participate in the industry producing the substitute product. As will be seen, the SR did both of these things. However, the attraction to the SR may well have been the opportunity to gain the financial rewards associated with a new and expanding market rather than merely shoring up the declining market of its rail business. In support of this, Sir Herbert Walker stated the company's entry into the air market, a yet more specialist substitute product, was to obtain a financial return to replace the business lost from its main rail business.

The need to obtain parliamentary powers delayed all four of the railway companies from participation in the bus industry until 1928. By then its growth had begun to slacken. Whilst chapter three shows that there had been unsuccessful attempts to participate in the bus industry before then, the timing of renewed efforts may have been thought best when the threat from the substitute industry could be clearly demonstrated. Certainly any charge of managerial resistance, a pitfall recognised in competition theory, is hard to sustain. Here managers' emotional attachments and commitments to a business prevent action based on purely economic grounds.[82] However, as chapter three also demonstrates, the threat from bus as a substitute for rail was appreciated by the SR and the three other railway companies almost from their inception. The need to participate in the industry producing the substitute was equally clearly seen. The difficulty was how to achieve it.

80 *Ibid.*,110.
81 *Ibid.*,116.
82 *Ibid.*,107.

Conclusions

This chapter has shown the SR's predominant business throughout the period was the carriage of passengers, especially in third class. Overall the passenger business remained broadly static with occasional short term deterioration. The SR made increasing use of reduced fares to retain this business with the inevitable consequence of a decline in average fares. The evidence suggests 1927 was the year in which the SR began significantly to feel the effects of road competition. By contrast the bus companies in its area saw an expansion of receipts throughout the period; 1927 was double 1923 and the growth continued. By 1938 the bus receipts were a half of SR passenger receipts, having grown from just a tenth in 1923. Nevertheless the SR was better placed than the other railway companies. The degree to which the SR and the bus companies competed for the same market is hard to assess. It seems rail passengers were from higher income groups but the bus offered a more convenient service by serving the origin and destination of a passenger's journey more closely. Bus was a substitute product for certain levels of rail service. Competition theory suggests that one strategy for a firm in a declining industry is for it to become involved with the substitute product.

As the following chapters will demonstrate, the SR, together with the other railway companies, did become involved in the bus industry. Because it was better placed than its fellows in terms of rail passengers, the SR perhaps did not do so with such urgency. But it shared the general view within the railway industry that by 1927 road transport had become a serious rival and the bus was the most serious competitor for passenger traffic. The bus industry's rapid expansion must have appeared threatening. The four railway companies therefore determined on a joint approach in the following year.

3. Establishing the principles of bus policy

Had success been achieved earlier, inter-relationship of road and rail traffic might have been effected, but in the circumstances then obtaining it became necessary to co-operate with established road undertakings…
LONDON MIDLAND AND SCOTTISH RAILWAY[1]

The railway companies appreciated the rise of the motor vehicle as a serious competitor to rail transport as early as 1921, when they unsuccessfully applied for parliamentary powers to carry passengers and goods by road.[2] An isolated attempt by the nascent LMSR in the next year also failed.[3] Not until 1928 was a third, successful, attempt made by the four grouping railway companies and the Metropolitan Railway, all acting in concert. However, changes in the intervening years limited the companies' ability to exercise the powers which they had been granted. Moreover, what had seemed to be a glittering prize, sustaining the political struggle to achieve it, turned out to be very much less attractive when it was finally realised. Although road transport competed for both passenger and goods traffic, only the SR's strategy in relation to buses is considered here. Whilst its passenger traffic predominated, the SR had little ability to influence its goods business, where the traffic it received outweighed the traffic it forwarded.

As policy in relation to road competition was developed in unison by the railway companies, this chapter necessarily considers the SR with its fellows. Even implementation followed a broadly common line. But, although in public the companies spoke as one, they were, as one historian has remarked, '…quite different companies with different interests. In private, opinions and practice differed markedly.'[4] So the SR's particular circumstances will be noted. However, when the relations between the SR and individual bus companies are considered in chapter three, the company can be considered in relative isolation.

The effectiveness of the policy the railway companies, including the SR, devised to react to road competition is assessed in this chapter of seven sections. The first

1 The London Midland and Scottish Railway Company, *A Record of Large-scale Organisation and Management 1923-1946.* (London: The London Midland and Scottish Railway Company, 1946): 18.

2 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 145 (27 July 1921), Cols. 489-492.

3 *Railway Gazette*, 16 June 1922, 981.

4 G. L. Turnbull, Review of *Railway Policy between the Wars*, 88.

identifies the historical actors. The second begins with a brief consideration of the unsuccessful attempts in 1921 and 1922. But its main focus is an appraisal of how well the threat was identified and the effectiveness of later attempts to respond to it. The third section is concerned with the politics that led to the 1928 Acts. It focuses on how the bills were framed, the reaction to them from government and the bus industry and the process of gathering support. Next the conflicting arguments put forward by the SR and the principal bus operator about passenger transfer from rail to bus is examined. The fifth section reviews the detailed provisions of the Act and the MOT's role in shaping it. The next section discusses the SR's dilemma of whether to operate bus services directly. Finally the eventual agreement with the bus industry is considered.

The key actors

To appreciate the main thrust of the SR's later bus policy, we need to know who had an interest in the railways attempts to move into public road transport, as well as understanding the causes of their failure to do so in 1921 and 1922. Those involved can be broadly considered in three groups: the railway companies; the bus industry; and the state. In some cases these interests operated through corporate bodies, allied with one of the three groups.

Taking the railway companies first, the SR's representatives were Brigadier-General Everard Baring, the Chairman, Sir Herbert Walker, the General Manager and Gilbert Szlumper, the Assistant General Manager. Baring was largely occupied with the strategic direction of the company and Walker and Szlumper with its management. The RCH was a very important organisation in the inter-war period, primarily concerned with the relations between railway companies: its meetings were attended by Walker and Szlumper. Similarly the RCA was primarily a coordinating body concerned with relations with the Government and external bodies; its meetings were attended by both Baring and Walker.

Walker's counterparts were Sir Josiah Stamp of the LMSR, Sir Ralph Wedgwood of the LNER and Sir Felix Pole of the GWR. With Pole ill during 1928, his place was temporarily filled by James Milne, the Assistant General Manager.[5] A fifth company, the Metropolitan Railway, which remained independent until 1933, was involved in seeking road powers. Although its application in 1928 was ultimately unsuccessful, Robert Selbie, its General Manager, participated in RCH and RCA meetings. Baring's counterparts, William Whitelaw of the LNER and Viscount Churchill of the GWR, joined him at the RCA. However, the LMSR's unique organisation meant Stamp

5 Felix J. C. Pole, *Felix J. C. Pole His Book.* (Reading: Privately Circulated, 1954):, 97.

combined the roles of Chairman and President of the Executive (equivalent to General Manager) and could speak as both at the RCA.

In the bus industry there were two major holding companies, British Electric Traction (BET) and Thomas Tilling. Sidney Garke was Chairman of British Automobile Traction (BAT), the BET subsidiary responsible for its bus operations. Walter Wolsey and John F Heaton (later Sir Frederick Heaton) were directors of Tilling, both greatly involved with its bus operations. BET and Tilling merged their bus subsidiaries into a joint company Tilling and British Automobile Traction (TBAT) in May 1928.[6] At that time TBAT ran about 3,000 of the 11,000 buses operated by LPOOA.[7] This was a trade body for the United Kingdom bus industry on whose Council Garke represented the provincial bus industry.[8] Sometimes, especially at the parliamentary Select Committee, it was difficult to establish if Garke was speaking on behalf of TBAT or LPOOA.

The key figures in the state – primarily the MOT – and parliament were Stanley Baldwin, the Prime Minister, Winston Churchill, Chancellor of the Exchequer and Wilfred Ashley, Minister of Transport. They all held office in Baldwin's Conservative government of 1924 to 1929.[9]Although J H Thomas was in opposition, he had been a National Union of Railwaymen (NUR) sponsored MP since 1918.[10] In addition, he was the union's Parliamentary General Secretary.[11] With such a background he was often involved with the railway companies' campaign, most notably through the RCA.

Identifying the threat and finding a response

The issue of road competition first arose while the railways were still under state control. Aware of the growth of road transport, the REC asked the Minister of Transport, when the bill that became the Railways Act 1921 was under discussion, to obtain powers for all railway companies to carry goods by road.[12] Geddes appointed a committee in January 1921 to review the matter, which, unable to agree, submitted three reports in March 1921.[13] In view of this conflicting advice, the Minister felt unable to include such powers in the bill.[14] Unwilling to lose the opportunity, in

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6 Charles E. Lee, 'Voluntary Organisation', *Bus and Coach*,, August 1948: 292.

7 Parliamentary Archives, London, HC/CL/PB/2/94/5.

8 TNA,RAIL 431/66 Part 5.

9 Mowat, *Britain between the Wars*, 671; *Who's Who of British Members of Parliament Volume III 1919-1945.* (Brighton: The Harvester Press, 1979: 11.

10 David Howell, *Respectable Radicals*, (Aldershot: Ashgate, 1999): 255.

11 *Ibid*., 247.

12 Pole, *His Book* , 95.

13 Ministry of Transport, *Reports of the Committee on Road Conveyance of Goods by Railway Companies.* (London: His Majesty's Stationery Office, 1921).

14 Pole, *His Book*, 96.

July 1921 the railway companies, through their parliamentary representatives, tabled a clause in the report stage of the bill to allow them to carry passengers and goods by road.[15] However, in response to a request from Sir William Joynson-Hicks, a Conservative M.P. opposed to granting such powers, the Speaker ruled it out of order, requiring special legislation.[16]

Trying to revive the issue late in 1921, the nascent LMSR promoted a bill to obtain road powers.[17] During the first world war goods had been carried by some of its constituents exclusively by road. It had now gone beyond an experiment; road transport '…would form a very important factor in future…'. Application for passenger powers was therefore dropped in favour of the more important freight.[18] Pole wrote to Walker that '…individual action of this kind [was] unfortunate, as if it were to fail (a not unlikely result), the railway position in this respect would be further impaired.'[19] Unfortunately his prediction was fulfilled. Since at a very late stage the MOT contended that railway rates should be charged for such journeys, rather than a distinct road rate, the LMSR withdrew the bill in June 1922, despite the fact that the proposal had already been agreed with traders.[20] However, the unattractive rates that would have resulted had the Ministry proposal been enacted were probably the main reason for the withdrawal. Although the company considered another application, and attempted to involve others, it met with little support. Certainly none of the SR constituents agreed to become involved.[21]

As Pole discerned, tactically an immediate return to parliament with substantially an identical bill to that just withdrawn would be unwise. In addition, amalgamation schemes preoccupied the railway companies; when complete, contemporary expert opinion in the shape of an Edinburgh University lecturer in economics felt 'the matter of road powers will again be brought up'.[22] Consequently activity ceased temporarily. The SR's new organisation was approved in principle by the Board in June 1923.[23] Appointments began to be made from 1 July.[24] Eventually the introduction of the new organisation was completed in 1924.[25] When the amalgamation process was finished, the railway companies' attention returned to the road threat once again acting in unison. Activity began afresh.

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15 *Railway Gazette*, 22 July 1921, 168; *Railway Gazette*, 29 July 1921, 234.
16 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 145 (27 July 1921), Col. 491.
17 *Railway Gazette*, 25 November 1921, 830.
18 *Railway Gazette*, 26 May 1922, 867.
19 Pole, *His Book* , 96.
20 *Railway Gazette*, 16 June 1922, 981.
21 TNA, RAIL 414/85.
22 K. G. Fenelon, *The Economics of Road Transport.* (London: George Allen and Unwin, 1925): 195.
23 TNA, RAIL 645/3.
24 *Railway Gazette*, 15 June 1923, 889.
25 *Railway Gazette*, 14 March 1924, 388.

The railway companies harboured two grievances against road transport. As ratepayers, they contributed greatly to the upkeep of roads they could not use except for local collection and delivery. By contrast, competing motor transport did not pay for their upkeep but its greater usage increased the maintenance costs borne by ratepayers.[26] Philip Snowden, a Labour M.P., saw a conspiracy to keep the railways off the roads, '…engineered by motor interests…'.[27] Whilst there is scant evidence of a plot, many were opposed to railway companies operating road services, as will be seen later.

After discussion in May 1925, the General Managers established a RCH sub-committee to suggest 'what action should be taken to safeguard the Companies interests' from road competition for both passengers and goods.[28] Szlumper represented the SR on this Committee. Reporting in July 1925, it concluded that bus services were the main competition for passenger traffic. 'A large volume of short distance traffic has undoubtedly been diverted from rail to road' and practically 'all the coast towns in Kent, Sussex and Hampshire are now linked up by such services'.[29] A cartel was beginning to form. The majority of large proprietors were members of the LPOOA and specific parts of Britain were being allocated to different companies. In addition services competing with rail were in the hands of a few comparatively large companies, which were gradually obtaining a monopoly of a district.[30] This was a perceptive assessment of the bus industry but not of the competition it offered.

Examples were given in the report of competing bus services. The ten submitted by the SR, drawn from Kent, Sussex, Surrey or Hampshire, showed in each case a lower fare and a longer time than the comparable railway journey. Dover to Folkestone was one of these services. The rail fare was 10d (4p) and the bus 8d (3.5p); the rail journey time was 17 minutes and the bus 35 minutes. 'Several Companies' were shown as providing a fifteen minute interval bus service.[31] This example was cited later in evidence to the Parliamentary Select Committee. As will be seen, debate turned on whether the loss of traffic here was principally due to bus services or to the private car. In considering too, the effects of competition between bus operators, the reason why there were several companies became apparent.

Of the four recommendations of the RCH sub-committee, three related to

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26 *Railway Gazette*, 23 December 1921, 948.
27 *Railway Gazette*, 12 January 1922, 70.
28 TNA, RAIL 1080/672.
29 TNA, RAIL1080/672.
30 TNA, RAIL1080/672.
31 TNA, RAIL1080/672.

passengers. The overall aim was to rectify what were seen as the unjust advantages of road transport. At this stage the concern was only with the general principles and not its effect on particular firms or areas. The MOT should be lobbied to point out that its policy of subsidising road transport was not in the interests of trade and the travelling public. A campaign should be launched to publicise the unfair conditions placed on the railway companies compared to road transport. Finally bodies such as Chambers of Commerce should be helped to press the government for increased duties for heavy road vehicles and the introduction of a tax on fuel.[32] With the plan framed, focus switched to its implementation.

Action began at the RCA in October 1925, when the recommendations, supplemented by the views of the General Managers, were considered. It was decided to campaign indirectly by approaching 'Local Authorities and other bodies with a programme of action and endeavour to secure the general support of those bodies'.[33] While further regulation of motor traffic might ultimately become necessary, it was advisable to concentrate presently 'on the proposals for increase or redistribution of taxation'.[34] Szlumper was one of the four members of the sub-committee charged with this work; his role was to approach the Automobile Association and the Royal Automobile Club.[35]

By the end of the year this approach had effectively failed. The sub-committee reported that, although the bodies were sympathetic, the difficulties in organising combined action would mean an undesirable delay.[36] The General Managers consequently decided on a direct approach. The companies would lobby the government, expecting support, once the movement started, from the bodies the sub-committee had consulted.[37] Pressure began when the RCA wrote to the Prime Minister about a '…most serious…' situation of '…national importance…', requiring '…the early attention of His Majesty's Government'.[38] Although the RCA asked Baldwin to receive a deputation, he invited them to meet the Minister of Transport.[39]

In March 1926 the meeting took place. Baring and Walker were the SR members of the RCA deputation of thirteen, which included the railway trade unions, and was led by Whitelaw. Their main point was the 'wholly unfair' conditions under which road transport competition had developed and their wish to see these changed.

32 TNA, RAIL1080/672.
33 TNA, RAIL 1098/61.
34 TNA, RAIL 1098/61.
35 TNA, RAIL 1098/61.
36 TNA, RAIL 1098/62.
37 TNA, RAIL 1098/62.
38 TNA, ZLIB 15/29.
39 TNA, RAIL 1098/62.

Without it 'we are going to undermine the whole financial basis of the Railways Act'. Ashley suggested an alternative approach. If the other companies emulated the SR by electrifying suburban lines, it would enable them to 'regain a substantial amount, if not all, their lost passenger traffic'. The contemporaneous Electricity Bill would 'give cheap and abundant electricity to all and sundry' to 'enable the railway companies to extend their suburban electrification'. He admitted the SR was better placed for passenger traffic in this regard; as Wedgwood said, the LNER was hard hit in the areas around towns 'where nobody has suggested electrifying because the traffic is not dense enough'.[40] Despite this rebuttal, the idea of responding generally to passenger losses by more electrification continued to be advanced, most notably by the Royal Commission on Transport (RCT) in 1931. However in 1926, since the nub of the RCA case was the unfairness of the £1.5m the railways provided for the upkeep of the roads being used by its rivals, Ashley felt that the argument would be better put to the Chancellor of the Exchequer.[41]

A second smaller deputation, including Baring, made their case to Churchill. He in turn affirmed that 'taxation of motor vehicles ought to be proportionate, as nearly as possible, to the wear and tear they inflict upon the roads'.[42] The deputation's efforts had some reward by the increased taxation of heavy road vehicles in the 1926 Finance Bill but the RCA felt it should be 'left to the General Managers to decide whether any further action should be taken'.[43] Feeling unsatisfied, they reconvened the RCH Sub Committee in October. The next month Pole returned to the subject at the RCA, citing a proposed arterial road from Liverpool to Salford as an example of unfair competition. His intervention was a catalyst. The General Managers asked the Minister of Transport to receive another deputation to discuss both this scheme and 'the whole question of road motor competition'.[44]

Again Ashley thought the subject more appropriate for Churchill, as the central concerns were grants for and Parliamentary control of road building. So in March 1927 a twelve person deputation from the RCA and the railway trade unions, of whom Baring was one, was received at the Treasury. Professing agreement with the deputation in principle, Churchill saw '…all kinds of practical difficulties in the way of a change to a block grant system.', which the RCA advocated to replace percentage grants for roads.[45] Despite fine words, he sounded as if he intended to take little action. Sensing that no more could be expected from this approach,

40 TNA, RAIL 1098/62.
41 TNA, RAIL 1098/62.
42 TNA, RAIL 1098/62.
43 TNA, RAIL 1098/62.
44 TNA, RAIL 1098/62.
45 TNA, RAIL 1098/63.

and mindful of the continuing loss of short distance traffic to bus competition, the General Managers concluded a week later that it was now time to seek powers to operate their own motor vehicles.[46] The campaign to reduce state support for road infrastructure had run its course and met with limited success. If the terms of competition could not be greatly changed, it was time to try another option, more direct action. But, as much had changed in the industry since 1922, substantial opposition to bus operation by railway companies could be expected. Reviewing how the railway powers were sought requires an appreciation of these changes.

Achieving the Acts

Since the application for road powers in 1922, the bus industry had developed in the ways discerned in the 1925 RCH report. Three are especially important. First, demand for bus services had greatly increased. In passenger miles the increase was just over two and a half times from 3,451 million passenger miles in 1921 to 9,075 million in 1927.[47] Consumers' expenditure was a less dramatic rise of one and half times, from £33.3m to £57.2m over the same period.[48] This confirms the reduction in average bus fares. To cater for this increased demand, as Hibbs observes, there was '…expansion on a grand scale. By the end of the decade, the network of bus services that we have today had been established'.[49] Second, the system of territorial agreements had come into force, a concept originated by Garke. Almost from the outset individual bus companies aimed to achieve a monopoly of operations in their area. By negotiating with neighbouring companies, the larger operator could achieve legally binding contracts which laid down the boundaries of each company's services. These agreements were drawn up largely during the 1920s.[50] They formed a key part of the cartel recognised in the 1925 RCH report. Third, ownership in the industry had become concentrated into larger groups, notably BAT and Tilling. The groups were holding companies with major shareholdings in subsidiaries which operated the bus services in particular areas. The pattern of shareholdings was complex; some operating companies had both BAT and Tilling as shareholders, whilst Tilling itself held shares directly in BAT.[51] Ostensibly to rationalise this complex situation, TBAT, a jointly owned subsidiary had been set up in May 1928.[52] In turn TBAT held shares in the operating companies. But, as most of the BAT and Tilling bus operations were included in TBAT, the real purpose was

46 TNA, RAIL 1098/63.

47 Stone and Rowe, *The Measurement of Consumers' Expenditure*, 72.

48 *Ibid.*, 72.

49 Hibbs, *The History of British Bus Services*,, 71.

50 *Ibid.*, 72-73.

51 *Ibid.*, *74*.

52 Lee, 'Voluntary Organisation', 292.

more probably the *Economist* suggested 'to achieve a pooling of forces before the granting of Parliamentary road powers to the railways'.[53]

These three factors meant that there was a more determined and united opposition from the bus industry in 1928 than in 1921. That opposition, lead by Garke, would be seen both in Parliament and in subsequent negotiations about ownership and operations between the railway companies and the bus companies. To satisfy it, an accommodation with the Garke group would have to be found. A starting point was the framing of the railways' parliamentary bills; the bus industry's reaction necessarily would greatly depend on what proposals were advanced.

To achieve road powers, the railway companies' solicitors advised a public bill introduced by the government would be appropriate, requiring an approach to the MOT.[54] Stamp was doubtful if the government would be prepared to introduce a public bill and advised that the alternative course of applying jointly or individually for a private bill ought to be considered. At this point the SR made what was to prove a crucial intervention: Walker suggested a further alternative was 'to seek for powers to subscribe to road traffic undertakings'.[55]

The RCH sub-committee initially recommended that the MOT be approached to introduce a public bill. If the Ministry would not do so, an attempt should be made to obtain its support for private bills.[56] Although Wedgwood felt the companies' existing road powers could be further developed, it was finally decided to seek an informal meeting to 'ascertain the views of the MOT on the subject generally'.[57] Whilst no record of such a meeting survives, the government appeared non-committal. Although Ashley felt the companies were '…entitled to support from the Government', the Cabinet decided 'he could express no opinion on the question of principle until the Government had seen the Bill.'.[58] With no clear guidance and the final date to deposit a bill for that session approaching, the RCA decided to apply for five separate private Bills (one for each of the four amalgamated companies and one for the Metropolitan Railway), although the principles of each were identical. To ensure consistency, a single parliamentary agent was used for all five bills, entrusted with the conduct of the proceedings.[59]

Ashley promised that the government would support the applications, using the

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53 *Economist*, February 17 1934, 354.
54 TNA, RAIL 1098/63.
55 TNA, RAIL 1098/63.
56 TNA, RAIL 1098/63.
57 TNA, RAIL 1098/63.
58 TNA, MT6/3290/1.
59 TNA, RAIL 1098/63.

Select Committee to make any amendments it thought desirable. One government concern was a closer definition of the area in which each railway company sought powers to run road services. Stamp appreciated the point but thought it was difficult to find a tighter wording. More seriously Ashley pointed out it would be possible to get out of two clauses by handing over the business to some subsidiary. These were the power of the Railway Rates Tribunal to modify fares charged on road services to what it thought just and the treatment of road services as an ancillary business of each railway company. He asked if the companies would accept the obligations imposed by these clauses in cases where they actually exercised control. Stamp said 'there was no intention of handing over to a dummy'.[60] However, the issue of control would recur in negotiations with the bus companies. The key point to note is that lack of control could enable some onerous requirements of the Acts to be avoided. Whilst the government was broadly supportive, although not to the extent of promoting the necessary legislation, unsurprisingly the road transport industry was not.

The bus industry's initial approach was via its two trade bodies, which sought meetings with the RCA. The Municipal Tramways and Transport Association was concerned to protect local authority tram and bus networks from railway-operated bus competition, a task in which they were ultimately successful. More significantly as far as rural services were concerned the LPOOA at first sought an exchange of views. Told the railway companies wanted powers to use the roads under the same conditions as other carriers, Garke said LPOOA hoped the powers sought were limited 'for the purpose of filling gaps'.[61] The LMSR Solicitor, responded it would be impractical for the railway companies to be limited to specific routes; they hoped to co-operate with road service interests. There are signs that the larger bus concerns were keen to work with the railways and this led to greater concentration within the bus industry: Garke saw the 'control of the irresponsible operator' as the principal difficulty.[62] However this was not a universal stance: Richard Howley of LPOOA saw no current possibility of co-operation and felt it would have to oppose any application for unrestricted powers. Similarly the railway companies displayed no common line. The LNER Solicitor, was antagonistic. The railways intended to compete wherever omnibus services paralleled railway lines 'to get back the traffic which they had before'.[63] Milne was conciliatory. The railway companies might act in concert with LPOOA to limit licences; that is exactly what the GWR had done in 1925. Although Garke supported Milne's suggestion, Howley said no co-operation

60 TNA, RAIL 1098/63.
61 TNA, RAIL 1098/63.
62 TNA, RAIL 1098/63.
63 TNA, RAIL 1098/63.

was possible until road competition could be restricted.[64] Thus the meeting achieved little but an exchange of views.

In November 1927 the RCA agreed that virtually identical Private Bills should be deposited by each of the five companies. Stamp probably took the lead: the LMSR's bill was to be put forward as the exemplar to settle the main points of parliamentary debate.[65] Stamp also took the major role in the subsequent negotiations with TBAT. But the parliamentary battle had to be won. To help advance their case, the railway companies canvassed support. A concerted campaign from December saw a memorandum of the companies' case issued in large quantities for trade associations to pass on to their members. Naturally the railways claimed the object was not to create a monopoly of road transport but rather to further the public interest. J H Thomas was an active participant for the companies; he was asked to help secure support for the case from one of the large newspaper groups.[66] Privately Stamp expressed to Walker the view that the press could be paid 'a reasonable sum' to secure publicity for the railway viewpoint but not so as to exclude 'other points of view'.[67] A week later it was decided to send sufficient copies of the finalised memorandum to the Association of British Chambers of Commerce, the Federation of British Industries and the Mansion House Association on Railway and Canal Traffic to circulate their members. In addition each railway company would distribute copies to its shareholders and staff. *The Times* and *Daily Telegraph* had each approached Stamp offering to insert a copy of the companies' case for road powers. This was accepted and a copy of the memorandum would be provided as a basis for editorial comment.[68]

In view of the significance of the issue, the crucial debate on the second reading of the LMSR's bill was scheduled for two evenings. *The Times* was supportive; 'members who are convinced that the measure is both just and expedient should be in their places when the division takes place'.[69] Despite differences of opinion, including the fear the bill would 'squeeze all the small motor omnibus companies off the roads', the debate was conducted in a 'mutual atmosphere proper to…questions affecting two important national services'.[70] The LMSR Bill was given a second reading by the substantial majority of 399 votes to 42, an indication in the view of *The Times* that it was 'for the general good of the community'.[71] The other four bills were also

64 TNA, RAIL 1098/63.
65 TNA, RAIL 1098/63.
66 TNA, RAIL 1098/63.
67 TNA, RAIL 431/66 Part 3.
68 TNA, RAIL 1098/63.
69 *The Times*, 28 February 1928, 17.
70 *The Times*, 1 March 1928, 15.
71 *The Times*, 1 March 1928, 15.

given a second reading and all were referred to a Select Committee of both houses of parliament. In these hearings, Walker was the principal SR witness.

Conflicting rail and bus arguments

Although each General Manager appeared before the Select Committee, only Walker's evidence is examined here, since he was the only one with detailed knowledge of the SR's position. Even though passenger receipts had only fallen by some £0.2m between 1923 and 1927, the increase in electrified suburban services and in Continental traffic masked a decline in the remaining traffic. Pressed to give an estimate of that decline, Walker said comparing 1927 with 1925, there was a fall of some £0.4m to £0.5m a year in passenger receipts attributable to road competition. The SR was 'holding our own, perhaps a little better than the others, partly on account of electrification'; by contrast, the LMSR had lost £2.5m, the LNER £1.9m and the GWR £0.6m.[72] Their greater shortfall may help explain why the LMSR and LNER took the lead in subsequent negotiations to enter the bus industry.

Walker felt powers to run road services would enable the SR to feed both their electric and steam services from such places at Dorking, Caterham or Hayes. This would enable traffic to be retained on rail rather than be diverted to road. 'Within limits' Walker felt the SR could introduce such services without driving others off the road. Pressed on his example of Caterham, he admitted the existing bus services passed the station but the operators 'encourage the people to go on by through fares to their destination'. Any SR service would use the station yard 'to encourage them to go on by railway', although any competitor would not be allowed to do so. While agreements could already be made with road operators, powers were sought to use railway capital to extend such agreements.[73]

Debate then turned to the causes of the passenger decline. Walker stated that road competition had been responsible for both a falling off of rail traffic and an inability to attain so great an increase as there would have otherwise been. 'We are quite certain' the cause was both the private car and the public vehicle 'but in what proportions it is impossible to say'. But 'a lot' of traffic losses were between Dover and Folkestone, Folkestone and Canterbury, Canterbury and Ashford as well as Maidstone and Chatham. 'Mostly we believe [they were] by public vehicles'.[74] Walker had thus identified buses as the major competitor but Garke was to cast much doubt on that.

72 PA, HC/CL/PB/2/94/5.
73 PA, HC/CL/PB/2/94/4.
74 PA, HC/CL/PB/2/94/4.

Garke appeared before the Committee to represent the views of the LPOOA; his evidence gravely damaged the railway case. He began by observing the extent of abstraction by bus services had been 'very grossly exaggerated' by the railways. The competitor was the car, which was also a serious competitor with bus services. The railway contention that the car was responsible for taking only twenty five per cent of its traffic was 'almost ridiculous'. To prove his contention Garke had undertaken a number of road traffic censuses, which are summarised in Table D. Even allowing for the partisan origin of the censuses, the implications were clear cut. Later surveys at the Committee's request still did not conclude that the bus was the major cause of railway traffic loss. One site just outside Brighton showed seventy one per cent of the people passing were conveyed by cars on a weekday, which rose to eighty three per cent on a Sunday. Comparative figures were twenty per cent and twelve per cent by bus with seven per cent and one per cent by charabanc.[75]

Table D – Road traffic – Percentages of passengers passing a point on certain routes in April and May 1928

		Car and Motor Cycle %	Bus %	Charabanc %
Folkestone – Dover	Friday	41	54	3
	Sunday	53	40	2
Folkestone – Canterbury	Friday	73	8	15
	Sunday	88	4	5
Canterbury – Ashford	Friday	68	11	16
	Sunday	84	4	10
Canterbury – Faversham	Friday	73	16	5
	Sunday	85	5	7
Maidstone- Sevenoaks	Friday	78	12	1
	Sunday	85	9	2
Brighton – Lewes	Wednesday	71	20	7
	Sunday	83	12	1
Eastbourne- Hailsham	Wednesday	68	22	6
	Sunday	86	5	7
Portsmouth – Fareham	Wednesday	68	16	7
	Sunday	77	9	3

Source: Parliamentary Archives, London, HC/CL/PB/2/94/5, Appendix H

Garke had deliberately surveyed many of the routes identified by Walker. Discussion concentrated on Dover to Folkestone, where Garke's local company, East Kent, operated. It was an extreme case of abstraction by road. Since 1925 there

75 PA, HC/CL/PB/2/94/5.

had been much competition between bus operators. Fares had been cut and were as little as 3d (1p) for the seven mile journey. By contrast, the rail fare was 10d (4p). 'Unquestionably', agreed Garke, much traffic had been enticed away from the railway. However, some people made the bus journey for the attractive views which the rail journey, partially in tunnel, could not provide. Despite these unusual circumstances, the private car still carried forty one per cent of the total passengers on a weekday and fifty three per cent on Sunday. Walker had stated his loss on this route at 43,000 passengers, comparing the last nine months of 1927 with those of 1925, an average of 160 a day. On the sample weekday the bus services carried 1,100 people and on the Sunday 1,500. Counsel was keen to point out that if the buses 'have abstracted some passengers from the railway, they have built up a very large traffic of their own'.[76]

Garke commented on the other examples quoted by Walker. Folkestone and Canterbury was an unusual case, as rail passengers had slightly increased in 1927, when there was a Sunday service, compared to 1925, when there was not. Although the case was not typical, Garke's survey showed that seventy three per cent of the road passengers on a weekday travelled by car and eighty eight per cent on Sundays. A pattern began to emerge; 'always about three quarters of the people passing any given spot are carried in motor cars'. Canterbury to Ashford saw sixty eight per cent by car and eleven per cent by bus on a weekday with eighty four per cent and four per cent on Sunday. Canterbury to Faversham saw seventy three per cent by car and sixteen per cent by bus on a weekday with eighty five per cent and five per cent on Sunday. Maidstone and Sevenoaks had been referred to by Walker in his examination. Here there were '…the same figures as usual'. Seventy eight per cent carried by car on weekdays and eighty five per cent on Sundays; Twelve per cent carried by bus on weekdays and nine per cent on Sundays. There was an exceptionally good bus service between Brighton and Lewes, 'quite naturally a case which the Southern Railway have complained of and have chosen for the purposes of their statistics'.[77]

The censuses were open to objection as only taken between 10.00 a.m. and 6 p.m, whereas the railway figures related to the whole day, and as all taken in the South of England. But they cast considerable doubt on the railway contention of negligible losses to the private car. Earl Russell, one of the Committee members, admitted he had received statistics and information before Garke's evidence that had shown the notion of the private car being negligible was mistaken. At Russell's request, further surveys were accordingly undertaken. Garke saw a loss of traffic with the introduction of cars costing from £100 to £150. 'It is the class of traffic which would

76 PA, HC/CL/PB/2/94/5.
77 PA, HC/CL/PB/2/94/5.

have travelled third class on the rail in the old days and it is the class of traffic that did very largely travel on our omnibuses as well as the railway'. Rather than the twenty five per cent loss to private cars and seventy five per cent to buses, 'these figures should be inverted'.[78] The later surveys modified this view; the average loss for the whole country was thought to be around fifty per cent to the car.[79] In the face of such evidence, it must be concluded that Walker's attribution of most of the loss of SR traffic to buses was not tenable.

Garke then turned to the nature of bus traffic. He felt there were a considerable number of journeys of about three miles in length in various parts of the country. For such a journey passengers would object to changing en route; they would either go direct by car or bus. They could not reasonably be expected to travel by bus for a mile and then change to complete the journey by rail. Additionally the bus industry had built up a new traffic of those who could not travel by rail or any other means except horse and cart. Bus routes radiated and travelled across country. They filled the gaps and were contributory to the railway. The railways had suggested journeys of over twenty miles were being abstracted by the bus industry but Garke was able to show the bus industry carried predominantly short distance traffic.[80]

An analysis of single tickets by forty LPOOA members, the larger bus operators, in the four weeks of February 1928 showed the 1d (0.5p) ticket was the most frequently issued at 9.1 million, with the 2d (1p) at 8.5 million nearly as common.[81] The data showed most bus passengers travelled between three quarters and two and a half miles. With an average speed of twelve miles an hour, bus journeys would be slow for the longer distances the railways suggested was damaging their business. Finally, with eighty per cent of bus passengers travelling for 3d (1.5p) or less, it was difficult to cite any railway journeys in the provinces for that amount. The only comparable fare was the workman's ticket only available in certain large towns. But even if such journeys were possible, it was unreasonable to expect people to go to the railway station just to travel two or so miles: 'I do not think they did it in large numbers before we came on the scene' claimed Garke.[82] This all shed even more doubt on the railways companies' claims about bus competition.

Garke argued that if one in nine of the existing passengers were lost by the bus companies, it would eliminate their profit, a conclusion independently reiterating a calculation given by the GWR's Milne in previous evidence. So if the railway

78 PA, HC/CL/PB/2/94/5.
79 PA, HC/CL/PB/2/94/5.
80 PA, HC/CL/PB/2/94/5.
81 TNA, RAIL 431/66 Part 5.
82 PA, HC/CL/PB/2/94/5.

companies were to introduce a competing road service, using only two vehicles for every ten run by the bus companies, neither 'would make a penny piece'. If they were to supplant the private owners entirely, Garke estimated the railways might gain £1.2m, the total profit for the provincial bus industry. But faced with the threat of competition from the railways he would 'do the best I can to preserve the business'. He was apprehensive about making an agreement with the railway companies, since 'I should have to withdraw half my buses to make room for their half' if surplus unprofitable capacity was to be avoided. Demand had greatly increased since the war but its growth was now slowing. So there was little chance of accommodating all possible operators.[83]

Although recognising that he had no hard evidence, Garke felt a great percentage of bus passengers were travelling to the railway station to make a longer journey than they would by bus. So there was 'a great deal of contribution by the omnibus system to the railways'. Although it was unclear what was meant by co-ordination, it was 'quite possible for a lot to be done in the way of co-operation and effort' between road and rail. But 'I cannot see how it can possibly benefit the railways and the public' by the introduction of duplicate road services.[84] Among the examples quoted was Guildford. It was absurd to suggest, as Walker had, that railway buses connecting with the trains were necessary. 'It is quite sufficient to have a reasonable service [of buses] from all districts radiating outside Guildford, as there is today'. The agreement with the railway was in 'perfectly general terms'. It was working satisfactorily to both sides. 'Sir Herbert Walker admitted it was and I am prepared to admit it now'. Garke's only regret was that it had not been extended to other areas.[85] In Herne Bay by contrast, the bus service from the station to the residential area, some two miles away, was not allowed in the station yard. So passengers had to walk, possibly with luggage, 'a considerable distance in the open air' between bus and train. However, the SR did advise East Kent in advance of changes to the railway timetable so that connection could be maintained with the buses.[86]

Garke had given an impressive performance to the Committee, making the railway case look very doubtful, but now he faced cross examination. Garke admitted the railways were losing short distance traffic whilst the buses were gaining. Pressed for an explanation, he felt those who had previously walked or cycled were 'a very large part' of the bus increase. But 'the facts are plain; I agree them'. He had to agree 'the substantial subtractor' of the railways' traffic was the bus. Although he could not see how the operation of buses by the railways would bring traffic back

83 PA, HC/CL/PB/2/94/5.
84 PA, HC/CL/PB/2/94/5.
85 PA, HC/CL/PB/2/94/5.
86 PA, HC/CL/PB/2/94/5.

to the trains, he did not want them to try, as 'you will kill me in the process'. 'It can only be a question of time before I collapse, as I have no fund to draw upon as they have in the shape of their ordinary revenue.'[87] This was probably the nub of the bus industry's objection; Garke 'had been forced to the conclusion' that by providing road services the railways would so financially weaken the bus companies that they could then be purchased cheaply.

Although the loss of traffic to the car was the greatest difficulty to the railways, as it was to the buses, 'I have not seen a remedy for it yet'. Co-operation between road and rail should improve the position substantially but was only a small part of the whole. It was not the practice of bus companies to avoid railway stations, as they endeavoured to go as near as they could. In many instances 'we can feed the railway and we are fed by the railway in turn'. Quoting an agreement with Aldershot & District, with which Walker had expressed himself satisfied, Garke felt all the TBAT companies would be prepared to make similar agreements.[88] But the traffic available to road and rail was dwindling because of 'the pouring on to the road of these cheap motor cars'. Although the proportion of cars to population in the U.K had not yet reached those in the United States, the proportion of cars to miles of road had. This was particularly an issue in the SR's territory: Garke felt there were many more cars to population in the South of England.[89] If this was true, and his surveys had suggested it was, this made the SR more vulnerable than the other railways to car competition.

Despite his partially successful attempt to demonstrate that railway losses to bus competition were not as high as Walker suggested, Garke's major objective was to prevent the railway companies driving TBAT out of business by their operation of bus services. Predatory competition from the railway companies was a common theme throughout the Select Committee hearings.

Walker and Garke were only two – although two of the most important – of the thirty witnesses heard by the Select Committee in thirty seven days of hearings.[90] Yet, as Macmillan, counsel for the railway companies, claimed, there was no objection in principle to the granting of road powers to the railways. The only common ground of objectors was 'sheer selfishness', the wish that the railways did not compete with them. Macmillan was careful not to present the railway companies as enemies of progress. Macmillan commented that nobody had mentioned the existing GWR bus services, despite their being of doubtful legality,

87 PA, HC/CL/PB/2/94/5.
88 PA, HC/CL/PB/2/94/5.
89 PA, HC/CL/PB/2/94/5.
90 TNA, RAIL 1224/226; *Parliamentary Debates* (H.C.), Fifth Series, Vol. 219 (12 July 1928), Col. 2546.

since bringing any action against that company would attract public disapproval. He pointed out 'the advance of the internal combustion engine has released the people of this country from the monopoly of the railway'. Since they had no monopoly in this new form of transport, the railway companies should not be fettered on the road as they were on rail. Significantly, dismissing fears that the railways would 'run Mr Garke and his friends off the road', Mr Nuthall, a member of the Select Committee, saw the possibility of an agreement with them as 'a much more dangerous thing'.[91] He sat as the Conservative member for Birkenhead West from 1924 to 1929.[92] But, as will be seen later, his dangerous thing was exactly what was to occur.

The Acts and their contents

The Select Committee dismissed the Metropolitan Railway's bill but, subject to conditions, the remaining four Bills were proved and eventually passed into law in August 1928. The Committee further recommended the need for a public bill to modernise the licensing of road passenger services. Although they regarded this as 'of the utmost urgency', they did not consider the railway bills should await general legislation.[93].

To understand the companies' new powers, and the role of the MOT in regulating them, it is necessary to look at the Southern Railway (Road Transport) Act, which became law on 3 August 1928.[94] In principle, it was identical to the acts for each of the three other companies; only the most important features are noted here. It allowed the company directly to operate road vehicles in any part of its area, conveying passengers, luggage, parcels and merchandise. However, passengers could not be carried on journeys wholly within London or, without a local authority's consent, within the area where it ran a tram or bus service. The first exception was so as not to override the London Traffic Act 1924, which had regulated bus services in the area.[95] The second was a response to lobbying by the Municipal Tramways and Transport Association. It extended the existing system, whereby municipalities were able to refuse licences to any bus operator in order to protect municipal undertakings.[96]

The MOT was given wide regulatory powers. Any regular bus service (including an

91 PA, HC/CL/PB/2/94/6.

92 *Who's Who of British Members of Parliament,* 267.

93 PA, HC/CL/PB/2/94/6.

94 Southern Railway (Road Transport) Act, 1928.

95 T. C. Barker and Michael Robbins, *A History of London Transport Volume II.* (London,: George Allen and Unwin, 1974): 210.

96 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), Col. 553.

experimental one) had to be notified to the Minister of Transport. No service thus notified (excluding an experimental one) could be withdrawn until the company had published notice of its intention to do so and the time within which objections could be made. If any were made, the service could not be withdrawn without the consent of the Minister of Transport. If it was, fines were payable. The inclusion of this clause was suggested on the railway companies' behalf in the House of Commons debate on the second reading of the bill.[97] This appeared contrary to their interest. But they may well have simply been anticipating the inevitable. Certainly Ashley intended to suggest such a safeguard to the Select Committee. It would stop '…leaving the area derelict, or putting up the rates too much'.[98] Nevertheless it left the railways in an anomalous position: they had to secure ministerial approval to withdraw a bus service but not one by train.

The legislation was drafted to ensure that ministerial regulation could not be avoided. The SR could make agreements with any 'local authority, company, body or person' operating road vehicles for hire or as public service vehicles so as to provide road services, including providing funds, holding shares or guaranteeing dividends. If the railway company controlled the company, body or person providing the service, the requirements about notification and withdrawal applied as if the service was one provided by the company. Ashley thought the Committee should make these requirements 'watertight and not allow the companies…to avoid the obligations which other Clauses and safeguards put upon them'.[99] Nevertheless the regulatory clauses might have had unintended consequences. The temptation not to seek control and thus avoid these more onerous obligations must have influenced the railway companies' subsequent policy.

Some regulation was unavoidable. Road transport services provided under the Act were to be considered ancillary businesses. In Ashley's words, this was the 'cornerstone of all the safeguards'.[100] It meant that the Railway Rates Tribunal could consider the financial results of road transport in a review of railway rates.[101] If the financial returns were thought too low, the Tribunal could reduce the proposed railway rates. In this way it was thought to prevent cut throat road competition; the railway companies could be penalised for such activity by action on their main business.

The Minister had even more sweeping powers. If he considered the public interest

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97 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), Col. 531.

98 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), Col. 551.

99 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), Col. 552.

100 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), Col. 550.

101 C. H. Newton, *Railway Accounts.* (London: Sir Isaac Pitman and Sons, 1930),:129.

was prejudiced by the way the company exercised its road transport powers, he could order a public enquiry. If the Minister was still dissatisfied with the company's response, he had to report this to both Houses of Parliament. This was the clause that the Select Committee considered to be '…the real protection to the public…'.[102] Although vaguely worded, '…that really is its merit…', to guard against '…a general public abuse of these powers by the railway companies…'[103]

Unfair competition from the railways was a frequently expressed fear from objectors at the Select Committee hearings. It lay behind many of these provisions, which had been suggested or supported by the MOT. Although there is little evidence available from the Ministry, it is possible to draw some conclusions as to its limited remit. As noted above, the Ministry had little or no control over the level of state involvement in roads and other fiscal matters; it had referred the railway companies to the Chancellor when they were attempting to influence the terms of competition through changes to taxation and public expenditure. The MOT was low in the government hierarchy. Only when the focus turned to operating road vehicles did the issue become appropriate for the Ministry. Ashley was able to tell the Cabinet in July 1927, that the companies' '…present difficulties may be aggravated by future development of road transport…' and so long as the public interest was safeguarded, they '... are entitled to support from the Government…'.[104] Assured of broad political support, the Ministry was supportive of the companies but difficulties arose when it tried to accommodate the bus industry's objections to the bills. One gets the impression of a ministry struggling at times to settle on a clear policy at a time of fast changing circumstances. Alternatively the MOT internal organisation by mode, with the rail section probably having more clout, may have made any overall policy difficult to achieve. When officials studied the bills, there was a frank internal expression of support for the railways:

> Such indeed are the advantages to the public of road services that it is hopeless to expect that the railway companies will ever be able to recover this lost traffic or indeed any appreciable part of it unless they obtain some powers to run road services.[105]

But this was immediately followed by qualifications. In particular, one-man bus operators '…conferred a real benefit…' on rural areas which the railway companies had failed to serve and so encouraged '…private motor competition of which they now complain'. Such small operators would require protection

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102 *Parliamentary Debates* (H.L.), Fifth Series, Vol. LXXI (19 July 1928), Col. 1173.
103 *Parliamentary Debates* (H.L.), Fifth Series, Vol. LXXI (19 July 1928), Col. 1174.
104 TNA, MT6/3290/1.
105 TNA, MT6/3290/1.

from '…being pushed off the roads…' and the rural population from being '…deprived of a bus service…'.[106] In view of the oligopoly forming in the bus industry, it must be doubtful if this rather romantic view of a trade of small men was true. However, to guard against the possibility of such unfair competition, it was proposed that powers to run a particular service, once it had been introduced but subsequently withdrawn, should cease.[107] Whilst this idea was not developed, penalties for withdrawing services were introduced later in the legislative process. Nevertheless, as we have seen, the Ministry did help to obtain a second reading in the Commons as soon as possible. It also gave support to the proposal of a Joint Committee to consider the bill which saved much time and money. Finally it did not allow the bills to be postponed to allow the RCT to report (although it neither flatly rejected the possibility of a subsequent enquiry).[108] Ashley gained Cabinet backing to ensure government support for the second readings to ensure the Bills were passed.[109]

Implementing the Acts; the SR's dilemma

Against the comparative regulatory freedom of the bus operator, the Acts must have imposed an unattractive set of operating conditions on the railway companies. The need for notification of service introduction and withdrawals was perhaps acceptable. However, the inability to withdraw a regular service, if any objection was made, without the consent of the Minister of Transport almost seemed designed to create controversy, since no similar requirement was made of train services. And the prospect of a public enquiry into the exercise of its road transport powers was even worse. Whilst tactically it may have been politically necessary to offer these concessions to obtain the Act, the commercial wisdom of doing so must have been questioned. But probably the need to obtain road powers overrode all else; it was better to have them hedged with qualifications than not at all.

Making an arrangement with an existing bus operator – Walker's idea of investing in road traffic undertakings – could avoid these requirements but only if that operator was not controlled. This was a perilous strategy. As already noted above, Stamp had assured Ashley the companies would not evade their obligations by acting through an intermediary. And Ashley had referred to the point in the Commons debate. The railway companies could not afford to be seen to be acting in a way they had promised not to do. Unsurprisingly there is little written evidence

106 TNA, MT6/3290/1.
107 TNA, MT6/3290/1.
108 TNA, MT6/3290/1.
109 TNA, MT6/3290/1.

of their deliberations and conjecture is necessary. However, in these circumstances the railway companies must ultimately have decided not to press for control in negotiations with bus companies. Sufficient of an interest to have a voice in framing policy was enough. Quite apart from avoiding the onerous obligations of the Acts, other reasons made direct operation unattractive.

Chief among these were the very different structure and conditions of service of the bus industry. Even a contemporary sympathetic observer wrote; 'It is a matter of doubt if a Railway Company is really a desirable form of organisation to run motor services' and where they had run bus services as feeders in the past 'the results have been far from remunerative'. The pay and conditions of railway staff would probably be better than those of a local bus company; its centralised management and large scale organisation would not suited to the decentralised nature of the bus industry.[110] Evidence for the former point came from the merger of GWR bus services into the Western National bus company in 1929. GWR bus staff who transferred to Western National were able to retain their better railway rates and privileges.[111] Similarly the railway's higher pay and better conditions have been cited for the LNER's decision not to become involved in direct operation.[112] In addition, for three of the companies, including the SR, there would have been the need for considerable capital expenditure on vehicles and premises. Allied to this, a bus network, and the expertise to operate it, would have to be developed from virtually nothing. Only the GWR had these already, with 168 services provided by 300 buses in 1928.[113] But even this railway's bus operations were concentrated in parts of the company's operating area.[114] So the railway companies' entry into the market would have been bound to produce reaction from existing operators. This was most likely to be fare reductions, a long established feature of the industry: but one which the railway companies had publicly pledged not to do. The financial losses that would have resulted from fare wars simply added to the unattractiveness of direct operation. Even the GWR had reached working arrangements for some of its services with other bus operators.[115]

Head on competition in the bus industry by the railway companies cannot have been a serious possibility. The political storm it would have provoked, justifying the fears which had already been publicly expressed, made it deeply

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110 Sherrington, *The Economics of Rail Transport in Great Britain*, 291-2.

111 R. C. Anderson and G. G. A. Frankis, *A History of Western National.* (Newton Abbot: David and Charles, 1979): 46.

112 Bonavia, *Railway Policy between the Wars*, 102.

113 Pole, *His Book*, 97.

114 J. Cummings, *Railway Motor Buses and Bus Services in the British Isles 1902-1933 Volume Two.* (Oxford: Oxford Publishing Company, 1980): 23-155.

115 Pole, *His Book*, 97.

unattractive. The fears were based on a public belief that in the nineteenth century the railway companies had purchased the canals to force their traffic on to rail. This was poor history but that did not alter public perception. To attempt to counter that suspicion, the railway companies issued a statement in February 1928 emphasising how they had developed canal carryings.[116] Cooperation with the bus industry, by contrast, seemed much more in tune with contemporary ideas of avoiding wasteful competition and coordinating transport services. Stamp himself admitted that 'We had no other course open to us in our road interests, but it is by no means an ideal arrangement'.[117] Yet, having the power to run bus services could be used as a covert threat by the railways in any negotiations with bus companies.

The alternative to independent operation, purchasing a holding in an existing operator, could avoid these practical problems and crucially mean little regulation, both operationally and financially. The bus industry had by the late 1920s already consolidated into a few organisations, with which negotiations could easily be held, and the guiding principle of this process had been the avoidance of competition. A shareholding in the existing companies could offer the railway companies the opportunity to participate in the bus industry, perhaps improve connections with bus services for rail passengers, and almost certainly produce a stream of dividends to replace lost rail income. But if bus services were operated directly, existing bus companies were likely to be formidable opponents. The balance of advantage therefore lay with investing in them, trying to obtain as advantageous an arrangement as could be negotiated. And that led to Garke and TBAT.

Agreement with the bus industry

By early July 1928 the RCA was considering how the road transport powers likely to be conferred could be exercised to maximum benefit. Deliberation on goods traffic was deferred and a special committee was appointed to consider passenger traffic by road. Szlumper was once again the SR representative. To avoid the problems that were anticipated if each company acted independently, the Committee proposed one new, subsidiary company acting on behalf of all the grouping companies.[118] The proposal did not last long. When the General Managers considered this scheme, Stamp commented that no hint had hitherto been given that the bus powers would be pooled. Had it been suggested, the

116 TNA, ZLIB 15/29.

117 National Maritime Museum, London, RMT/162.

118 TNA, RAIL 1098/64.

opposition to monopoly would have gathered strength, and the creation of a joint subsidiary would support the view that the railways were acting against the public interest. He asked rhetorically 'Is this a tactical mistake?'[119] So an interim arrangement suggested by Wedgwood was developed. Each railway company should be free in its own territory to make its own arrangements; negotiations with bus companies operating in the territory of more than one railway company should be done jointly by both railway companies or one acting on behalf of the other.[120] As part of this alternative approach, it was proposed that railway companies should not seek to acquire less than fifty per cent of the capital of bus companies.[121] Whilst the percentage eventually varied, this was the beginnings of the arrangement finally implemented.

The first meeting in November 1928 – after the Acts had been passed – between the railway companies and the two major bus groups, working through TBAT, was called at Stamp's suggestion. Negotiations by the LMSR with Ribble Motor Services Ltd had raised the question of what proportion of that company's capital should be held by the railway company. The decision was highly significant as it would set a pattern for the future. The railway companies agreed before the meeting to take the stance that they were not prepared to enter any other arrangement other than a fifty per cent share each for the railway and the bus group. If that could not be agreed, they would listen to the argument for a forty per cent share for the railways and sixty per cent for the bus group, but not commit themselves to it.[122]

Garke was the principal spokesman for the bus groups. He anticipated difficulties if the railway companies acquired an interest in an individual bus company within their groups. He therefore proposed that the railways participated in the bus group as a whole through the medium of a holding company, with the proviso that neither the rail nor the bus side would move without the consent of the other. In the ensuing discussion the holding company gained some favour and was thought worth developing. However, Garke felt the railway interest should be a minority interest both to avoid deadlock and to ensure the bus group interest was paramount. A traffic agreement (i.e. to share receipts) would be a more satisfactory solution. Stamp countered that an equal interest by both parties would not require 'stringent traffic agreements' but they would be essential if the railways were to consider a minority interest.[123]

119 TNA, RAIL 1182/21.
120 TNA, RAIL 1182/21.
121 TNA, RAIL 1098/64.
122 TNA, RAIL 1098/64.
123 TNA, RAIL 1098/64.

After a private discussion between the bus groups' representatives, Garke softened his attitude slightly. The railway companies might initially have forty five per cent participation in the existing bus business with future investment and development on a fifty per cent basis. He appreciated the need for a traffic agreement if the railways took a minority interest. He suggested a joint committee of equal numbers of railway and bus officers to consider fares on existing routes and whether new routes should be opened. This was a mechanism used in the bus industry to interpret the agreements which gave companies an exclusive operating area. Stamp agreed to develop the proposal even though the railway companies were not yet convinced that a holding company was the best policy. A sub-committee was established to develop the proposal of which the SR Chief Commercial Manager was a member. Discussion at the sub-committee was to be entirely without prejudice and no mention would be made to the press.[124] But before the second meeting with TBAT, the railway internal legal advice came out against the proposed holding company, as likely to be contrary to the companies' powers under the Road Transport Acts. The proposal 'would excite political opposition and might occasion an intervention by the Minister…'. The proper course would be '…for each railway company to enter into separate agreements with the individual transport undertakings operating within the district of the company…'.[125] The holding company concept was dead.

This left no realistic option other than territorial agreements between individual railways and the main bus operators. Stamp communicated that decision to Garke. Whatever principles were decided centrally, separate agreements would have to be made with local bus companies. The '…association of the railway company directly affected with the local [bus] undertaking' was thought better than an arrangement covering the whole country. In addition the idea that the railway company should be excluded from developing an area not served by one of the companies in the TBAT group was rejected. After considering, but largely dismissing, the alternatives of guaranteed profits for the bus companies or traffic pools, discussion turned to the price to be paid for the railway companies to acquire shares in local bus companies from the groups.[126]

Even that was not straightforward. Garke pointed out that the sale of a participation in a business, rather than outright purchase, made valuation very difficult. Taking the TBAT associated bus companies as a whole, the groups held sixty one per cent of the total shares, with the remainder spread over numerous companies and individuals.

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124 TNA, RAIL 1098/64.
125 TNA , RAIL 1098/64.
126 TNA, RAIL 1098/64.

There were some companies where the TBAT holding was small but probably there was none where it was lower than forty five per cent. Very roughly the 3.4 million shares held were worth just over £2 each and the gross revenue was some £7.3m. The publically disclosed profits represented some five and a half per cent of the £7.5m value of the shares which at 'an absolute guess' would be increased to a seven or seven and a half per cent return if the undisclosed profits – those not described as such in the companies' published accounts – were also included. Stamp said a five and a half per cent return on capital invested in the bus companies was '…not worth looking at…'. However, it was agreed Garke should produce one or two examples of 3, 7 and 10 years' purchase of an average years profits, after deducting the railways' desired minimum return of six per cent on capital, indicating possible prices at which the railway companies could acquire shares.[127]

There is little evidence for how the negotiations subsequently progressed. It seems clear from the notes of the 1928 meetings with the LPOOA that Stamp took the lead for the railway companies. As already noted, his negotiations for the purchase of Ribble established the need for a set of principles to be applied in all such cases. This is confirmed by Sidney Garke, reflecting some fifteen years later, saying the LMSR took the lead in determining the relationships between the railways and the bus companies. He and Walter Wolsey 'sat many weeks evolving details' with Stamp and Wedgwood.[128]

Given the regulatory powers incorporated into the 1928 acts, the level of the railways' shareholding was clearly crucial. In this light, Wedgwood's request to the RCA Solicitors Committee for a definition of 'control' under the Act of 1928 becomes understandable. Perhaps optimistically the internal advice was that '…the holding of fifty per cent of the voting power in a company would not of itself constitute a control of the business…' and so might enable the more onerous aspects of the Act to be avoided.[129] Nevertheless initial thoughts of an equal shareholding by the bus and rail companies were modified during the negotiations. Eventually the total railway holding (whether owned by one company or two) in each of the operating bus companies was agreed to be equal to that of TBAT. This did not always mean half of the total shareholding, since in some cases outside shareholders existed. In all cases, together the railway and TBAT nominees were to constitute the majority of the board of each bus company but crucially for the first five years the chairman was to be nominated by TBAT.[130]

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127 TNA, RAIL 1098/64

128 *Proceedings of the Omnibus Society*, December 1946, 7.

129 TNA, RAIL 1098/65.

130 TNA, RAIL 425/42.

This was one plank of the argument that the railway companies did not have control of their associated bus companies. The other, more importantly, was the size of their shareholding in the Tilling and BET group of bus companies. By 1934 it was independently calculated on this basis that the railways held just under thirty nine per cent of the voting rights of the fifty six companies in the TBAT group.[131] Credibly this could be termed a substantial interest but not a controlling interest, a point the railway companies were always keen to make. Nevertheless the point was a fine one. Working agreements between individual railway and bus companies were always made conditional on the purchase of shares and so traces of doubt about 'control' remained.[132] The LNER Solicitor '…did not pretend…' that his proposed revisions of May 1929 to the agreement with TBAT brought it '…entirely within the four corners of the [company's road transport] Act…' but it gave'…a colourable argument…' capable of being defended.[133] In February 1930 the SR Solicitor, agreed with his LMSR counterpart that there was no need to give notice of the agreement with TBAT to the Minister, as would have been the case if the railways had gained control.[134]

The division of territorial interests was not completely straightforward, although the SR was affected comparatively little. The LMSR and LNER had not only to agree the relative shareholdings between the bus and railway interests but also the division of the railway interest between the two companies. This was a more important issue to them, as there were considerable areas where their operations overlapped. By contrast the SR and GWR had fairly self-contained areas. Thus the LMSR and LNER were the most obvious companies to lead the negotiations. Consequently the SR deferred any contact with the TBAT companies in its area until the principles had emerged from the LMSR and LNER work. This was substantially complete by July 1929 with the resulting formal agreements made in December.[135] In turn the SR began its own negotiations with TBAT and completed them in November.[136] But, whilst waiting for agreement on principles with TBAT, the SR acquired an interest in the three other bus companies in its area, a process outlined later.

TBAT was not the only major firm in the provincial bus industry[137] Apart from the twenty TBAT companies, and six BET subsidiaries providing both tram and bus services, there were five major independent companies; developments with

131 *Economist*, 17 February 1934, 354.
132 TNA, RAIL 425/42.
133 TNA, RAIL 431/33.
134 TNA, RAIL 431/33.
135 TNA , RAIL 390/57.
136 TNA , RAIL 645/3.
137 PA, HC/CL/PB/2/94/5.

three of these, NO&T, Crosville Motor Services and United Automobile Services, influenced the LMSR and LNER's negotiations with TBAT. NO&T was split into three operating companies to align more closely with the areas of the four railway companies. Establishment of the first, Western National, jointly owned with the GWR, was announced in April 1929.[138] Crosville was purchased outright by the LMSR on 1 May.[139] In the same month the LMSR began negotiations, which were ultimately inconclusive, with United Counties for either a half or complete ownership of that company.[140] As acquisition of these independent companies would allow the railway companies to compete with TBAT and hence perhaps drive down its share price, Heaton became alarmed, when in June 1929 he found the LNER had agreed the purchase of United. His higher counter bid finally led to a joint TBAT and LNER offer for United with equal shareholdings in the company for each of its new owners.[141] This incident must have greatly influenced the subsequent negotiations with TBAT over the level of shareholding by bus and rail interests and set the pattern for the principles concluded the next month.

Whilst the TBAT negotiations took place, the SR invested in three independent companies. In April 1929 it agreed to acquire half the share capital of Southern National, the second of the new NO&T operating companies.[142] In May it obtained twenty per cent of the shares of Devon General; thirty per cent were held by the GWR and the remainder by the National Electric Construction Company (NECC).[143] Finally in July, it purchased half the share capital of Southern Vectis, formed to take over the Isle of Wight bus services of Dodsons; Dodsons held the rest of the shares in the new company.[144] In all three cases the SR followed the principle of equal shareholdings with bus interests established by the TBAT agreement, suggesting that Walker conferred with Stamp and Wedgwood so as to be consistent with the agreement they reached.

The railways' objectives in reaching agreement with the bus companies seem to have been twofold. The first was to receive dividends and so replace the lost income from the short distance rail journeys now made by bus. The second was to make journeys which used both rail and bus services more attractive and so compete more effectively with the private car and the motor cycle. Whether these objectives were realised, and the effectiveness of the arrangements agreed, are

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138 R. J. Crawley, D.R. MacGregor and F.D. Simpson, *The Years Between Part 1 The National Omnibus and Transport Company.* (Hedingham: D.R. MacGregor, 1979): 101.

139 W. J. Crosland-Taylor, *Crosville The Sowing and the Harvest.* (Liverpool: Littlebury Bros, 1948): 42.

140 Roger M Warwick, *An Illustrated History of United Counties Part 2 The United Counties Omnibus and Road Transport Company Limited 1921-1933.* (Northampton: R.M. Warwick,1978): 36.

141 Hibbs, *The History of British Bus Services,* 102-4.

142 TNA, RAIL 645/3.

143 TNA, RAIL 645/3.

144 TNA, RAIL 645/3.

considered in later chapters. As the agreements marked the end of the formative stage of the railways' bus policy, it is now appropriate to draw conclusions about that process.

Conclusions

Overall the effectiveness of the SR's initial policy in relation to road passenger competition cannot be judged in isolation from the three other railway companies. The verdict is mixed. Certainly they all identified the threat early; action to resolve it was more difficult. Failure to gain road operating powers in 1921 and 1922 before the four grouping companies had been established, forced an alternative approach to change the terms of competition. Meeting no great success in reducing state support for road building and maintenance, it lost time, allowing the bus industry to consolidate. By the mid 1920s, a further attempt at legislation, led by the LMSR and LNER probably because they were the worst affected, was the only remaining option. By the late 1920s the railway companies could at best hope to gain road operating powers hedged with qualifications. So it proved. Modified to meet considerable opposition, the resulting Acts had some unattractive regulatory constraints, especially if bus services were operated directly. But the changing structure of the bus industry with rapidly increasing levels of concentration of ownership meant that bus companies were not wholly opposed to railway involvement. Negotiations with TBAT, which had initially opposed the Acts as permitting greater competition in the bus industry, led to shared ownership and indirect operation. This mitigated the unappealing regulatory terms for the railway companies and avoided introducing rival services to TBAT. Broadly the four railway companies achieved the optimum outcome that was open to them under the political, regulatory and industrial circumstances of the late 1920s. In 1921 there might have been a chance for them to dominate the infant fragmented bus industry, although under what terms is difficult to predict. In 1928 the only realistic option was negotiation with the dominant companies in the bus industry to seek the most commercially advantageous participation that could be obtained.

The process of forming and executing this initial policy exposed the differences of approach between each of the four railway companies, based on their differing market positions. It seems probable that the LMSR and LNER suffered the most from bus competition and this explains why they took the lead in the topic. Whilst general principles emerged from the process, agreement that each of the four companies were free to make suitable arrangements in its own area virtually ensured that policy would be developed differently by each. That the

SR experienced smaller losses overall from competing bus services suggests it might apply the four companies overall policy in a less aggressive way. But equally many other factors, such as its competitive position in particular areas and markets and its management style, would affect its actions. Only by studying its policy in practice can its effectiveness be understood.

4. Applying the principles of bus policy

Road transport is a factor of increasing importance and it cannot be curtailed with the object only of maintaining railway earnings THE TRAMWAY AND RAILWAY WORLD[1]

Having agreed the principle of an equal shareholding with the bus groups in their operating subsidiaries, the railway companies would have been able to use this powerful position to influence bus company actions in railway interests. Yet they seemed not to do so. Although the principles of policy to meet road passenger transport competition were devised jointly by the four railway companies, the detailed arrangements to implement them were left to each. The apparent conundrum of unused power can only therefore be investigated at company level; this chapter's focus on the SR, obviously reflects the company's own circumstances. Whilst brief comparisons are made with the other three companies, any conclusions primarily relate to the SR and should not necessarily be taken as valid more widely.

An evaluation of the SR's detailed policies and practices towards its bus interests first requires an analysis of the attitudes it took and the arrangements it made to acquire shareholdings in its associated bus companies. The second and third sections look at governance arrangements, particularly how the SR nominated directors on bus company boards to determine policy and its representatives on the joint committees concerned with matters of managerial detail. These sections include a brief discussion on the background and experience of the railwaymen involved at both levels. The benefits derived by the SR in operational, publicity, estate and commercial terms are reviewed in the next section, largely using a sample of six of the ten bus companies. The apparent benefits to the public are discussed later, in chapter six. Finally two alternative perspectives to the SR's practices are considered; they are the SR's two studies in 1935 and 1938 of the American practice and a more lengthy critique of the RCT's views on rail involvement with road transport.

Attitudes and investment

In the early 1930s the SR's public position echoed that of the RCA. In the company magazine, read by a concerned workforce as well as interested

1 *Tramway and Railway World*, 11 January 1932, 83.

members of the public, the SR declared that co-operation with the larger road transport concerns in its area was 'infinitely more in the interests of both parties' than operating alone. This would have involved 'a warfare in which neither party could have operated to advantage for a considerable number of years'; 'Co-operation rather than competition was therefore the policy operated from the outset.' When deciding on 'the more suitable companies' with which to execute this policy, the SR selected the larger established bus operators. [2] In this way its whole territory could be covered by only ten bus companies. Eight were ultimately controlled by TBAT and that company's structure enabled the SR to hold shares in each individual operator.

The SR's private position a year or so earlier was subtly different. With a considerable shareholding in each bus company and its nominees as directors, the SR could have attempted to ensure the bus company did not provide services that competed directly with its own. It seems not to have done this but rather to look on its investment as one where it wished to obtain the maximum return. In this it was consistent with its stance when Walker in 1929 was negotiating with Sir Eric Geddes, Chairman of Imperial Airways, about a SR shareholding in that company. The negotiations, ultimately resulting in an SR holding of twenty per cent in Imperial Airways, elicited from Walker the admission that the SR wished to obtain this interest 'so that they benefitted as investors in the company in respect of the traffic the railway lost to it'.[3]

A slightly different view, but one which still focused on the benefits of cooperation rather than competition, came from Gilbert Szlumper earlier in 1929. Significantly he addressed an internal audience of staff from commercial departments to whom he could speak freely. He admitted that '…the road is an attractive place…'. Buses had the advantages of frequent service, passing through town centres and gave an enjoyable ride in fine weather. He saw rail as the means to be used to enable people to leave London, thus avoiding the congested suburbs, and reach country stations. There they would transfer to road vehicles to complete their journey 'very nearly as quickly by train, yet with all the advantages of road travel'.[4] Chapter five shows that in practice this concept was not realised.

Speaking to SR staff a year later, Walker was able to give his preliminary verdict on the arrangements the company had made. Noting its 'considerable interest' in the bus companies in the SR's area, he felt it was 'having very good results'. He

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2 *Southern Railway Magazine,* May 1930, 188-89.

3 British Airways Archives, London, Box 5030, Memorandum of talk with Sir Herbert Walker, 4 June 1929.

4 *Southern Railway Magazine,* February 1929, 46.

recognised the achievement of 'a good return for our money' and being able to 'co-operate in the best interests' of both road and rail.[5] Although his declaration that 'we can control their fares and charges' was true, chapter five shows it was a power seldom exercised. Moreover it was at variance with the attitude of autonomy shown towards bus companies. This was encapsulated in the advice Walker gave to John Elliott, recruited by the SR in 1925 and ultimately to become its last General Manager, when the latter was appointed a SR Director for a number of bus companies. This was

> You must understand clearly…that when you are attending Board Meetings of a bus company you are there as a bus director, and not as a railway officer. Your first duty is to ensure the bus company is able to earn the maximum interest on the money we have invested in it. You must not go there to hamstring the bus company in the interests of the Traffic Department of the railway, but you must do what you can to see that coordination, and not unnecessary competition is the guiding principle.[6]

Elliott later added that Walker felt 'We are not busmen and never will be. We want to employ the professionals to run our investment. If we start putting… [railwaymen]… in charge, the thing will fail'.[7] This was an approach successfully adopted outside the UK. Buck Travis of Pacific Greyhound Lines, a USA bus example discussed later, tended to confirm that view. He felt 'to get the most out of his ex-railroad managers, he had to alter their consciousness'.[8] To Walker, if Elliott became labelled as a railwayman, he would never be given the busmen's confidence. Elliott was later complimented by senior managers in both the BET and Tilling bus groups for the successful way in which the SR handled its investment.[9] Elliott claimed prior discussions with railway traffic officers meant he had no serious differences at bus company board meetings; Elliott felt the SR had the best liaison of the four companies.[10] By contrast he judged the LMSR as the worst because their directors always appeared as railwaymen.[11]

Influenced by this management attitude, the SR's formal arrangements with each of the bus companies were essentially in two parts, although with detailed variations. The first was an investment by the SR in each bus company. The second was a traffic agreement between the SR and each bus company. The SR acquired its interest in the ten major bus companies, outside the London traffic area, as a result of six decisions

5 *Southern Railway Magazine,* December 1930, 468.

6 Sir John Elliot, 'Early Days of the Southern Railway', *Journal of Transport History* (First Series, Vol.4. No.4, (November 1960)): 212.

7 Bonavia, *Railway Policy between the Wars*, 101.

8 Gregory Lee Thompson, *The Passenger Train in the Motor Age.,* (Columbus: Ohio State University Press, 1993): 95.

9 Bonavia, *Railway Policy between the Wars*, 101.

10 *Ibid*., 102.

11 *Ibid*., 101.

of its board between April 1929 and November 1930.[12] As Table O in chapter seven demonstrates, by the end of 1931 it had spent £1.43m on these purchases, the majority of its bus investment. The ultimate pattern of shareholding in each of the bus companies is shown in Table E1 and is discussed more fully later in this chapter. When purchased by the SR, six of the companies were subsidiaries of TBAT and four were independent. Two of the four later became TBAT subsidiaries. Of the two remaining one was subsequently directly owned by Tilling and one directly by BET, the two shareholders in TBAT. In two of the ten companies the SR held the railway interest jointly with the GWR, although in both as a minority partner.[13] Negotiations with each of the companies varied in complexity. However, until the principles of agreements with TBAT were settled by the LMSR and LNER, the SR could do little about acquiring an interest in the TBAT subsidiaries within its area. Its earliest acquisitions were therefore with three of the other companies, where negotiations were reasonably straightforward with a willing seller. Whilst ultimately these concerns were owned equally with TBAT or with one of its parent companies, initially there were no outside shareholders.

The first purchase to be authorised was in Southern National, a bus company formed from the NO&T services in Somerset, Dorset, North Devon and North Cornwall. The SR took half the ordinary shares and nominated half the Board, as did NO&T. NO&T agreed not to compete directly or indirectly with the railway or with Southern National.[14] Although the GWR had no direct involvement in Southern National, its existing bus services in the West Country were transferred to Western National, another bus company formed from the remaining NO&T routes in that area. Although nominally separate companies, Southern National and Western National were managed as one concern. The pattern of shareholding and directorate were analogous in both companies.

In May the second SR interest was authorised, jointly with the GWR. Devon General operated in South Devon and its owner, Torquay Tramways, was a subsidiary of the NECC.[15] Thirty per cent of Devon General's capital was purchased by the GWR and twenty per cent by the SR. This broadly reflected the proportion of the company's operating area served by each railway. Of the additional five Board members, three were nominated by the GWR and two by the SR. Later share issues were to reduce both the railway and NECC proportions of the company's capital, although they still remained equal.

12 TNA, RAIL 645/3.
13 TNA, RAIL 645/3.
14 TNA, RAIL 645/3.
15 TNA, RAIL 650/4.

The third interest came in July 1929, when the Southern Vectis company was established.[16] It was a new company to which was transferred the existing services of Dodson Brothers Ltd., an independent operator which traded as Vectis Bus Services in the Isle of Wight.[17] Unusually the SR provided the new company's chairman in Gilbert Szlumper, its registered office at Waterloo, as well as its secretarial and accountancy facilities.[18] Presumably Dodsons could not provide the necessary corporate structure but, as will be seen, the partnership was not destined to last.

The SR's major purchase was authorised in November, in five companies, all TBAT subsidiaries. They were Aldershot & District, East Kent, Hants & Dorset, Maidstone & District and Southdown. Between them their services covered Kent, Surrey, Sussex, Hampshire and Dorset. A working agreement was made with each of these companies. The TBAT and SR holding in each were to be equal at one third of the issued share capital, leaving the remaining third in other hands. In this the SR differed from the LMSR and LNER, which sought to obtain an equal holding with TBAT of half of the issued share capital.[19] To achieve their objective, the railway companies had to offer sufficiently attractive a price to be able to purchase shares from both TBAT and other holders.[20] The reasonableness of what the SR paid is examined in chapter seven. All the railway companies maintained for the reasons outlined in the previous chapter that their shareholding was 'in no case a controlling one'.[21] Their rationale for this statement was holding the same number of shares as the original proprietors gave 'an equality of interest between the two parties'.[22] Only holding around a third of the capital of the majority of the bus companies with which it was associated, the SR was probably better placed to defend the argument that it did not have control of them. Only in the case of Southern National and Southern Vectis, in both of which it held half the capital, was this arguable.

The fifth interest was authorised in March 1930. The independent operator Wilts & Dorset, operating in those counties, increased its share capital to fund its larger business. Both the SR and TBAT acquired 10,000 shares and each appointed two of the four additional directors.[23] Since Wilts & Dorset had been founded by three originators of Southdown, it seems likely that discussions within the bus industry led to an offer to participate in the company. Certainly Sidney Garke, whose

16 TNA, RAIL 645/3.

17 Richard Newman, *Southern Vectis; the First 60 Years.* (Southampton: Ensign Publications, 1989): 9.

18 TNA, RAIL 645/3.

19 *Tramway and Railway World,* 16 January 1930, 40.

20 *Omnibus Magazine,* February 1932, 18.

21 *Railway Newsletter,* July 1930, 1

22 *Ibid*, 1.

23 TNA, RAIL 645/3.

leadership of the bus industry has already been noticed, was authorised to negotiate with the SR on the company's behalf.[24] Almost certainly the SR was asked to participate in Wilts & Dorset as partners to TBAT, although there is no documentary evidence to support this.

The final interest, authorised in November 1930, was acquired jointly with the GWR. Thames Valley operated in Berkshire, Buckinghamshire and Oxfordshire. Thirty five per cent of its capital was to be purchased by the GWR and fifteen per cent by the SR.[25] Again this broadly reflected the proportion of the company's operating area served by each railway. Thames Valley was another company owned by TBAT.[26]

Whilst Thames Valley was the last major direct purchase of a bus company, the SR subscribed some of the additional capital required by Southern National and Hants & Dorset to purchase Elliot Bros of Bournemouth, the operator of Royal Blue coaches, in May 1932. Royal Blue operated tours and long distance coach services, especially to the West of England. In addition the SR acquired further shares when the individual bus companies increased their capital in the 1930s. In this way it was able to maintain its agreed proportion of the company's equity.[27]

The association with TBAT became even stronger in June 1932, when that company purchased all Dodsons' shares in Southern Vectis. Signs of a revised status came the next month, when the registered office was moved to Newport on the Isle of Wight and the SR ceased to provide secretarial and accounting facilities.[28] After this, in seven of the ten bus companies where it held shares, the SR had an equal interest with TBAT. When the joint interest with the GWR in Thames Valley is added, that rises to eight of the ten. In the remaining two companies the SR's interest was shared with the two parent companies of TBAT, BET and Tilling. As Tilling had purchased a controlling interest in NO&T in February 1931, it then became effectively joint owner of Southern National. In a similar move BET purchased nearly all the share capital of NECC in January 1931. It thus controlled roundly a third of Devon General, which was equal to the combined GWR and SR holding.[29]

At first sight the exclusion of Brighton Hove & District, a Tilling subsidiary formed in 1935, from any SR shareholding seems surprising.[30] The company operated an

24 Colin Morris and Andrew Waller, *The Definitive History of Wilts & Dorset Motor Service Ltd 1915-1972.* (Salisbury: The Hobnob Press, 2006): 28.

25 TNA, RAIL 645/3.

26 PA, HC/CL/PB/2/94/5.

27 TNA, RAIL 645/3.

28 TNA, RAIL 645/3.

29 *Railway Gazette,* 11 March 1938, 476.

30 *Railway Gazette,* 5 May 1939, 735.

extensive network of services in the two towns but the lack of SR involvement is probably because the company was analogous to a municipal undertaking. By the railway's road powers acts these were given protection within their boundaries; BH&D was eventually to make an agreement with Brighton Corporation to cooperate in providing passenger transport.[31]

A final tidying up came in 1933 on the establishment of the London Passenger Transport Board (LPTB), which acquired existing bus operators within its area of operation . However, some of these operator's routes ran beyond the LPTB boundary and were sold. This meant the SR purchased certain parts of London General Country Services, and its subsidiary Autocar of Tunbridge Wells. By agreement with TBAT, it then sold them to either Southdown or Maidstone & District.[32]

Governance: directors and managers

Railway-appointed directors of bus companies were established either at the inception of the company or as part of the purchase agreement with TBAT. The pattern of SR directors in bus companies varied, especially during the initial period of its involvement. However, certain broad relationships were established and can best be discerned from Tables E1 and E2 which show the situation at January 1 1938. Whilst they are largely self-explanatory, 'Other' is predominantly the original promoters, directors or managers of each business. Although excluded from this analysis, the members of this group would tend to think as 'bus' rather than 'railway'.

In the two companies where the SR owned half of the shares, Southern National and Southern Vectis, there were equal numbers of directors from railway and bus interests. This pattern had been established when the companies were founded. For Southern National there were four from the SR and four from NO&T.[33] For Southern Vectis there were two from the SR and two from Dodson brothers.[34] Here the SR provided the company's Chairman from its formation in 1929 until 1937.[35] Although TBAT purchased Dodson brothers shares in 1932, this arrangement was allowed to continue.[36] In both companies the SR was in the strongest position to exercise dominance of any of its ten associated bus companies.

31 *Ibid*, 733.

32 C. F. Klapper, *Sir Herbert Walker's Southern Railway.* (London: Ian Allan, 1973): 135.

33 TNA, RAIL 650/4.

34 TNA, RAIL 650/3.

35 TNA, RAIL 650/41.

36 TNA, RAIL 650/16.

Table E1 – SR associated bus companies: holders of ordinary nominal share capital on 1 January 1938

Holders of ordinary nominal share capital on 1 January 1938														
	SR		TBAT		GWR		NECC (BET)		NO&T (Tilling)		Other		Total	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Aldershot & District Traction Co Ltd.	66,112	33	66,112	33							67,776	34	200,000	100
Devon General Omnibus & Touring Co Ltd.	27,279	14			40,917	20	68,196	34			63,608	32	200,000	100
East Kent Road Car Co Ltd.	151,355	34	151,356	34							147,289	33	450,000	100
Hants & Dorset Motor Services Ltd.	174,728	39	174,728	39							100,544	22	450,000	100
Maidstone & District Motor Services Ltd.	262,725	35	262,725	35							224,550	30	750,000	100
Southdown Motor Services Ltd.	242,792	32	242,793	32							264,415	35	750,000	100
Southern National Omnibus Co Ltd	271,100	50							271,100	50			542,200	100
Southern Vectis Omnibus Co Ltd.	47,500	50	47,500	50									95,000	100
Thames Valley Traction Co Ltd.	29,208	15	97,361	49	68,153	34					5,278	3	200,000	100
Wilts & Dorset Motor Services Ltd.	30,724	26	30,724	26							58,552	49	120,000	100
	1,303,523	**35**	**1,073,299**	**29**	**109,070**	**3**	68,196	2	271,100	7	932,012	25	3,757,200	100

Source: Railway Gazette, *March 11 1938, 474a.*

Table E2 – SR associated bus companies: number of directors during 1938

Numbers of directors during 1938														
	SR		TBAT		GWR		NECC (BET)		NO&T (Tilling)		Other		Total	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Aldershot & District Traction Co Ltd.	2	40	2	40							1	20	5	100
Devon General Omnibus & Touring Co Ltd.	2	22			3	33	4	44					9	100
East Kent Road Car Co Ltd.	2	25	2	25							4	50	8	100
Hants & Dorset Motor Services Ltd.	2	40	2	40							1	20	5	100
Maidstone & District Motor Services Ltd.	2	33	2	33							2	33	6	100
Southdown Motor Services Ltd.	2	25	2	25							4	50	8	100
Southern National Omnibus Co Ltd	4	50							4	50			8	100
Southern Vectis Omnibus Co Ltd.	2	50	2	50									4	100
Thames Valley Traction Co Ltd.	1	17	2	33	2	33					1	17	6	100
Wilts & Dorset Motor Services Ltd.	2	29	2	29							3	43	7	100
	21	**32**	**16**	**24**	**5**	**8**	4	6	4	6	16	24	66	100

Source: The Motor Transport Year Book & Directory *Volume XXIII 1938-39*

In the two companies where the railway interest was shared between the SR and the GWR, Devon General and Thames Valley, the relationships were more complex. In Devon General two directors were nominated by the SR and three by the GWR.[37] The railway interest was therefore five, which, in the 1929 board of ten, equalled the bus interest.[38] The four directors from NECC in Table E2 seem an exception to this arrangement, although the same situation arose in Thames Valley. Here there was one SR director and two GWR directors, a railway interest of three, outweighing the TBAT interest of two.[39] In both companies the SR and GWR may well have been regarded as separate organisations rather than a united bloc: certainly the fact that the railways' bus interests were governed by separate acts made this a defensible position. But more probably there was no strong feeling that the vacancies for NECC or TBAT-nominated directors needed to be filled immediately in view of the amicable relations between the rail and bus interests. In any case, to have dominance in either company, the SR would have had to act in concert with the GWR; but even then the combined shareholding would only equal that of NECC or TBAT.

In the five companies where the SR owned a third of the shares, Aldershot & District, East Kent, Hants & Dorset, Maidstone & District and Southdown, it nominated two directors, as did TBAT. In all five the remaining directors – sometimes equal in number to the SR/TBAT interest, sometimes less – were predominantly those who had originally developed the company. Although no detailed analysis has been made, they would also tend to have had a significant shareholding in each company. In Wilts & Dorset, where the SR owned a quarter of the shares, the situation was similar. The remaining directors were those who had formed and grown the company. Since both the SR and TBAT had acquired their interest by purchasing additional shares created by Wilts & Dorset, the original shares would largely be owned by these remaining directors, who thus were for the most part the other shareholders.[40]

Irrespective of the strength of its position, the SR seemed content to let the bus interest determine the direction of each company. With the sole exception of Southern Vectis, no SR- nominated director was Chairman or Managing Director of any of the companies. Since the agreement with TBAT was that it should nominate the chairman of each subsidiary for the first five years, this is perhaps unsurprising.[41] At the time *The Economist*, a fairly neutral observer, felt that the railway companies had recognised that ultimately 'road and rail transport are not competitive but complementary'. They

37 TNA, RAIL 650/4.
38 TNA, RAIL 650/4.
39 TNA, RAIL 650/22.
40 TNA, RAIL 650/10.
41 TNA, RAIL 425/42.

had invested in road transport concerns 'on a scale sufficient to give them a voice in framing policy, rather than out-and-out control'. Whilst the will of the bus and rail interests was paramount in determining policy, neither had voting precedence over the other. [42] Although serving at a much later period, one of the railway nominated directors of Southdown confirmed that in the 1970s he was subject to no central direction; the role was largely what the individual made it, essentially because bus services were not a major threat to the core railway passenger business.[43] That assessment of competition could have held true in the interwar years if, as Sidney Garke claimed in 1928, the danger came much more from the private car.[44]

The background of the SR directors of the bus companies quickly settled down after an initial period of uncertainty. Usually the roles were filled by the Assistant General Manager and the Joint Accountant. From 1932, in some of the smaller bus companies, a new managerial appointment, a Road Transport Liaison Officer, took the place of the Assistant General Manager to reduce his workload.[45] Undoubtedly the SR's appointment of its senior managers reflected the importance of its involvement with buses. The Assistant General Manager dealt with the broad policy and traffic issues, leaving the Joint Accountant to consider more specifically financial aspects. Until 1937, the appointed Assistant General Manager was Gilbert Szlumper. With an engineering and shipping background, Szlumper had worked with Walker since 1914; having been involved in the campaign to obtain road powers, he appreciated how Walker's policy had developed. On his promotion in 1937 to General Manager, Szlumper was replaced by John Elliott, who had a journalism and marketing background but had been a very successful commercial manager within the SR since 1925.[46] Ralph Davidson, one of the SR's two Joint Accountants, served as a director throughout the period. His initial railway secretarial background was widened by leaving to join a firm in public practice, where he gained an accounting qualification. Then, after a year travelling in North America, he returned to railway service.[47] Monthly and yearly management accounting reports on each bus company were produced by his staff. H.A Short was Road Transport Liaison Officer from the post's establishment in March 1932 until August 1936, when he was succeeded by J C Chambers.[48] [49] Brief biographies of both are included in the later discussion of SJCs.

42 *The Economist*, 17 February 1934, 354.

43 Personal discussion on 8 September 2010 with Frank Paterson, who joined the LNER in 1946 and retired as General Manager of the Eastern Region of British Rail in 1983. Whilst manager of the Central Division of the Southern Region at Croydon, he was a director of Southdown from 1970 to 1973.

44 PA, HC/CL/PB/2/94/5.

45 *Southern Railway Magazine*, March 1932, 89.

46 *Southern Railway Magazine*, November 1937, 403.

47 *Southern Railway Magazine*, April 1940, 106.

48 *Southern Railway Magazine*, March 1932, 89.

49 *Southern Railway Magazine*, September 1936, 323.

Although railway officers became directors of the bus companies, day-to-day management of them remained with the existing managers. Although this recognises Walker's comment that putting railwaymen in charge would ensure failure of the bus companies, the SR was no different to the other three railway companies. Commenting in 1931, Sidney Garke was 'appreciative…that their railway friends had recognised their special knowledge of the industry by… leaving in their [TBAT] hands the appointment of the chief executive officers of the subsidiary companies.'[50] However, comments by the Assistant General Manager and the Road Transport Liaison Officer on the monthly financial results of each bus company leave no doubt the SR was not content with mere passive acquiescence. It took an active interest in bus affairs.

A year earlier, in 1930, the Chairman of NO&T explained that company's arrangement with the railway companies rather differently. Claiming to be 'the first in the field' to discuss co-operation, he was gratified that the principles he had helped to establish had been followed in many subsequent agreements. There was to be no control by either side, whilst the number of directors and the voting rights should be equal. Consequently any serious disagreement would have to be settled by an arbitrator. So far the arrangements with the GWR and SR had worked 'most harmoniously' and both companies 'are doing their utmost to be helpful'. His election as Chairman of both associated bus companies had shown the railway companies 'every disposition to give our road interests a square deal'. But the probable reason for his equanimity was given in the last line of the report. The NO&T managed each company's operations for a fixed rate per mile.[51] Effectively the management remained unchanged and NO&T took a substantial income from the day-to-day running of the companies.

Governance: the Standing Joint Committee

For each company a SJC with equal membership of rail and road representatives was established. Its role was to co-ordinate rail and road services to provide the most efficient service for the public.[52] This body undertook detailed consideration of fares and services. SJCs reflected national agreements common to all four railway companies.[53] The rail members of the SR associated Committees were from 1932 the Road Transport Liaison Officer and the Divisional Traffic Superintendant in whose area the bus company chiefly operated.[54] In this way there was a consistency of policy

50 *Tramway and Railway World*, 12 March 1931, 162.

51 *Railway Gazette*, 9 May 1930, 746.

52 *Southern Railway Magazine*, May 1930, 188-90.

53 *Railway Newsletter*, July 1930, 1.

54 TNA, RAIL 645/3.

combined with knowledge of local circumstances. In addition the Road Transport Liaison Officer submitted the SJC minutes to the Assistant General Manager so as to either point out or seek guidance on points of principle.[55] The bus company's representatives were usually its General Manager and Traffic Manager. Again this brought both local knowledge and consistency. Thus, for example, the initial SR representatives on the Southern Vectis SJC were H.A. Short, the Road Transport Liaison Officer and A.B. MacLeod, the Assistant for the Isle of Wight.[56] The initial bus representatives were W.A Budd, General Manager, and G H Taylor, Secretary.[57] These arrangements were slightly modified for Devon General and Thames Valley, where the SR and GWR had a joint agreement; each railway nominated one SJC member. Yet, as each railway had an additional representative who was 'in attendance' at the meetings, this administrative nicety had no practical effect.[58]

Chairmanship of the committee alternated, usually on a yearly basis, between the SR's nominee and that of the bus company. The location of meetings, held every two or three months, similarly varied between railway and bus premises. Secretarial assistance was provided by each organisation. Whilst the Committee was the body where arrangements were ratified, a good deal of its business was resolved in correspondence. Its minutes were circulated within the SR and the bus company. Looking back from the early 1940s, Charles Elliff, a later Road Transport Liaison Officer, thought that the committees comprised '…people in authority with wide knowledge of their respective undertakings who can take action to effect co-ordination…'.[59] Both sides seem to have been well satisfied with the arrangements. Similarly Sidney Garke felt the shareholdings were really of minor importance compared with the joint committees 'which had fully justified themselves'.[60] Pressing Milne, General Manager of the GWR, to establish a SJC for Thames Valley in 1930, Walker found them'…a most useful and expeditious official channel for agreeing the very numerous details concerning the co-ordination of rail and road services…'.[61]

Whilst no systematic survey has been attempted, there seems little evidence of disagreement from the minutes. No doubt there were disputes but in the main they seem to have been resolved by negotiation before the resulting decision was ratified by the SJC. In one rare instance of disagreement the SR gave notice to Southern National that it would oppose any application lodged with the Traffic

55 TNA, RAIL 650/24.
56 TNA, RAIL 650/18.
57 Newman, *Southern Vectis*, 13.
58 TNA, RAIL650/38.
59 *Modern Transport*, 10 October 1942, 14.
60 *Proceedings of the Omnibus Society*, December 1946, 7.
61 TNA, RAIL 258/220.

Commissioners for a bus service between Bodmin and Padstow presumably because it competed directly with the rail service. It was left for the Southern National General Manager '…to deal with as he may think fit'.[62] In another case the SR opposed an application before the Traffic Commissioners for an increased Hants & Dorset service between Southampton and Salisbury.[63] It must have been unsuccessful as the additional services were granted.[64]

The key SR representative was the Road Transport Liaison Officer, a member of the General Manager's office. The first occupant was H. A Short. He had in 1929 been seconded to help with work resulting from the granting of road powers to the company. Originally joining the LSWR in 1913, he had an operating and commercial background and left the bus post to become the SR's Assistant Docks & Marine Manager in October 1936.[65] Eventually he was to become General Manager of the North Eastern Region of British Railways.[66] Clearly the SR felt the post required a broad experience such as Short's to set up the necessary road transport agreements. But very different skills were evident in J.C Chambers, the second occupant of the post. He was a solicitor who had worked in the Solicitor's Department for twelve years. Crucially since 1931 he had been involved with the working of the Road Traffic Acts and was part author of a textbook on the subject.[67] In the regulated road transport that evolved after the 1930 Road Traffic Act legal skills became more relevant. Staff working on SR involvement with the Traffic Courts established under that act was transferred to the Road Transport Liaison Officer as part of Chambers' new appointment.[68]

Whilst the TBAT companies were the subject of a standard agreement, practice in the others was similar. So the Southdown SJC may be taken as typical. The Committee had two principal duties. Firstly it considered ways in which services could be co-ordinated and developed in the interests of the travelling public by:

- running bus services to and from any SR station
- the issue of combined road and rail tickets
- interavailability arrangements
- developing passenger traffic in the area to benefit both rail and bus
- development of tourist and special traffic
- advertising and publicity

62 TNA, RAIL 650/32.

63 TNA, RAIL 650/33.

64 TNA, RAIL 650/38.

65 *Southern Railway Magazine*, September 1936, 323.

66 John G. Teasdale (editor.), *A History of British Railways North Eastern Region.* (Leeds: John G Teasdale, 2009): 27.

67 E. Gilbert Wood Ward and John Colpoys Chambers (editors), *Woodward's Road Traffic Acts and Orders 1930-1934* .(London: Eyre and Spottiswoode, 1934).

68 *Southern Railway Magazine*, September 1936, 323.

Whilst the Committee's recommendations were communicated to both Southdown and the SR, they were purely advisory. Neither company was bound by them.

Secondly the SJC decided:

- whether any proposed new or extended bus route would be competitive with a railway service
- whether any such new service should be operated
- the fares to be charged on directly competitive rail or road services and their adjustment '…in the interests of the public and the parties…'

In such decisions the SJC was to take into account the travelling public, public demand, existing services and the possibility of competition by others. Any decision was binding on both Southdown and the SR, which had to act on it. Provision was made to appoint an arbitrator if the Committee failed to agree. This was the very heart of the agreement for the SR, the ability to control bus competition. It was also Walker's basis for saying in his preliminary verdict in 1930 that the SR could control bus fares and charges.[69]

Since the SR had no road transport powers in London, it had no SJC for that area. Indeed, when the LPTB was established in July 1933, eight provincial bus companies had to relinquish operations within the new Board's operating area.[70] By contrast operations outside the LPTB boundary had to be sold, as noted above. Effectively these purchases and sales gave both the LPTB and the provincial bus companies' distinct and adjoining areas. However, the passenger receipts of both the LPTB and those of the four main line companies for train services within the LPTB's area had to be pooled and shared. To oversee this, and to co-ordinate services, a joint committee, of which the SR was one member, was formed.[71] Since it did not involve bus operations, it is not considered here. However, the pooling of receipts led to an arrangement with the LPTB Green Line coach operation, where passengers with return tickets from London could return by rail after 4.00 p.m. on Saturdays, Sundays and Bank Holidays. The arrangement from some 300 main line stations outside London prevented overcrowding on Green Line services at peak return hours. As will be seen in chapter six, a similar fear of being overwhelmed was the reason East Kent was initially hesitant about full interavailability of bus and rail tickets. In the late 1930s some 33,000 passengers a year made use of Green Line but most travelled on Bank Holidays. However, as this arrangement was only operated

69 The Kithead Trust, Droitwich Spa, Southdown Agreement.

70 Barker and Robbins, *A History of London Transport*, 280.

71 *Southern Railway Magazine*, July 1933, 242.

at the request of LPTB local staff, and not at the option of passengers, it was not interavailability as practised with the railway associated bus companies.[72]

Benefits of the agreements; the SR's perspective

The major benefits claimed for the SR's agreements with bus companies can now be reviewed. As the volume of material to be assessed was large, only a sample of six of the ten companies with which the SR was associated has been studied. The sample comprises Devon General, East Kent, Hants & Dorset, Southdown, Southern National and Southern Vectis. Table F summarises the criteria on which they were selected.

Table F – Sample bus companies

	SR operating division	Size measured by receipts	Holding company	Other railway shareholding	Fullness of archive material
Devon General	Western	Medium	BET	GWR	Fair
East Kent	Eastern	Medium	TBAT	None	Fair
Hants & Dorset	Western	Medium	TBAT	None	Fair
Southdown	Central	Large	TBAT	None	Poor
Southern National	Western	Small	Tilling	None	Good
Southern Vectis	Isle of Wight	Small	TBAT	None	Poor

The first criterion for this sample was geographical, related to the three operating divisions into which the SR was divided. East Kent operated in the Eastern Division of the SR, Southdown in the Central Division and Devon General, Hants & Dorset and Southern National were in the Western Division. Because of its separation from the mainland, the SR had a dedicated manager for the Isle of Wight, where Southern Vectis operated. The sample takes companies in each of these areas.

The second was the size of the bus company as measured by its gross receipts in 1930, shown in Table A. With receipts of £700,116 Southdown was the largest of the companies; only Maidstone & District was of similar size in this large group. East Kent had receipts of £482,143 and was the largest of the medium group. Aldershot & District and Hants & Dorset were broadly similar and Devon General was the smallest of this group. Finally Thames Valley with receipts of £202,989 headed the small group, followed by Southern National. Wilts & Dorset and Southern Vectis's takings were much less. The sample takes one of the two

72 *Journal of the Institute of Transport*, April 1939, 231.

large companies, three of the four medium companies and two of the four small companies. It therefore gives a reasonable representation of each group.

The third criterion was the pattern of original ownership. Six of the ten companies were owned by TBAT. Two were originally owned by independent owners but later became associated with TBAT. Two, by a process of takeover, became individually owned by one of the two owners of TBAT, Tilling and BET. The sample takes three TBAT companies, one which was originally independent, one which became a Tilling subsidiary and one which became a BET subsidiary. In two of the ten bus companies, those serving the areas of both the GWR and the SR, both railway companies had a shareholding in the bus company. Devon General has been included in the sample to see if the joint railway shareholding led to any differences of approach.

Finally some assessment was made of the fullness of the archive material for each of the ten bus companies. This varies greatly. Former SR records, now deposited at the National Archives, are reasonably complete, although some are missing for East Kent, Maidstone & District and Southdown. Of the bus companies' records, Maidstone & District, Southdown and Southern Vectis are very poor, largely because little material was retained when the companies' offices were closed or rationalised.

In this section the benefits derived by the SR in operational, publicity, estate and commercial terms are reviewed, largely using examples drawn from the six sample companies. The three major benefits to the public identified by the SR are discussed in chapter six.

Operational advantages included the use of station yards by buses, a topic that featured in Walker's evidence to the 1928 Select Committee. This did not lead to much new infrastructure. The only major projects to create easy interchange were a new LNER bus station in the forecourt of Norwich Thorpe station and the SR example at Aldershot.[73] More usually there was a series of individual arrangements for specified facilities with no standard fee. Usually a formal agreement was made for buses to use a particular station yard, such as the use by Southern National at Portland.[74] Similarly Southdown was allowed to stand and turn buses at Haywards Heath.[75] In the Isle of Wight, Ryde Esplanade yard was a cause of dispute, as goods vehicles using the station obstructed

73 *Railway Newsletter*, April 1932.
74 TNA, RAIL 650/4.
75 TNA, RAIL 650/16.

access; negotiations reduced the agreed rent from £75 to £45 a year.[76] The busy location, close to the ferry terminal, accounted for the high rent. The quieter locations of Newport and Ventnor West only each commanded £2 a year.[77] Devon General agreed a payment £1 per service per year for such usage, which could be reviewed if the bus use materially increased the maintenance of the road.[78] Hants & Dorset services outgrew the facility at Eastleigh and the greater space increased the rent from £26 to £36 a year, as well as £147 for the necessary alterations.[79] It therefore appears that, whilst a rent was charged, each case was assessed on its merits.

The second operational convenience to the SR was the use of bus services when rail lines were closed or disrupted. Indeed trains could also come to the rescue of buses: thus there were reciprocal arrangements between Southern National and the SR to cover disruptions to either operator. For rail, substitute buses could be provided by the nearest Southern National depot and the cost subsequently charged to the SR. For road, rail tickets could be issued in exchange for bus tickets and an account sent to Southern National.[80] In North Devon buses were available when the railway service did not operate. During the summer of 1930 Southern National operated a service from Lynton on Sundays to give a connection at Barnstaple to and from the Waterloo service, enabling through bookings to be honoured, something that could not be done with the SR's slow service on the narrow gauge Lynton & Barnstaple Railway. In the following winter the Sunday rail services from Barnstaple to Ilfracombe and Torrington were withdrawn and Southern National provided a replacement. Connections with principal trains were made at Barnstaple and rail tickets were available on the bus without further payment. On the Devon and Dorset border Sunday services between Axminster and Lyme Regis were provided under similar conditions.[81]

The last of the operational advantages was the provision of road/rail services for special events. This was relatively infrequent. An example is the special service provided in association with Aldershot & District for the Aldershot Military Tattoo in 1930. Buses were provided to take those who arrived by train to the Tattoo ground, a distance of two and a half miles, and return them after the performance. Although the service was considered excellent, the return fare of two shillings (10p) was more than twice the normal fare and the joint facility was not advertised.[82] Perhaps unsurprisingly the two companies did not account

76 TNA, RAIL 650/10.
77 TNA, RAIL 650/16.
78 TNA, RAIL 650/7.
79 TNA, RAIL 650/36.
80 TNA, RAIL 650/4.
81 TNA , RAIL 650/4
82 *Bus and Coach*, July 1930, 289.

the facility a success and it was not repeated in subsequent years. Although two combined road, rail and ship day trips to France from the Guildford area in the same year were felt to be very satisfactory, they did not become a regular feature of excursion programmes.[83]

The first of the publicity group is advertising and literature. The use by railway companies in the inter-war years of what would now be termed marketing has recently attracted scholarly interest. Divall and Shin have produced a general survey.[84] Thompson develops this in an analysis of GWR activity to stimulate tourist traffic.[85] Here the focus is more on the more detailed aspects that contributed to that marketing activity. However, a concern for image meant 'In association with the Southern Railway' appeared on literature produced by all the bus companies. The SR also made use of the railway trade press to publicise its bus interests. The only feature articles on bus companies in *Railway Gazette* during the early years of 1930 and 1931 are about East Kent, Southdown, Devon General, and Southern National, all SR associated. Here the SR recognised the value of good publicity by providing assistance to the magazine in compiling the articles. An example of joint road and rail publicity were two posters from around 1934, displayed either in combination or separately, showing the routes provided by the SR and GWR with their associated bus companies in the south of England. Rail and road routes were shown in separate colours with a change of colour if the road service was jointly provided by two operators. Originally planned by the SR only to cover its Eastern Section, it was firstly extended to cover the whole of the company's area. Then, because of the joint interests, the GWR became involved and agreed to showing some of its area on the map. The costs were shared between the two companies.[86] Minor improvements might make a useful difference at a local level: Devon General agreed to contribute half the cost of an illuminated sign at Exmouth station directing passengers to the bus service to Orcombe Point.[87] Sensing a chance to reach a new market, it also agreed to take a double page spread in a road transport publicity booklet for use in the SR's offices in New York and on the Continent.[88] Southern Vectis were more moderate, taking only one page.[89] However, the company agreed to contribute £15 towards the cost of the SR's contour map of the Isle. Produced for display at some SR stations, in Southern Vectis offices and on the Isle of Wight, it included advertising space for Southern Vectis services.[90]

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83 *Southern Railway Magazine*, September 1930, 353.
84 Divall and Shin, 'Cultures of speed and conservative modernity'.
85 Thompson '"A master whose heart is in the land".
86 *Railway Gazette*, 11 May 1934, 841.
87 TNA, RAIL 650/14.
88 TNA, RAIL 650/14.
89 TNA, RAIL 650/16.
90 TNA, RAIL 650/3.

The second advantage was the improved flow of marketing materials, particularly from the exchange and sale of timetables and associated publicity. Maidstone & District gives an example of how the arrangements worked. Each company sold the other's timetables and guides on sale or return terms with a twenty five per cent commission on sales. The bus company's timetables, together with its tour and service guides, were sold in twenty seven stations in its area, as well as in Brighton, three of the London termini, New York and Paris. Seventy two copies of the railway timetables were provided for sale in the Maidstone enquiry offices. The SR had a one-page free advertisement in each of the Maidstone's area timetables and its timetable cards were displayed in six of the Maidstone company's offices.[91]

Thirty one of the thirty seven stations in the Aldershot & District area had bus timetable display boards. Most of the other stations were remote from the company's bus routes and it was impractical to ensure the regular posting of timetables. Local bus timetables were kept in railway booking offices; spot checks showed a reasonable knowledge of bus services by station staff.[92] The new measures did not always benefit customers: the sale of its timetables at stations caused Hants & Dorset to charge for timetables from June 1930 instead of distributing them free. The change was a condition of the SR agreeing to distribute them through stations.[93] Later the timetable was revised to include a map of both bus and rail routes.[94] A measure of co-operation between staff meant better and more flexible service to customers; timetables were exchanged for office use to enable each operator to answer enquiries about the other. This arrangement even included the SR agents in Paris and Brussels and the Joint Railways' Office in New York.[95] Later this was extended to the travel bureau on the trans-Atlantic liner Queen Mary and the SR's branch offices in Chicago and Los Angeles.[96] Whilst these would be concerned with bus enquiries, the SR would derive some benefit when rail enquiries were answered in bus offices. However, it is impossible to know how important any of these measures were.

In terms of estate advantages the SR helped its associated bus companies by selling land for the erection of bus garages. However, these transactions were conducted at arm's length on a commercial basis and not always successfully. Thus Hants & Dorset's proposed purchase of a site at Poole for £895 in 1930

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91 TNA, RAIL 650/4.

92 *Modern Transport*, 10 October 1942, 14.

93 TNA, RAIL 630/1.

94 TNA, RAIL 650/36.

95 West Country Historic Omnibus and Transport Trust, Plymouth, WHOTT 26A1, Southern National Local Committee 17 August 1934.

96 WHOTT, WHOTT 26A1, 16 March 1937.

did not take place because of restrictions attached to the land.[97] But Southdown purchased a site for £800 at Seaford in 1931.[98] It did so again for £120 at Wickham in Hampshire in 1936.[99] Devon General leased a site at Exmouth in 1930.[100] More about East Kent's lease of land at Sandgate for a garage is included when discussing the withdrawal of SR passenger services in chapter five. As the site was waterlogged shifting sand, Gilbert Szlumper arranged for advice from a Southampton Dock's engineer on the garage's construction.[101] A different purpose, office accommodation, was the reason for Southern National's purchase of 55-58 Queen Street Exeter in 1939. In addition the SR provided sites for bus enquiry offices and waiting rooms. Occasionally the process worked in reverse. Thus while Southdown rented land for an additional enquiry kiosk at Haywards Heath station, it assigned the tenancy of a kiosk at the entry to the Aquarium at Brighton to the SR.[102] Since its station at Brighton was distant from the sea front, this kiosk was well positioned to capture passing trade. Similarly Hants & Dorset rented a site at West Moors station but an SR Advertising Representative advised the company on the tariff for advertising rights at the new Bournemouth bus station.[103] In Hastings station, East Kent's leased shop was opened before the Whitsun holidays in 1933.[104] Accommodation at Ryde rented by Southern Vectis in 1934 was felt to be too small, as conductors had to pay in takings at the public enquiry office. Arrangements were therefore made to rent the adjoining office at £30 a year. This might also seem small beer, but the cumulative effect of minor improvements could be considerable.

In the final group, commercial benefits, approval was quite speedily given for the sale of coach tickets by rail ticket agents. The railway companies' policy was that agents should not sell tickets for competitive services without railway consent; defending the subsequent ban on rail appointed travel agents selling air tickets, Gilbert Szlumper mentioned the support given to agents 'over a great many years'. He argued the practice should continue of allowing agents to sell specified air services, citing seven such companies.[105] The same principle applied to coach tickets, where the services of forty three companies from either the National or TBAT groups were approved.[106] After generating much bad publicity

97 TNA, RAIL 650/1.
98 TNA, RAIL 650/9.
99 TNA, RAIL 650/36.
100 TNA, RAIL 650/4.
101 TNA, RAIL 650/13.
102 TNA, RAIL 650/2; TNA, RAIL 650/9.
103 TNA, RAIL 650/1; TNA, RAIL 650/21.
104 TNA, RAIL 650/19.
105 *The Times*, 11 April 1938, 13.
106 *Omnibus Magazine*, January 1930, 4.

the air ticket ban was dropped.[107] Yet the coach ticket approval was introduced in 1930 without much publicity, soon after the agreements with the bus companies were completed. Acceptance of rail parcels at bus offices and the issue of rail tickets at bus offices were other minor advantages.

As a whole, these measures benefitted both the SR and the bus company. Although their individual impact must have been relatively small, the total benefits might well have been considerable, although we shall never know for certain. In operations the use of station yards by buses and the ability for each mode to use the other in cases of disruption was useful. So were combined rail and road services for special events but the limited use of the facility equally limited its value. In publicity the ability to use the branding 'in association with the Southern Railway' may have been thought by the bus companies to distinguish them as superior to other operators. Equally it must have help foster the impression that the SR was a transport company and not just a railway. Much of the advertising was local in nature, reflecting people's use of buses and trains in specific places. The exchange of timetables aided both bus and rail, although probably more to be able to answer enquiries than to sell in large numbers.

The SR provided sites for bus garages, enquiry offices and waiting rooms. It was therefore able to exploit development opportunities for its land. To the bus company it was the location of the site that mattered most, so it was probably indifferent to the identity of the vendor. However, the SR might well have had more attractive sites than others. There appears only to be one instance where the bus company provided a site for the SR. In commercial terms the only item of real value, and especially to the bus company, was the railway company agreement that its rail ticket agents could also sell coach tickets. In short it is difficult to accept that any of these benefits had a great strategic value or only arose because of the SR's agreements with the bus companies.

Alternative perspectives

As mentioned in chapter three, the MOT had aided the railways by not allowing the process of obtaining their road transport acts to be postponed until the RCT had reported. Rather than consider the case again the Commission had to be content with commenting on what had taken place. Nonetheless, since the last of its three reports included a survey of all forms of internal transport, its recommendations commanded attention and stimulated discussion on transport

107 *Railway Gazette*, 23 December 1938, 1105.

policy. Its final report, presented to Parliament in December 1930, included in its 'General Observations and Recommendations' a section on railway road transport powers, which has often been repeated in critiques of the railways actions Unfortunately it is not entirely clear whether the section related to passenger or goods services or both. Nevertheless it stated

> …we cannot refrain from expressing a feeling of doubt whether it is wise for the companies to spend large capital sums for the purpose of establishing services which may be in direct competition with their business as railways. We feel that possibly such capital would be better applied to the electrification of their suburban lines.[108]

Before considering contemporary views on this, two preliminary comments are necessary. Firstly the language is very tentative. '…we cannot refrain from expressing a feeling of doubt…' and 'We feel that possibly…' are hardly ringing declarations of confidence is what is put forward. Rather the paragraph reads as *obiter dicta*, a suggestion to be adopted or rejected as the reader decides. As the expressed view of the entire Commission, it was drafted to be acceptable to all its members. Yet the Commission was unable '...to make any definite recommendation…' on the co-ordination of transport.[109] In addition there were two sets of reservations and two sets of additional recommendations.[110] This suggests the Commission was far from unanimous in its views, which would increase the importance of drafting to gain as much agreement as possible.

Secondly establishing road services in direct competition to their railway services was the exact opposite of what the four companies said they wished to do. Whilst they laid great emphasis on co-ordinating road and rail services, the fear apparently continued to lurk in the Commission's mind that by predatory action the railway companies would ultimately gain a stranglehold on road services. Its report seemed to acknowledge the point with a reference to railway companies attempting 'to starve road services for the purpose of putting an end to reasonable competition'.[111] When taken with the tentative language, there must be some doubt as to whether the Commission's analysis was thorough. Nevertheless its recommendation will be taken at face value.

The railway companies responded privately through the RCA by a letter to the MOT. Explaining that operating road services necessarily involved capital expenditure, the RCA argued that the companies had not incurred large sums

108 Royal Commission on Transport, *The Co-ordination and Development of Transport*, 41.

109 *Ibid.*, 150.

110 *Ibid.*, vi.

111 *Ibid.*, 41.

establishing road services in competition with their train services. One of the objects of acquiring a financial interest in the principal road undertakings was to be better able to co-ordinate road and rail services. Electrification of suburban lines, covering a much smaller area, could not be an alternative. Here each case had to be judged on its own merits 'rather than on the basis of a sweeping assertion such as that put forward by the Royal Commission'.[112] Since the Commission admitted it had not given detailed consideration to railway electrification, in view of the Weir Committee's contemporaneous study of the subject, the companies' charge seems justified.[113]

The companies' public response was slightly different. Writing in the *Railway Newsletter,* a periodical produced by the British Railways Press Bureau, the companies emphasised that about £9m had been invested in road transport not to achieve control of road transport but to co-ordinate services in the public interest. They pointed out this was inconsistent with one set of the Commission's additional recommendations; 'co-ordinate and unify, using rail and road transport as they should be used as complementary branches of the same service.'[114] Again the balance of evidence suggests that the SR and the other railway companies were on stronger ground than the Commission. The companies also emphasised that electrifying all their suburban lines would cost far more than £9m. If this sum were spent on electrification in London alone, rather than on road transport, it would not have produced an efficient scheme, while the co-ordination of road and rail, to which some of the Commission's members attached considerable importance, would have been far worse than was the case.[115]

The broader transport industry refuted the Commission's view. *Tramway and Railway World*, which despite its title was equally involved with road and rail, felt the Commission's criticism 'ought never to have been made'. By investing in their competitors the railway companies had '…adopted the wiser and less expensive course'. Had they purchased vehicles and erected garages '…there might have been some basis for the criticism…'. Severe censure would have resulted if they had adopted suburban electrification but left road transport to acquire more and more of their traffic elsewhere. Finally electrification, although desirable was not the complete solution, as it claimed every day in the London area passengers were brought in from a radius of thirty to forty miles by express buses. [116] The

112 TNA, RAIL 1098/67.

113 Royal Commission on Transport, *The Co-ordination and Development of Transport*, 39.

114 *Railway Newsletter,* February 1931, 1.

115 *Railway Newsletter,* February 1931, 1.

116 *Tramway and Railway World,* 12 February 1931, 95-96.

Railway Gazette was more sympathetic to the railway companies; it thought the achievement of closer cooperation between road and rail for '…so comparatively little was meritorious enough.' The criticism of not having electrified for about a tenth of what it would probably cost was '…surely a little unreasonable.'[117]

The Commission's advocacy of electrification was in part based on the SR's policy. The company's electrification of inner-suburban services in the 1920s, much lauded at its Annual General Meetings, was undeniably successful in operational and commercial terms. In a paper delivered in April 1928, Cox, the SR's Chief Operating Superintendent, quoted the increases from 1924 to 1927. Passenger journeys on lines electrified before the SR was formed grew by just over four and a half per cent, whilst receipts rose by almost five per cent. On lines electrified by the SR the growth was more dramatic with increases of just over seventeen and a half per cent in journeys and almost sixteen per cent in receipts.[118] Such success led to the conclusion that all services should be electrified '…in every district where there is intensive suburban passenger traffic.' Again it is not clear, but the comment 'If experience in other groups follows that of the Southern Railway…' suggests the Commission's recommendation is aimed at the three other railway companies.[119] Unfortunately the lack of detailed consideration of this issue once again led the Commission astray. Opening throughout of the Wimbledon and Sutton line in January 1930 and extension of electrification from Wimbledon to West Croydon, Hounslow/Feltham Junction to Windsor and Dartford to Gravesend in July 1930 had completed electrification of the SR's inner-suburban area.[120] Therefore by the time the report was presented in December 1930, in practical terms the SR was exempted from this recommendation. It could not electrify any more suburban services. Its electrification of longer-distance lines in the 1930s was largely aimed at markets where buses were not a major competitor.

A persistent criticism of inter-war railway management is that it was insular, ignoring managerial initiatives in other industries or overseas. In general terms a good deal has been written over the last twenty or so years to debate the point but little research has been directed at bus operation. In contrast historians have extensively examined US railroads and long-distance buses. Thompson, part of whose study investigates Southern Pacific's one third ownership of a bus company, suggests that California's rail managers responded less effectively

117 *Railway Gazette*, 6 February 1931, 188.

118 *Journal of the Institute of Transport*, May 1928, 334.

119 Royal Commission on Transport, *The Co-ordination and Development of Transport*, 39.

120 C. F. Dendy Marshall, (revised by R.W. Kidner), *History of the Southern Railway Volume Two.* (London: Ian Allan, 1963): 515.

to the car than they could have done.[121] Walsh's volume of articles appraises the growth, decline and struggle for stability of the national bus industry from the 1920s to the early 1980s.[122] The SR can certainly be exempted in part from this persistent criticism of UK companies. In June 1935 Walker recommended that four SR officers should visit America to 'study the latest developments in American transport'. Their study in October and November covered a wide field, including bus operations. They reported that some railroads had purchased an interest in bus companies whilst others had set up competing services. The Pennsylvania and New York Central each had a half share in regional subsidiaries of the Greyhound Corporation, whilst Southern Pacific had an interest in Pacific Greyhound Lines. Bus information and some ticketing had been introduced at principal railroad depots but there was no interavailability or exchange of tickets. The SR's managers took some comfort from a vice president of Greyhound Line's conclusion that 'In road-rail co-operation we are just about in the stage that you were in Great Britain six or seven years ago'.[123]

By contrast the Boston & Maine and New Haven Railroads had formed a subsidiary to operate buses over large stretches of their territory, which replaced train services at intermediate points. Consequently some trains could be withdrawn, others speeded up and some stations closed.[124] A further visit to America and Canada was made by three officers in March 1938. Like the previous group they were struck by 'the number of privately owned motor cars'. They made no mention of co-ordination but rather the measures the American railroads had taken to combat road competition. 'Briefly put, the Americans put 'safety first', then go all out for speed, with comfort'.[125] Although it was not the main purpose of the visit, the group felt there were few lessons for it to learn about bus transport. Had they visited California they might have discovered the need to adopt a different mentality for the bus industry that was noted earlier in this chapter. But they could with some justification respond that by giving freedom to the managers of SR associated bus companies showed they understood that need.

Conclusions

In considering the SR's actions, the inter-war years should be divided into two periods. The first from 1923 to around 1930, studied more fully in the previous chapter, was one of evolution, as all the railway companies sought to come to

121 Thompson, *The Passenger Train in the Motor Age*, 162.
122 Margaret Walsh, *Making Connections: the Long-distance Bus Industry in the USA*. (Aldershot: Ashgate, 2000).
123 TNA, RAIL 645/86.
124 TNA, RAIL 645/86.
125 TNA, RAIL 645/91.

terms with rapidly advancing bus and coach competition. Policy proceeded on the basis of trying alternative approaches with the disappointing results acting as a spur to more activity. Only the settlement reached with the bus groups in 1929 was felt to be a long-term solution. Thus began the second period, in which the railway companies had a direct interest in the larger bus companies and participated indirectly in their success. As demonstrated later, the associated companies purchased independent operators to concentrate bus services in their hands. Consequently the railway companies moderated the competitive challenge, as well as benefitting financially and in other ways, through comparatively small investment.

In this chapter it has been possible to view the SR's actions largely in isolation from the other three railway companies. This is reasonable because the four railway companies generally agreed policies were developed and applied at the level of their territorial operating zones Whilst the SR spent some £1.43m in acquiring an interest in the ten bus companies that dominated its territory, its influence did not extend to detailed management; it recognised the bus company as expert in its own field and left it free to manage the operation of its business. Organisationally it provided two directors for each bus company to consider policy and two members for the SJC to agree detail. Although the SJC decided if new or extended bus routes could be developed, its real value may well have been to influence decisions before they were finally made. The benefits of the agreements to the SR were of four kinds; all were useful but more concerned with the routine than the strategic. The major alternative perspective on investment in bus companies came from the RCT. Based on doubtful analysis the criticism that such funds were better spent on suburban electrification could not be made of the SR.

As the SJCs offered the SR the best opportunity to influence the nature of bus services in its area, a more detailed examination of their operation will allow a more thorough and rounded evaluation of the SR's policy of meeting road competition. Just how successful was the approach of allowing operational freedom to the bus company managers whilst retaining strategic oversight to control its competition with rail forms the analysis of the next chapter.

5. Managing bus competition

'…the alleged fight between the Railway and the Motor Coach Company is to a great extent a myth.' E.P. LEIGH BENNETT[1]

Once agreements were made with each of its associated bus companies, the SR was keen to promote an image of friendly cooperation. However behind this public façade its more serious purpose was to control bus competition. It did this initially by using some of the provisions in the agreements, implemented by the joint committees, whereby new bus routes directly competitive with its rail services could not be introduced without the SR's consent. But in 1931 soon after the agreements were made, a statutory licensing system was introduced, where existing operators could object to the provision of any new bus service. That gave the SR an alternative method of control. It had to decide which was the most effective and how each might be used. And if competition was controlled by either method, there could be further benefits to the SR by substituting a bus service for certain railway passenger services.

This chapter is concerned with the effectiveness of these control arrangements. After an introductory review of contemporary attitudes to competition in industry, the series of agreements the SR made with the bus companies is outlined. The operation of the agreements is next appraised through analysis of a sample of four bus companies. This is followed by an evaluation of the SR's use of objections to bus route licensing as a supplant to its operating agreements. Southern National is used to illustrate this section, as the archival sources are particularly good. A detailed study is then made of the small number of cases where rail passenger services were withdrawn and replaced by bus services.

The economic and political environment

To understand more fully the agreements between the SR and its associated bus companies requires an appreciation of the very different attitude towards competition within the transport industry in the 1920s and 1930s, especially that taken by government. This reflected widely held views that advocated almost the active avoidance of competition, and the apparent toleration of collusion. This is so fundamentally dissimilar to present attitudes that it requires some clarification.

1 E. P. Leigh-Bennett, *Southern Ways and Means*, (London: The Southern Railway, n.d.), 61.

In the UK laws to curb cartels and monopolies were rare until after the second world war, although the railways, by virtue of their dominant position in the economy, were always something of an exception.[2] Casson provides a chronology of parliamentary regulation of railways from 1831 to 1914 but comments that it was relatively lax.[3] But more generally the UK government in the 1931-9 period '… created a permissive environment favourable to voluntary collusive behaviour'. Beyond this it was reluctant to do more, unless an industry was unable or unwilling to help itself. [4] Thus as part of a policy to modernise industry, the UK government fostered quasi-public business organisations, such as the Lancashire Cotton Corporation, through which constraints were placed on competition between firms in the cotton textile, steel, coal and shipping industries.[5] Comparable thinking was behind the introduction of a tariff on imports from outside the Empire in 1932.[6] Similarly market sharing agreements were encouraged by the government as a way of facilitating orderly competition.[7]

Government rationale for this tolerance of collusion was that it did more good than harm by facilitating returns of scale and was the best way to boost economic efficiency and productivity.[8] In that its attitude was very similar to the rest of Europe in the 1930s.[9] A rationale for this so-called orderly competition was in part provided by the reorganisation movement. Although it was 'hardly correct to dignify it at all as a coherent movement', its basic aim was to encourage each industry to update its organisation and equipment. To aid the process, prices and output were set on industry-wide agreements rather than left to the individual firm to decide.[10] Greaves argues that at the time government action to restore the dominance of market forces and eliminate collusion was politically impractical. In addition the potentially adverse effects on producers' confidence of such action made its economic value doubtful.[11]

The agreements between rail and bus companies can thus be seen as part of a wider process of modernising the UK economy. Whilst, as already noted, the railways were always something of an exception to the common run of government

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2 Corwin D. Edwards, *Control of Cartels and Monopolies.*, (New York: Oceana Publications, 1962): 3.

3 Mark Casson, *The World's First Railway System.* (Oxford: Oxford University Press, 2009): 225-32.

4 Julian Greaves, *Industrial Reorganisation and Government Policy in Interwar Britain.* (Aldershot: Ashgate, 2005): 239-40.

5 Edwards, *Control of Cartels and Monopolies*, 5.

6 Roderick Floud and Paul Johnson (editors), *The Cambridge Economic History of Modern Britain Volume II Economic Maturity 1860-1939.* (Cambridge: Cambridge University Press, 2004): 338.

7 *Ibid*., 340.

8 Floud and Johnson, *The Cambridge Economic History of Modern Britain*, 391; Greaves, *Industrial Reorganisation and Government Policy*, 97.

9 Greaves, *Industrial Reorganisation and Government Policy*, 95.

10 A.F. Lucas, *Industrial Reconstruction and the Control of Competition.* (London: Longmans Green, 1937): 27-9.

11 Greaves, *Industrial Reorganisation and Government Policy*, 99.

industrial policy, the general circumstances explain why rail and bus operators were allowed to collaborate without fear of government investigation. Nevertheless state regulation of railway rates and fares, and the quantity licensing of bus services, were ever present in the 1930s.

In the transport industry these general attitudes took the more specific form of 'co-ordination'. Although much debated and endorsed by politicians and managers in different modes of transport, no agreed definition was reached. The aim was to eliminate the 'unnecessary' duplication of services by using each mode for those tasks for which it was best suited. In this way it was argued coordination would rationalise the transport industries, and eliminate 'wasteful competition' between either different operators of the same mode or different modes of transport.[12] This was a constant theme of the 1930s. For example, from 1931 when considering applications to license a bus service, the Traffic Commissioners were to fix fares so 'as to prevent wasteful competition with alternative forms of transport'.[13] Similarly the LPTB was enjoined by the Act of 1933 that established it to avoid 'the provision of unnecessary and wasteful competitive services'.[14]

Whilst the co-ordination of transport modes reflected contemporary opinion about wasteful competition, it sat awkwardly with state regulation of railway fares and charges. If prices were set on an industry wide basis, and action to restore market forces was impractical, there was little apparent sense in a railway regulatory system that attempted to simulate market forces. The reason for this paradox was the Railways Act 1921, which was framed to resolve the problems of an earlier age. In the days of virtual monopoly, control of railway fares and charges could always be justified. However, post-war legislation simply retained these deep-seated principles rather than examining them anew to see if they reflected current circumstances. But further exploration of the relationship with state regulation of railway charges requires more analysis than can be contained within this thesis.

The SR's agreements with bus companies

As we shall see, the terminology of wasteful competition was commonplace within the discussions of the SJCs. The powers of these bodies were fixed by the individual agreements the SR made with ten bus companies. Although the agreements differed in detail, they were essentially similar in principle. In inspiration they drew on comparable agreements already made in the bus industry to avoid direct

12 K.G Fenelon, *Transport Coordination.* (London: P S King and Son, 1929): 68.

13 Road Traffic Act 1930, Section 72 (3) (b).

14 *London Passenger Transport Board Fifth Annual Report and Accounts*. (London: London Passenger Transport Board, 1938): 9.

competition by designating distinct territories for each operator. The arrangements were somewhat modified to cater for both rail and bus. In this section the agreements for the eight bus companies eventually controlled by TBAT are first considered, followed briefly by those for Devon General and Southern National.

In reviewing the agreements it is important to remember the regulatory restrictions in the Acts giving the railway companies powers to operate road transport discussed in chapter three. These would apply to any bus operator controlled by a railway company. Not only were the restrictions unattractive to the railway company but were probably even more so to any bus operator. So the SR's negotiating position in reaching individual agreements was impaired. To avoid the regulatory stipulations it had to avoid control of the bus company; its negotiating tactics were probably to press for the maximum influence on each bus company's actions but not too hard. This explains why the balance of advantage in the agreements slightly favoured the bus companies.

All the TBAT agreements followed a standard format produced by its solicitors, which embodied the principles finally approved in the negotiations between Garke, Stamp and Wedgwood noted in chapter three. There were two closely linked parts, of which the first was of greater importance. This was a series of working agreements made on 1 January 1930 between each of the then existing TBAT subsidiary companies and the SR; the second was an agreement of 2 January 1930 between the SR and TBAT itself. The latter governed the purchase of shares by the SR in each TBAT subsidiary; unless this was made within six weeks, each working agreement would become void. Five working agreements were initially made but, as further companies became part of the TBAT group, more were made. Whilst the implementation of the Road Traffic Act 1930 must have been anticipated, the agreements essentially only formalised the principles agreed in the negotiations.

There were three major aspects to each working agreement. The first defined the geographical area covered. The second established a SJC, whose decisions were sometimes advisory and sometimes binding on both the SR and the bus company. Finally, the SR was required to subscribe to any future share issues so as to maintain its proportion of the bus company's capital. The East Kent agreement was typical and illustrates the potential of the working agreements as instruments to control bus competition. Here the previous territorial consolidation of bus operators was significant: the area covered by the agreement was identical with that allocated to East Kent by earlier agreements with the neighbouring bus companies, Maidstone & District and Southdown, an arrangement supervised by the LPOOA.[15] Within

15 Hibbs, *The History of British Bus Services*, 72.

its area East Kent was free from competition from large bus companies. Indeed its position was strengthened by the new working agreement, as, without the consent of East Kent, the SR agreed not to operate any road passenger service in the area or acquire an interest in any other road transport undertaking. Thus largely protected from competition, East Kent was free to contend with small independent operators in its area, perhaps by purchasing them to further strengthen its position.

The second clause established a SJC. As indicated in the previous chapter, this comprised two representatives of East Kent and two of the SR. Its advisory duties were: to co-ordinate bus and rail services ostensibly in the interests of the travelling public; to develop passenger traffic in the area to the benefit of both the bus and the railway company; to develop tourist and special traffic; and to make proposals about advertising and publicity. All such proposals were to be communicated to East Kent and the SR but neither company was to be bound by them. These advisory duties contributed to the marketing activities of both East Kent and the SR.

More importantly, the decisions made by the SJC about three aspects of the competitive position were binding on the partners. The first was whether any new service proposed by East Kent would be directly competitive with any SR rail service. The second was whether such a service should be operated. The third was the fares to be charged on directly competing road and rail services between two points 'and the adjustment of such fares in the interests of the public and the parties [East Kent and SR]'.[16] In its determinations the Committee was to consider *inter alia* the requirements and convenience of the travelling public, public demand for any particular form of transport and any services presently in existence, as well as the possibility of competition by third parties. Although provision was made for arbitration if the Committee failed to agree, any decision of the Committee or the arbitrator was binding on both East Kent and the SR and had to be effected by them.

The SR could require East Kent to provide a bus service, other than one directly competitive with East Kent's existing services. If there were any question whether such a service should be provided, or the terms on which it should be provided, the Committee would decide or failing that, the matter would be referred to arbitration. Not only was the SR to indemnify East Kent if such a service was unremunerative but also to pay a equitable return on the assets used to provide it.[17]

There were also additional obligations on the SR to maintain the agreed level of its shareholding, and thus the balance of power, in the company. If East Kent

16 TKT, TBAT Agreement.

17 TKT, TBAT Agreement.

raised additional capital, the SR was obliged to subscribe sufficient to maintain its proportion of the overall capital. This preserved the equal proportions held by TBAT and the SR, as specified in the second agreement. Demonstrating that this was intended to be a long-standing arrangement, the agreement was to run for twenty years. Thereafter it could be terminated by twelve months' notice by either party.

The agreement between TBAT itself and the SR governed the technicalities of the financial arrangements for purchase, but will be outlined here for completeness. It was agreed that TBAT, within a six week period, should transfer to the SR an agreed number of shares in each of the five subsidiaries. The shares destined for the SR were purchased from the existing shareholders of the company. More details of this process are given in chapter seven. In the case of East Kent the SR and TBAT holdings were each roundly a third of the company's issued share capital, leaving the remaining third in the hands of independent shareholders.[18]

In terms of governance and hence the control of bus competition, the important outcome of these technicalities was that TBAT and the SR were to exercise the voting rights attached to their shares to appoint a chairman and directors of each subsidiary. Each board was to consist of equal number of directors from TBAT and the SR, as well as other independent directors. Wherever possible, the TBAT and SR directors should form a majority of the board. In sum these provisions meant equal control of each bus company by TBAT and the SR. But crucially the chairman for the first five years was to be nominated by TBAT. This gave a slight advantage in the balance of power to TBAT but equally reflected the SR's recognition that those with expertise of the industry were the most appropriate to lead it.

Because the agreements with individual companies were restricted to operations on their territories, the over-arching agreement between the SR and TBAT also governed the possibility of through services. Given the rise of long-distance coach operations in the 1920s, this was important. Any through road passenger service, originating or terminating inside or outside the area of a subsidiary, should not be operated by the SR without the consent of TBAT if that company was operating a competing service.[19]

The other agreements, with companies which were not part of TBAT, can be briefly noticed. Although inevitably different in detail, the principles were the same as with the TBAT agreements. The agreement of 29 July 1929 made between Devon General, the GWR and the SR provided that the 'duplication of

18 National Tramway Museum, Crich, Bus Company Files.

19 TKT, TBAT/SR Agreement.

omnibus services should be avoided' and'…road and rail traffic…should be co-ordinated so far as practicable'. It combined in one document both the financial and working aspects of the arrangement. After their purchase of Devon General shares, the GWR and SR then jointly owned a half of the ordinary share capital.[20] They agreed not to be involved in operating any bus service in the Devon General area, excluding any that were operating at the date of the agreement. Without the written consent of the majority of its GWR and SR Directors, Devon General was not to put on any new service directly competing with the railway companies' train services.

There were to be ten directors of Devon General. Three would be nominated by the GWR and two by the SR, reflecting their respective proportionate shareholdings in the company. Although this might suggest the SR was subordinate to the GWR, it will become apparent that in practice each railway was only concerned with the area of Devon General in which its services operated. Five directors were to be nominated by the remaining shareholders. Neither the chairman of the board nor of the annual general meeting had a casting vote. Any matter which could not be resolved between members of the board was to be resolved by an arbitrator. Any increased capital was to be offered to existing shareholders pro rata to their existing holdings.[21]

In 1931 Devon General became part of BET. Although a SJC was established, no agreement was drawn up to cover its duties in the manner of the TBAT subsidiaries. Instead a Note of Intention was eventually agreed by the Devon General board to be introduced on 1 June 1936.[22] Significantly the committee acted in an advisory capacity in all matters.[23] No reason was given for this difference but it may have been that some seven years' experience of relative unanimity in GWR and SR dealings with Devon General had demonstrated that advisory powers were all that was necessary.

Finally, the agreement, between the SR, NO&T and Southern National, was made on the same day as the Devon General one. The aim, once again, was to '…secure the efficient working and co-ordination of road and rail transport…'. Like the Devon General agreement, it combined both the financial and working aspects of the arrangement. There were to be not fewer than eight directors and of a number divisible by two; they were to be nominated equally by the SR and NO&T. The chairman, who was not entitled to a casting vote, was initially to be the chairman

20 TNA, RAIL 650/4.

21 TKT, Devon General Agreement.

22 TKT, Devon General Board Minutes.

23 TNA, RAIL 650/38

of NO&T, but any subsequent chairman was to be elected in the ordinary manner. This initial appointment of a bus representative to the post mirrored that of the TBAT agreements. Any matter which could not be resolved was to be referred to an arbitrator.

NO&T was appointed manager of Southern National and was paid on a bus-mile basis. This was a different arrangement to that included in the TBAT and Devon General agreements. NO&T's existing business in the new company's area was sold to Southern National for £353,520 from 1 January 1929. When the issue of shares was complete, NO&T's shareholding was equal to the SR's. Southern National was to provide bus services '…reasonably…required in the interests of the public…' and '…effect so far as may be the co-ordination of traffic by rail and road…'. In line with the other bus company agreements it was not to'…establish any service which will directly or indirectly compete...' with SR rail services without that company's consent in writing. However, any service operated by NO&T at the date of the agreement was to be excluded. In addition, NO&T, without the written consent of the SR, was not to be interested directly or indirectly in any new bus service competitive with SR rail or road service or Southern National road service.[24]

Eventually Southern National became part of Tilling, as a result of that company's takeover of NO&T in 1931.[25] This led to a supplemental agreement, one of whose provisions was that for three years the Southern National Chairman was to be nominated by NO&T. Sir Frederick Heaton assumed that role; his forthright support for the bus industry, noticed in the national negotiations in chapter three, no doubt ensured Southern National had a strong advocate for its cause.

The agreements in practice

In order to appreciate how these agreements were operated, the SJC minutes for the six sample companies were consulted from the inception of each committee until the outbreak of war. (The minutes for East Kent and Southdown are missing and so are excluded from this analysis.) As will be seen, the minutes provided a framework for the active direction of each company's practice. Four major points emerge, as well as two subsidiary ones.

It is difficult to establish the effect of the licensing system introduced by the Road Traffic Act 1930 on the SR's control of bus competition. The new system of licensing individual

24 WHOTT, Southern National Agreement.

25 *Tramway and Railway World*, 12 March 1931, 162.

routes was introduced on 1 April 1931.[26] Applications for a route were published and any transport operator already providing facilities along or near the line of the intended route or any local authority through whose area the route passed might object to the granting of such a licence.[27] Hearings were then held where the applicant and objectors argued their case on the basis of need before Traffic Commissioners, who then decided whether to issue a licence.[28]. The SR, like all the railway companies, thus had the right to object to an application for a bus route. This was very similar to the powers it had in the existing agreements. Crucially, however, objection to an application before the Traffic Commissioners would not necessarily guarantee the application would be declined. Using the powers under the agreement was a more certain way to control competition. On the face of it therefore the SR should have preferred to control competition through the agreements; this point is analysed more fully in the next section. Understandably the SJCs played a major role in overseeing route development. For example, the Southern Vectis SJC required that proposals for new or modified services should be advised to the SR as soon as formulated. Its views could then be given to Southern Vectis before any application was tabled with the Commissioners.[29] A similar arrangement was stipulated by the Devon General committee, which also expected the three constituent companies to notify each other of their objections to applications from any competitive road operator.[30] Much of this was routine; the Southern Vectis SJC, for example, decided that only where there was no need to apply for licences immediately would proposals be considered at one of its meetings.[31] If more urgent action was required, it could be dealt with in correspondence and later ratified at the committee. These arrangements meant that the committees did not need to meet often; quarterly was the usual practice.

The second point is that whatever substantive disagreement there might have been between rail and bus operators, it did not surface very often in the official records. Many minutes simply report the SR representatives as agreeing '…there was no new element of competition.'[32] However it is clear that on occasion substantive points were at issue. For instance, in 1933 Southern National was asked to supply details of some proposed service variations to the SR, so they could be considered in detail at a subsequent meeting.[33] Since no further reference appears to them, it must be assumed that the SJC's initial approval in principle to the alterations was sufficient. But no instance of an unresolved disagreement is apparent. Sometimes the SR would change its view. In 1931 it decided on two separate occasions that a joint

26 Geoffrey Jones, *75 Years of Traffic Commissioners.* (Stourbridge: Roads and Road Transport History Association, 2006): 12.

27 Road Traffic Act 1930, Section 72

28 Hibbs, *The History of British Bus Services*, 115.

29 TNA, RAIL 650/34, 19 March 1935.

30 TNA, RAIL 650/38, 14 July 1936.

31 TNA, RAIL 650/34, 19 March 1935.

32 TNA, RAIL 650/34, 27 January 1933.

33 TNA, RAIL 650/20, 18 January 1933.

Southern National and Wilts & Dorset service between Salisbury and Yeovil should not be operated in view of the good train service between the towns.[34] Here the SR and its predecessor, the LSWR, had developed a service where local and long-distance trains were integrated with good connections at Salisbury, Templecombe and Yeovil.[35] Nine months later the SR confirmed its decision, adding there was little intermediate traffic potential for the intended service.[36] Seven months later the SR withdrew its objection so long as the mileage on the two existing sections of the bus route was not increased; the new service would close the gap between them.[37] No doubt the consolation was that the amount of bus competition did not increase; it was simply reallocated.

Sometimes the SR was intransigent. Citing favourable chances of obtaining good revenue and the need to ensure no other operator obtained a foothold, in 1933 Southern National proposed a bus service between Exeter and Ilfracombe. The SR countered that not only did the railway parallel the road for the whole distance but also Devon General, the current bus operator, found there was only traffic for one trip. Since no agreement could be reached, the matter was deferred.[38] Since nothing more was minuted, it must be assumed that Southern National yielded to the SR's opposition and abandoned the proposal. A more explicit fate awaited the Southern Vectis proposal to extend the availability of Adult Weekly Tickets for use on Sundays. As the SR was not in favour, perhaps because there was heavy use of the railways for leisure purposes on that day, it was agreed not to pursue the matter.[39] As the proposed new summer limited stop bus service between Ryde and Alum Bay would provide new competition to rail, the SR reserved the right – perhaps as a veiled threat – to object to the Traffic Commissioners. If so it was effective, as the proposal was subsequently withdrawn by Southern Vectis.[40] With Southern National too the SR occasionally reserved the right to oppose applications to Commissioners.[41] Yet on one of the few occasions it did use this tactic, it was unsuccessful. Hants & Dorset proposed additional journeys between Southampton and Salisbury which the SR felt was '…definitely competitive…' with the rail service.[42] Despite this the four additional journeys daily each way were granted for operation throughout the year.[43].

34 TNA, RAIL 650/9, 4 May 1931.

35 John Nicholas and George Reeve, *Main Line to the West; the Southern Railway Route between Basingstoke and Exeter – Part Two Salisbury to Yeovil.* (Clophill: Irwell Press, 2007): 277.

36 TNA, RAIL 650/15, 17 February 1932.

37 TNA, RAIL 650/5, 24 October 1932.

38 TNA, RAIL 650/20, 11 May 1933.

39 TNA, RAIL 650/38, 15 December 1936.

40 TNA, RAIL 650/29, 19 December 1934; TNA, RAIL 650/34, 5 February 1935.

41 TNA, RAIL 650/20, 27 October 1933.

42 TNA, RAIL 650/33, 27 March 1935.

43 TNA, RAIL 650/38, 21 January 1936.

Consideration of individual bus routes is evidence for the third major point, the level of detailed involvement by the SR in its associated bus companies. Buses were a topic for scrutiny near the very top of the SR's management; the SR's Assistant General Manager frequently asked questions about the SJC's minutes. Similarly the SR Joint Accountant prepared a monthly financial statement for each of the associated bus companies, which was submitted to the Assistant General Manager. Detailed handwritten comments by the SR Road Transport Liaison Officer show the depth of his knowledge of and involvement in the bus industry. For example, in March 1938 he remarked that Southdown was saving £1,000 a month by conversion to diesel. The position was about as good as the previous year and 'they are in a very sound position.'[44] The work of the SJCs also demonstrates this close involvement. For instance, the Devon General committee was concerned with obtaining a licence to return railway excursion passengers by bus to Lympstone station instead of leaving them a mile away on the main road.[45] The Southern National committee considered the conveyance of newspapers, mails and perishable traffic by bus after the closure of the Lynton & Barnstaple line.[46] The Southern Vectis committee were notified of the amendment of the terminal point in Gurnard of the service from West Cowes.[47] But perhaps Hants & Dorset offers the most extreme example, producing in 1938 two pages of intended timetable and fare changes for the winter service.[48] The SR staff involved in the SJCs must have known almost as much as the bus managers about the operation of the industry.

Fourthly, the bus companies were equally willing partners. Southern Vectis, which had been founded by the SR, was perhaps understandably more punctilious in observing the spirit as well as the letter of the agreements. One committee meeting in 1935, for instance, considered seven items; timetable changes on two routes, withdrawal of cheap tickets for schoolchildren on two routes, a new return fare of 3d (1p), the Easter programme of services, connections with trains at Ventnor Town, revised schedules after the purchase of an independent operator and a Sunday night connection at Newport.[49] These were typical subjects for SJC meetings. Of the sample, the most open approach was from Hants & Dorset, a TBAT company well established before the SR became involved. In 1938 the SR thought it the most successful and prosperous of the associated bus companies.[50] Each of its SJC meetings contain evidence that either there was nothing to report or gave considerable detail of what was proposed. Indeed this committee in a

44 TNA, RAIL 650/53.
45 TNA, RAIL 650/49, 18 October 1938.
46 TNA, RAIL 650/34, 7 November 1935.
47 TNA, RAIL 650/29, 15 March 1934.
48 TNA, RAIL 650/49, 14 July 1938.
49 TNA, RAIL 650/34, 16 October 1935.
50 TNA, RAIL 650/46.

unique departure, not only considered road proposals but rail ones as well. So, in addition to the more routine consideration of the temporary diversion of a bus service, additional fares from Totton and a new Southampton-Petersfield timetable, one meeting considered two road proposals and a rail one. Both road proposals were from Southampton, holiday parties to Liverpool and two new excursions to different destinations. Since there were comparable rail facilities, Hants & Dorset agreed after discussion to withdraw both the Liverpool proposal and the racecourse excursions. The Bristol excursion was agreed so long as it ran on different dates to the similar railway one. By contrast Hants & Dorset raised no objection to the rail proposal to make Cheap Day tickets from Romsey to Southampton available each Saturday.[51] This openness no doubt contributed to the SR verdict in May 1939 that Hants & Dorset were the soundest of its associated bus companies.[52]

Two minor points need to be made about how the agreements were operated. The first concerns only one of the sample. Both the GWR and SR were involved with Devon General, but each was concerned only with that part of the bus operations that covered its individual system. So a proposed service in the Teign Valley was only considered by the GWR, and the transfer of the Sidmouth and Seaton service to Southern National was only considered by the SR.[53] Where there were common concerns, it seemed that the GWR and SR agreed which would take the lead. Thus the proposed express service between Bristol and Bridport was the principal concern of the GWR; the SR would therefore 'be prepared to deal with the matter in the same way as the Great Western Railway'.[54]

The second is that the bus companies made considerable use of their powers under the agreements to purchase independent operators, confident there would be no opposition from or alternative purchaser in the SR. Southern Vectis offers the most clear cut example, where it gradually became the dominant operator in a clearly delineated geographical area, the Isle of Wight. Some measure of the speed of the process can be gained by the takeover of services from five operators in a two year period.[55] A similar process of acquisition operated in the other bus companies, although its pace and extent was dependent on the willingness of independent operators to sell their businesses.

In sum the SJC meetings were firmly focused on the SR's concerns. There is little or no mention of the possibility of rail competition's effects on the bus business

51 TNA, RAIL 650/49, 13 December 1938.

52 TNA, RAIL 650/52, 20 May 1939.

53 TNA, RAIL 650/49, 18 January 1938.

54 TNA, RAIL 650/41, 6 January 1937.

55 TNA, RAIL 650/24, 20 September 1933; TNA, RAIL 650/24, 3 November 1933; TNA, RAIL 650/29, 18 January 1934; TNA, RAIL 650/29, 19 December 1934; TNA, RAIL 650/34, 16 October 1935.

in either bus company or SJC minutes. This is probably because, at least on rural routes where the SR was highly unlikely to introduce the level of improvements that electrification could bring, the rail and bus markets were different and that traffic deserting road for rail was not a matter of concern.

Objections to proposed road service licences

Route development was a key area of potential conflict between the SR and its associated bus companies and so demands separate analysis. The Road Transport Act 1930 introduced road service licences of two types. 'Stage carriage' services were for local bus services, whilst 'express carriage' were for long distance coach services.[56] The Traffic Commissioners were the statutory bodies administering these arrangements. In assessing whether to grant such applications the Commissioners had to pay regard to four factors, one of which was the extent to which 'the needs of the proposed routes…are already adequately served;' In addition they had to consider any representations that were made by those already providing transport facilities along or near such a route.[57] These arrangements began on 1 April 1931.[58]

As an alternative provider, railways could make such representations. However, Chester's 1936 study of public control of road passenger transport noted that very little protection had been afforded against short-distance local bus services. As most had been established for some years, the Commissioners generally gave official approval to their existence, not least because they gave facilities 'which the railway companies do not and can hardly hope to give'.[59] In any case the SR's agreements of 1929 to 1932 had already accepted road services that were already operating at the date they were made. The SR had effectively lost the battle for any formal influence on existing local bus services and could only hope to affect the minority of new services proposed after 1929. This did not mean that the 1930 Act was of no benefit to the SR. For example, Chester felt that the railways had been protected to some degree from competition in the licensing of express and excursion services, especially against seasonal or excursion operators. Similarly applicants for new services did not simply have to prove there were people desirous of travelling to a particular place for which the road service was inadequate; inadequate provision by rail had also to be proved.[60]

But whilst the railway companies had some success here, they found little in

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56 Jones, *75 Years of Traffic Commissioners*, 17.

57 Road Traffic Act 1930, Section 72 (3).

58 Jones, *75 Years of Traffic Commissioners*, 17.

59 D. N. Chester, *Public Control of Road Passenger Transport.*, (Manchester: Manchester University Press, 1936): 132.

60 *Ibid.*, 132-3.

attempting to raise longer distance road fares. As already noticed, road fares were generally lower than rail and on the whole the Commissioners sanctioned them at about the 1931-2 level.[61] Price rises might have helped the SR limit coach competition on its principal routes. Whilst informal liaison through the SJCs might have some effect on its associated bus companies, the SR could do little to influence the independent coach operators.

Mulley has commented that the railways' rights of objection to proposed bus services was most probably granted because the companies had strongly argued for control of the bus industry before the 1928 RCT. But she states that the Traffic Commissioners' Annual Reports gave little evidence of either strong railway opposition to applications or it having much effect on the Traffic Commissioners' decisions about fares.[62] This confirms Chester's conclusions. However, it does not rule out the strong possibility that the SR exercised more influence at the SJCs before applications were lodged: the SR was almost certainly able to achieve more privately than in a public forum. And here it is appropriate to note the comment to John Elliot by TBAT's parent company that the SR had a good relationship with the bus companies as, when meeting them, they thought like busmen than as railwaymen.[63] In short, if the SR's principal aim in investing in buses was to maximise its financial return, rather than protect what was probably very marginal rail traffic, it made sense for the company to agree to most of its associates' proposals for new services.

The example of Southern National suggests that there were few controversial new bus services discussed at the SJC. An exception was a proposal in 1935 for a new bus service between Bodmin and Padstow, in part to prevent another operator from applying for such a licence. The SR members felt it would be very detrimental to its traffic between Padstow, Wadebridge and Bodmin. The existing train service was '…adequate for the limited amount of traffic offering…'.[64] Perhaps sensing a robust case that could be argued at any Traffic Commissioners hearing, the SR made its point fairly forcibly; the Southern National application was refused by the Commissioners.[65] Undeterred Southern National returned in 1938 with a modified proposal for a service between Padstow and Wadebridge. Pointing out the previous discussion, the SR representatives felt the existing road and rail facilities in the area were adequate and the proposed service would abstract rail traffic. Obliquely they made the point that an inadequate rail service had to be proved. In a rare reference to the agreements of 1929, the SR members of the SJC stated they could not

61 *Ibid*., 133.

62 Corinne Ann Mulley, 'Public control of the British bus industry; the origins and effects of legislation in the 1930s and 1940s', (unpublished PhD Thesis London School of Economics 1989): 143.

63 Bonavia, *Railway Policy between the Wars*, 101.

64 WHOTT, WHOTT 26A1, 7 November 1935.

65 WHOTT, WHOTT 26A1, 5 March 1936.

recommend their company give consent to the operation of the new service.[66] Faced with this, Southern National 'undertook to consider the matter further…' and the proposal died.

The pattern of protection noticed by Chester was again evident for a 1935 proposal for a limited stop service during the peak between Ilfracombe and Plymouth.[67] The SR view was it would adversely affect the rail carryings both between Ilfracombe and Plymouth and intermediately. It 'would have no alternative but to oppose such an application…'.[68] Southern National returned with a modified suggestion. Rather than a throughout service, it proposed to introduce a day return transfer ticket to enable the journey to made using two bus routes. Southern National wished to compete with excursion operators whose fare was ten shillings (50p). However, the SR objected in principle to excursion fares being used on bus services. Again sensing defeat, Southern National then proposed a twelve shillings (60p) transfer fare. The SR raised no objection to this proposal, presumably since it was similar to the comparable rail day return fare. However, tacit agreement was on the understanding that there would not be any scaling down of intermediate bus fares so that part of the rail business was also protected.[69] The SR's position bears out Chester's conclusion that the Commissioners would generally give railways protection from the seasonal or excursion operator, since they were required to provide regular transport facilities.[70]

By contrast the SR made no objection to the proposed new summer service between Ilfracombe and Minehead, for which there was no direct railway service.[71] Similarly it approved an application for a service between Lynton and the Valley of Rocks, a local tourist attraction. However, it suggested the service should begin at the SR station and not from the Car Park in the town. Whilst the route was licensed and services began in April 1935, the section to and from the station was withdrawn when the rail service ceased later that year.[72] This closure was a very particular case of active support for a licensing application by the SR, where a revised Southern National service took the place of the Lynton & Barnstaple Railway. The new bus replacement timetable was agreed with the SR Western Divisional Superintendent and formed the basis for an application lodged with the Commissioners.[73] Running to Barnstaple Junction station, it was introduced on 30 September 1935; the day after

66 WHOTT, WHOTT 26A1, 20 April 1938.
67 WHOTT, WHOTT 26A1, 7 November 1935.
68 WHOTT, WHOTT 26A1, 5 March 1936.
69 WHOTT, WHOTT 26A1, 20 September 1937.
70 Chester, *Public Control of Road Passenger Transport*, 132.
71 WHOTT, WHOTT 26A1, 7 November 1935.
72 WHOTT, WHOTT 26A1, 7 November 1935.
73 WHOTT, WHOTT 26A1, 18 July 1935.

the train service had been withdrawn.[74] This service built upon the existing Summer Sunday road service to and from Lynton.[75]

Another area of cooperation was objections to applications for new road service licences from other operators. The SR and Southern National agreed from the introduction of the system in 1931 to keep in close touch about the issue and would take joint action where operators had applied for services likely to affect the interests of both companies.[76] As already seen, both the SR and the GWR advised Devon General of any objections they had lodged to licence applications by competitive operators. In return Devon General advised its objections to the railway companies. And, where Devon General needed to apply quickly for a new service affecting railway interests, it would arrange for a SR or GWR representative to examine the proposals before they were lodged.[77]

Thus the SR was in a strong position to object to the relatively few new independent bus services that were proposed, as the provisions of the legislation meant that the Commissioners would protect the existing operator. However, when the issue concerned the incumbent bus operator, the SR preferred to resolve areas of dispute privately in the SJCs rather than in the more public setting of the Traffic Courts. The general manager of the Crosville bus company, associated with the LMSR, suggests why: after listing 'the more tangible advantages of the arrangement', he felt endless time had been saved by agreeing alterations beforehand and so being able to go before the Traffic Commissioners with practically no railway opposition; 'and time is money.'[78]

Withdrawal of railway passenger services

Some historians have criticised the four grouping railway companies for failing to withdraw more lightly used train services in favour of buses.[79] Once the Railway Road Transport Acts were passed there was some speculation that marginal rail services would be withdrawn. For instance, the companies' intentions were tested by a House of Commons Question from Sir Robert Thomas in February 1929. He asked for cases where services on unremunerative lines were to be suspended and road services substituted. The reply given through the RCH was equivocal. Whilst discontinuing the passenger services on a number of branch lines was under

74 WHOTT, WHOTT 26A1, 7 November 1935.

75 WHOTT, WHOTT 26A1, 17 August 1934.

76 WHOTT, WHOTT 26A1, 17 August 1934.

77 TNA, RAIL 650/38, 14 July 1936.

78 Crosland-Taylor, *Crosville the Sowing and the Harvest,* 135.

79 Peter Butterfield, 'Branch lines, wayside station and road competition', *Journal of Transport History* (Third Series Vol. 16 No.2 (September 1995)): 179-195

consideration, many interests had to be taken into account. In public the companies were 'desirous of giving every consideration to local feeling' before taking action. In private they might have feared more the loss of contributory revenue to the main lines. Only the train service of a mile and a half between Old Hill and Halesowen had been withdrawn and a bus service substituted, with the closure to passengers of the three miles between Middlesbrough and Eston planned.[80]

But this comparative inaction was not to last for long. Some measure of activity can be gained from a listing of railway passenger services withdrawn and replaced by bus services to the end of 1930.[81] The SR, with two instances, was by far the smallest; the GWR had eight, the LMSR seventeen and the LNER fourteen. 1931 saw one more such GWR arrangement and four LNER examples.[82] Another SR case occurred in 1932 along with one LMSR and two LNER examples.[83] Although these listings were not exhaustive, the larger number withdrawn by the LMSR and LNER suggests that their need to realise economies was more important than for the SR. Sir Josiah Stamp remarked to the LMSR's Annual General Meeting in 1931 that '…the progressive policy of co-ordinating rail and road passenger transport…had been firmly begun.' For instance the new legislation had allowed unremunerative lines and stations to be closed to passengers, aided by modifying services of the associated bus companies. As a result 107 passenger stations had already been closed, saving £50,000 a year, with a further 64 to be shut in the near future with annual economies of £22,000.[84] In the same year the LNER was reported to have saved £35,000 a year and not only on branch lines.[85] Not only would closure of intermediate stations on routes that remained open to through trains realise staffing and maintenance economies, it would give faster journeys for the remaining trains by the elimination of stops and the better use of track capacity. However, the sole example was on the LNER between York and Scarborough in 1930.[86] Here the service to intermediate places was provided by a railway associated bus company.

This kind of rationalisation had, as noted in chapter four, been predicted by Gilbert Szlumper in 1929. But there were relatively few easy pickings on the SR's system. No doubt the SR had some hopelessly uneconomic routes of some length – much of the network west of Exeter was deeply rural with little all-year passenger traffic – but high seasonal loadings made bus substitution very problematic. Here the work of amateur historians such as Nicholas and Reeve is useful. For example, they

80 TNA, RAIL 1080/91.

81 *Omnibus Magazine,* January 1931, 3.

82 *Omnibus Magazine,* February 1931, 18.

83 *Omnibus Magazine,* October 1932, 183.

84 *Tramway and Railway World,* 12 March 1931, 159.

85 *The Times British Motor Supplement*, 24 March 1931, xxiii.

86 K. Hoole, *A Regional History of the Railways of Great Britain Volume 4 the North East*. (Dawlish: David and Charles, 1965): 85.

record that, even as late as 1958, the nine weekday trains from London or the South Coast to East Devon and beyond increased to twenty eight on a summer Saturday.[87] Table G shows that, excluding those sections replaced by new construction and those in the London area, the SR withdrew just eleven passenger services between 1923 and 1939. All took place after 1931, once arrangements with the bus companies had bedded down; in all cases buses were substituted for train services. The first four closures of 1931 illustrate the process. The Canterbury to Whitstable line had seen passengers carried fall from 51,000 in 1925 to 23,000 in 1929: some £4,400 a year could allegedly be saved from the withdrawal of passenger trains. In addition, a tunnel on the line required specially modified rolling stock.[88] Passengers were therefore diverted to East Kent bus services.[89] The Sandgate branch had formed part of an unsuccessful attempt to reach Folkestone Harbour and the station was about a mile from the town.[90] The staff savings from withdrawal and the ground rent from leasing Sandgate station site for a bus garage were about double the loss of earnings.[91] Accordingly, after closure, certain East Kent journeys on its Folkestone to Hythe service ran via Hythe and Folkestone Central stations to connect with SR services.[92] But two years later the Central station diversion ceased; the number of connections that were being made to and from train services was insufficient.[93]

Other closures were of lines the SR had never wanted in the first place. Although the company was insolvent with liabilities exceeding £14,000, the Court of Appeal ruled in 1923 that the SR had to absorb the Lee-on-the-Solent Railway.[94] Intended as a resort, the town became a dormitory for Gosport, linked by direct bus services with which the indirect rail route could not compete. By 1930 it was clear that passenger services had no future.[95] Hants & Dorset therefore began to operate a replacement bus service between Lee and Fareham when the rail service was withdrawn. It catered for all passenger train traffic including such items as luggage, bicycles and mail. There was a basic service of nine journeys each way on weekdays, designed to connect with principal trains at Fareham. As 'the improved service… will undoubtedly increase…traffic', it was felt necessary to retain a porter and accommodation at Lee to handle it.[96] However, the loss on the bus for 1931 was some £872, excluding the charge for capital employed, and it was settled for £850

87 Nicholas and Reeve, *Main Line to the West*, 278.
88 Brian Hart, *The Canterbury and Whitstable Railway.* (Didcot: Wild Swan Publications, 1991): 143-4.
89 TNA, RAIL 650/2
90 Edwin Course, *The Railways of Southern England: Secondary and Branch Lines.* (London: B T Batsford, 1974): 160.
91 Brian Hart, *The Hythe and Sandgate Railway.* (Didcot: Wild Swan Publications, 1987): 85.
92 TNA, RAIL 650/8.
93 TNA, RAIL 650/19.
94 Dendy Marshall (revised by Kidner) *History of the Southern Railway*, 400.
95 Edwin Course, *The Railways of Southern England; Independent and Light Railways*,.(London: B T Batsford, 1974), 19.
96 TNA, RAIL 650/5.

by the SR.[97] Although the Hants & Dorset General Manager had suggested the purchase of the competing bus service, the SR had not agreed and the new service had consequently been operated against serious local competition. Eventually Hants & Dorset bought out the competitor and ran the unified service as part of their network.[98]

Table G – SR – Lines Closed to Passengers 1923 – 1939

Date	Section	Route Mileage	Remarks
2 Jul 1926	Ramsgate Harbour Branch	N/A	Closed as part of the SR's rationalisation of lines in the Isle of Thanet
2 Jul 1926	Ramsgate Town – Margate Sands	N/A	
4 Mar 1929	Tooting Junction – Merton Park (via Merton Abbey)	2	Closed on introduction of electric service to Wimbledon via Haydons Road
1 Jan 1931	Canterbury – Whitstable	6	Withdrawn because of bus competition
1 Jan 1931	Fort Brockhurst – Lee-on-the-Solent	3	SR did not wish to take over this line but forced to do so by Amalgamation Tribunal
1 Apr 1931	Hythe – Sandgate	1.5	Sandgate station site purchased by East Kent bus company and substitute bus service provided
6 Jul 1931	Hurstbourne Junction – Fullerton Junction	7.5	Promoted as a defensive line against Didcot, Newbury & Southampton Railway designs on Bournemouth; local traffic was light
12 Sep 1932	Basingstoke – Alton	14.5	SR agreed in House of Lords hearing of its 1923 Bill to restore the railway and test the results for ten years.
2 Jan 1933	Botley – Bishops Waltham	3.75	Passengers for Winchester or Southampton had to change at both Botley and Eastleigh
2 Jan 1933	Kemp Town Branch	2.5	Withdrawn because of tram competition
8 Jul 1935	Chichester – Midhurst	12	Service from Pulborough revised by SR to run to Petersfield and not Chichester
30 Sep 1935	Lynton – Barnstaple Town	19.5	SR agreed to take over this narrow gauge line as it was loss making
30 Sep 1935	Ringwood – Christchurch	8.5	Reduced to local importance by a more direct line to Christchurch
4 Jul 1937	New Romney Branch (Greatstone Deviation) – Dungeness	N/A	Closed as part of the realignment of New Romney branch
4 Jul 1937	Ash Junction – Farnham (via Tongham)	4.75	Closed on introduction of electric service from Woking to Alton via Aldershot
1 Jan 1939	Dyke Branch	3.5	SR did not wish to take over this line but forced to do so by Amalgamation Tribunal

Source: C.F. Dendy Marshall (Revised by R.W. Kidner), History of the Southern Railway Volume Two, *(London: Ian Allan, 1963) 512-3.*

The Hurstbourne to Fullerton line had been built principally by the LSWR to block other companies intent on reaching Bournemouth. The small passenger traffic was served by a scanty shuttle service and the line singled in 1913.[99] However,

97 TNA, RAIL 650/14.

98 TNA, RAIL 650/8.

99 H. P. White, *A Regional History of the Railways of Great Britain Volume II Southern England*, (Newton Abbot: David and Charles, 1970), 143.

bus replacement proved more knotty than expected. Part of the line's course was in the area of Aldershot & District, which had no objection to the replacement bus service being operated by Hants & Dorset or Wilts & Dorset. Although most of the service was in the Hants & Dorset area, that company would have to operate it from their Winchester depot. Wilts & Dorset, whose garages were better situated for economical working, therefore operated the replacement service between Fullerton and Whitchurch with the agreement of Hants & Dorset.[100]

The remaining closures of lines can be more briefly summarised. Passengers had deserted them all, although for a variety of reasons. A few routes were awkward or indirect: sometimes trams or buses provided a more convenient service: occasionally the original purpose had been lost: in one case the trigger for closure was the expensive renewals that were due: in another the SR had unwillingly been forced to reinstate passenger services. Because of its annual loss of £4,000 before the first world war, the SR had tried to abandon the Basingstoke & Alton line in 1923 but after considerable opposition agreed to reinstate it for a trial period of ten years. A review in slightly less than that period ended the passenger service in 1932.[101] Venture Ltd provided the replacement bus service.[102] The branch to Bishops Waltham had been opened in 1863 but the changes required at both Botley and Eastleigh to reach the local centres of Southampton or Winchester made it unattractive.[103] Hants & Dorset provided a replacement bus service between Botley and Bishops Waltham for an experimental period of three months after the withdrawal of train services.[104] The Kemp Town branch, with its circuitous route to reach Brighton station, itself distant from the town centre, was no match for the Lewes Road service of Brighton Corporation Tramways. Passenger services had been withdrawn between 1917 and 1919 and the traffic never returned.[105]

Because Midhurst lay on the borders of the LBSCR and LSWR, together they provided a total of three lines; that from Chichester was the last to open in 1881. Although in combination with the original line to Midhurst it formed part of a through route from Pulborough, local traffic on the section to Chichester was light.[106] When the LSWR and LBSCR were merged into the SR, rationalisation was inevitable, especially as monthly income on the Chichester section from passengers was only £5.[107] The passenger service from Pulborough was diverted to Petersfield, the origin of the second line to

100 TNA, RAIL 650/5.
101 Course, *Independent and Light Railways,* 28-29.
102 Morris and Waller, *The Definitive History of Wilts and Dorset,* 93.
103 Course, *Secondary and Branch Lines,* 208.
104 TNA, RAIL 650/21
105 Course, *Secondary and Branch Lines,* 190.
106 *Ibid*., 170-173.
107 Paul Clark, *The Chichester and Midhurst Railway.* (Sheffield: Turntable Publications, 1979): 52.

Midhurst, and withdrawn from the section to Chichester.[108] Southdown substituted double deck for single deck buses on its parallel route after the withdrawal.[109] Similarly the line from Ringwood to Christchurch, closed in September 1935, was a hangover from nineteenth century railway politics. It had offered the first railhead for the rapidly expanding resort of Bournemouth in 1862 and was later extended to serve the town better. But the route abounded in severe gradients and curves and was subject to a 25m.p.h. limit. To overcome these limitations a more direct approach to Bournemouth was opened in 1888, reducing the original line to purely local importance.[110] Hants & Dorset provided an additional early morning bus on its existing service after the railway passenger closure.[111]

The Lynton & Barnstaple was something of a special case, not only because of its narrow gauge. It was opened in 1898 as part of Sir George Newnes' development of Lynton and Lynmouth.[112] Not included in the railway grouping, it was acquired under the SR Act of 1923, as a result of negotiations with the LSWR, which had purchased the line in 1922. Road competition, and rising operating costs, had resulted in losses; in 1922 receipts were £14,511 but expenses £14,498.[113] It was hoped that incorporation in a larger organisation would mean greater financial security. Although the SR invested in the line, it was to no avail. Faced in 1935 with track renewals of £2,000 a year for the next six years, it decided on closure.[114] After that, a substitute bus service was provided by Southern National. Rail passengers could obtain through tickets, valid on this service, to principal intermediate stations, whilst through road-rail tickets were issued at Lynton. The bus service provided four journeys each weekday, with extra trips on certain days; there was no Sunday service in winter.[115] This compared with a final regular rail service of six trains each weekday but since 'two were too early to be of any value' the replacement bus service was comparable.[116]

The Brighton & Dyke Company was another where the SR brought a case in the Court of Appeal, here to settle takeover terms with the line's Receiver.[117] It served the Devil's Dyke, a popular tourist attraction, although its station was a quarter of a mile from and two hundred feet below the summit.[118] Restoration of services after wartime withdrawal came in 1919 with locomotive-hauled two-coach trains but trying

108 Course, *Secondary and Branch Lines,* 174.
109 Clark, *The Chichester and Midhurst Railway*, 52.
110 White, *Southern England,* 160-61.
111 TNA, RAIL 650/33.
112 G. A. Brown, J.D.C. Prideaux and H.G. Radcliffe, *The Lynton and Barnstaple Railway.* (Dawlish: David and Charles, 1964): 15.
113 *Ibid.*, 38.
114 *Ibid.*, 42.
115 *Railway Gazette*, 25 October 1934, 685.
116 Brown, Prideaux and Radcliffe, *The Lynton and Barnstaple Railway*, 94.
117 Dendy Marshall (revised by Kidner) *History of the Southern Railway*, 400.
118 Course, *Secondary and Branch Lines,* 192.

to economise, the SR introduced a steam rail car in 1932. Proving inadequate for the summer peak traffic, it was transferred elsewhere after two years. An intermediate halt to serve housing development was opened in 1934. But neither economies nor development could save the branch from closing on 31 December 1938.[119] The January 1939 Southdown Board reported a request from the SR to operate the substitute bus service but adding if Southdown did not, the SR would operate the service itself. This uncharacteristic independence led Garke, as Southdown's Chairman, to express 'the strong view that it was undesirable that this should be done, with which view the Board agreed', apparently including even R G Davidson of the SR. The Southdown officers were instructed to do all possible to give a service by Easter. By March agreement had been reached with Brighton Hove & District and Brighton Corporation, the other bus operators in the town, to provide the replacement bus service.[120]

Making an estimate of the savings to the SR from the rail services it withdrew and replaced by buses is very difficult. Although each decision was ratified by the company's Traffic and Continental Committee, financial details were not usually provided. That 'considerable economies' could be made by the withdrawal of passenger services between Canterbury and Whitstable is a fairly typical statement.[121] On those occasions when costs were quoted they predominantly related to infrastructure. Thus closure of the Sandgate branch was anticipated to result in the value of material recovered exceeding the cost of its removal by £870, with additional annual maintenance savings of £735.[122] The only estimate of staff savings quoted was for the withdrawal of passenger services on the Basingstoke & Alton line, expected to produce £564 a year. It seems that costing techniques were not very sophisticated: little thought was given to joint costs which meant savings would differ if a line remained open to goods or was completely closed. With this paucity of information, it is difficult to compare with the LNER closures investigated by Butterfield.[123] But, although the SR evidence is fragmentary, it does not seem inconsistent with the finding that the LNER closures were of lines where expenses were usually at least double revenue. And the SR experience confirms Smith's conclusion that few inter-war railway managers were prepared to concede defeat to road competition 'except in the most hopeless of cases'.[124]

This withdrawal of comparatively few passenger services gives some support to the historians' argument that the inter-war railway companies were run by managers

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119 *Ibid.*, 197.
120 TNA, RAIL 650/53.
121 TNA, RAIL 645/25.
122 TNA, RAIL 645/25.
123 Butterfield 'Branch lines, wayside stations and road competition', 192.
124 Smith, *The Railway and its Passengers*, 88.

imbued – perhaps misguidedly – with a public service ethic. The failure to replace local passenger services by buses radiating from a railhead, as envisaged by Szlumper, adds further evidence to this contention. As the net revenue of individual services was not routinely quantified by the SR, whether more should have been withdrawn is difficult to assess. The small scale of withdrawal could have been due to SR managers' fear of the loss of contributory revenue from such services or a wish to avoid adverse public reaction to major closure proposals. More likely was a fear of putting at risk the ability to object to new bus services if there were no alternative railway service. And finally since the SR's overall financial position was not so critical as the LMSR and LNER, it did not require such urgent action to reduce costs.

Conclusions

Inevitably this examination of how competition was controlled has involved the consideration of a good deal of detail from some of the associated bus companies. Here the conclusions are drawn together. Overall the attempt to mitigate competition was very much on a par with other parts of the British economy between the wars. As a sensible way to avoid 'wasteful competition', co-ordination in transport between rail and road was thought laudable and the SR's activities were seen as commendable. Its arrangements with associated bus companies involved both a strong financial interest and a working agreement. Although the arrangements were new, they drew on established principles of co-operating both inter and intra industry for both rail and bus.

Originally the working agreements were intended as the main means to control competition. However, the 1930 Road Traffic Act introduced another possibility, quantity licensing, which might have become a more important way to control bus competition. In practice, the two approaches were complementary: the bus companies preferred to gauge the SR's attitude prior to applying for a licence. The apparent level of agreement was extraordinary, although it is impossible to gauge what discussions took place outside formal meetings and whether they were so harmonious. But generally if the SR formally opposed a proposal the bus company did not pursue it. Similarly the level of detailed involvement by the SR in bus management was truly remarkable; its officers took an important part in running them. Rationalisation of rural bus operators had been proceeding rapidly before the 1928 acts, but it is clear that the rail-bus association played an important part. The bus companies made considerable use of their ability under the agreements to purchase independent operators. By concentrating services into its associates, it strengthened the SR's ability to restrict bus competition.

The role of the Traffic Commissioners was marginal to the SR's efforts to control bus competition. In deciding whether to grant a licence, the Traffic Commissioners had to consider whether any proposed route was already adequately served. As an alternative provider railway companies could object on these grounds. But informal liaison was probably able to achieve more than this formal system. Experience at Southern National showed that SR reaction was most effectively made in this way. It successfully argued that existing services were adequate for the amount of traffic on offer and once cited the working agreement to prevent a proposal from proceeding.

Finally there is the question of whether the SR made enough use of buses to reduce its losses from lightly used passenger trains. Of the four railway companies the SR withdrew the least number of rail passenger services. The greatest activity was by the LMSR and LNER, which suggests the need to realise such economies was more important to them. And that may have caused them to take the lead in negotiation with TBAT. Eleven passenger services were withdrawn by the SR between 1923 and 1939. All took place after 1931 indicating they were triggered by the possibility of bus substitution. The process generally involved lines which had suffered a considerable loss of custom, were financial liabilities or whose reason for existence had gone. In each case the replacement service was provided by an associated bus company, which generally provided links with rail services.

To sum up, the SR met with success in mitigating bus competition. Although the agreements with bus companies, and the licensing of road passenger services, gave it formal means to do this, in practice informal methods were more effective. The agreements contributed to this in a small way by establishing arrangements where this informal contact could take place. Here the SR managers' detailed knowledge of their associates would assist them in influencing the competitive threat, as would the good working relationship fostered by giving bus managers freedom of action in day to day operation. Whilst, with the absence of information, there can be no way of knowing with certainty, the different markets served by bus and rail may have meant bus services did not pose too great a threat. If that was true, it could explain the apparent harmony. Managers would not devote much time to comparatively minor issues or argue endlessly about them.

However effective it may be judged on controlling bus competition in its favour, the SR's working agreements were not solely intended to realise its own benefits. Through the SJCs it claimed to achieve better facilities for the public on journeys using both rail and bus. Some of these have been briefly discussed in chapter four. To study those maintained to be of especial value requires a change of perspective.

6. Assessing the benefits of rail and bus co-ordination

'…to the benefit not only of the railway company, but the omnibus companies and the public.' A HISTORY OF THE SOUTHERN RAILWAY[1]

Until now discussion has been principally concerned with the benefits the SR derived from the arrangements it made. However, as briefly mentioned in chapter five, it was publicly keen to stress that its agreements with bus companies were not solely designed for its own benefit. Of course, it acknowledged the direct financial return it obtained (this will be assessed in chapter seven). Equally it accepted there were benefits to the bus companies. But it trumpeted those offered to the travelling public. In the SR's official history, published in 1937, three such major benefits were identified. They were the issue of combined tickets available by rail and bus, the interavailability of tickets and the correlation of fares and services '…wherever such is possible.'[2] It is tempting to understand these concessions were window-dressing: as minor concessions designed to win over public support for collusive behaviour. But this would be wrong. As several historians have remarked, inter-war railway managers were imbued with a spirit of 'public service'. It is therefore worth taking seriously the notion that the SR's concessions were indeed supposed to be of benefit to consumers. The key question is – were they?

This chapter therefore analyses each of the three benefits in turn. Whilst the principal focus is what each provided for consumers, their advantage to the SR is also considered. Each of the first three sections sketch what was provided, assess its value to both passengers and SR, and evaluate the use that was made of it. Examples are drawn from the associated bus companies, although principally from the fuller records of Southern National. However, the thinness or absence of information from some of the SJCs limits the degree of analysis that can be achieved. More particularly, the very limited data greatly handicaps attempts to measure the level of passenger usage. A final section appraises the view of co-ordination taken by two leaders of the bus industry.

Tickets available by rail and bus

Of the major aspects of the SJCs' work, the issue of combined tickets available by rail and bus was the least controversial. Issue of tickets available either

1 Dendy Marshall, *A History of the Southern Railway*, 547.
2 *Ibid.*, 547.

by another railway company or by a different mode of transport was a well established railway procedure before the SJCs began. Generally such tickets were issued where it was in the commercial interest of both operators to do so. Although there might be minor disputes about the proportions of the overall fare to be paid to each operator, negotiations to establish such tickets were relatively straightforward. There was much suitable precedent to guide the SJC, but such debate did not form much of its workload.

To use Southern National as an example, these combined tickets were either a return valid for one occasion or seasons valid for a period. The former type was either to reach places that were not directly served by rail or for leisure trips to a tourist resort, possibly as a circular tour. Thus Southern National buses could be used to reach Bovington Camp, Shaftesbury, Charmouth and Combe Martin. Very occasionally a bus service would be used to provide a more direct service than could be provided by rail. Accordingly a bus service was provided from Okehampton to Hatherleigh, Torrington and Bideford to avoid the lengthy detour via Halwill Junction. More specifically tourist destinations were Lulworth Cove, Westward Ho! and Tintagel. One circular tour began from any station between Barnstaple Junction and Ilfracombe by rail, used the bus to Lynton and returned by rail.[3]

Establishing what use was made of this one-occasion type is handicapped by a lack of data. However, some indication can be given from the tour operated from July to September 1935 using rail from Melcombe Regis to Easton and road from Portland Bill to Weymouth. Of the combined fare, Southern National received 1s 4d (7p) for adults and 8d (3p) for children.[4] In that year 90 passengers were carried, producing gross receipts of £7 3s 6d (£7.18).[5] Exactly the same arrangements were operated in the same period of 1936.[6] They were used by 160 passengers spending £13 18s 3d (£13.91) in total.[7] 1937 saw a decrease to 104 passengers and receipts of £8 8s 10d. (£8.44) [8] The decline continued in 1938 to 74 tickets, with receipts of £6 2s 1d (£6.10). Despite these worsening results, continuance of the tickets was recommended by the SJC in 1939.[9] In view of the declining business and the small sums involved, it is hard to see much merit in this decision. Possibly the availability of such facilities, irrespective of their use, was thought important by the SJC, a point raised later in assessing the value of interavailability.

3 WHOTT, WHOTT 26A1, 17 August 1934.
4 WHOTT, WHOTT 26A1, 27 July 1935.
5 WHOTT, WHOTT 26A1, 26 November 1936.
6 WHOTT, WHOTT 26A1, 30 July 1936.
7 WHOTT, WHOTT 26A1, 26 November 1936.
8 WHOTT, WHOTT 26A1, 17 November 1937.
9 WHOTT, WHOTT 26A1, 4 January 1939.

Season tickets available by road and bus served a different market and were of two different types. The first, 'Combined season tickets', were used to destinations not served by rail. Such a ticket from Barnstaple to Clovelly was used on rail from Barnstaple to Bideford and thence by road to Clovelly. The overall ticket price was obtained by adding together the season ticket prices of both operators. The second type could only be used one way by road and one way by rail. So such a ticket had to be used from Axminster to Lyme Regis by rail but the return had to be made by bus.[10] The purpose of such a ticket was to give the opportunity to use a more conveniently timed bus for the return journey. Its validity was for either twenty eight days or three months. More of the £1 3s 9d (£1.18) cost of the 28 day ticket was allocated to Southern National (13s 6d or 68p) than to the SR (10s 3d or 51p). The same pattern was repeated in the three monthly tickets. Of £3 0s 6d (£3.03), £1 16s 9d (£1.87) was for Southern National and £1 3s 9d (£1.16) for the SR.[11] The Committee minute about a similar season ticket between Chard and Tatworth records 'The… proportions are based on 50% of each company's rate.'[12] This suggests that the overall rate was obtained by adding together half of the rail season ticket rate and half the road ticket rate for the similar journey. And if this is the case, it was influenced by the more generous discount given on rail season tickets. Certainly the pattern of Southern National receiving a larger proportion was true in that case, as it was between Bideford and Torrington as well as between Barnstaple and Braunton.[13] Assessing the use made of both types of season ticket is even more difficult, as no separate figures are reported. It is quite possible they were used as little as fully interavailable tickets to be discussed shortly.

Although the process was largely uncontroversial, there were sometimes occasions when no agreement could be reached. The proposal for a joint rail and road weekly season ticket in North Devon at a fare of 15/- (75p) was approved in principle by both companies, subject to a review of certain details by Southern National.[14] Just under a year later the company was reported to have deferred it 'for further consideration'.[15] But the proposal was not considered by the SJC again. A through Cheap Day Return ticket from stations in the Bournemouth area to Lulworth Cove was suggested to meet competition from taxis at Wool station.[16] However, it was decided not to proceed with the proposal, as it would be difficult to provide additional road vehicles at short notice to cater for peak demands.[17]

10 WHOTT, WHOTT 26A1, 7 November 1935.
11 WHOTT, WHOTT 26A1, 7 November 1935.
12 WHOTT, WHOTT 26A1, 30 July 1936.
13 WHOTT, WHOTT 26A1, 17 November 1937.
14 WHOTT, WHOTT 26A1, 16 March 1937.
15 WHOTT, WHOTT 26A1, 2 February 1938.
16 WHOTT, WHOTT 26A1, 20 April 1938.
17 WHOTT, WHOTT 26A1, 20 April 1938.

Usage was low. There were only twenty eight combined bookings, both ordinary and period excursion, introduced by Southern National in July 1930 in the whole of Somerset, Dorset, North Devon and North Cornwall. By October a further eleven had been added in Somerset and Dorset. In addition holders of cheap day tickets from Bideford and Instow to Lynton could return on the 6.12 p.m. train from Lynton and use the 8.00 p.m. bus from Barnstaple to complete their journey. Five rail and road day tours were also introduced for tourists. [18] By contrast in 1929 Southern Vectis did not wish to issue combined rail and road weekly season tickets in summer, as the buses were loaded to maximum capacity and could not cope with the anticipated traffic.[19] A year later it had changed its view. So the combined rail and road bookings to Blackgang Chine, St Catherine's Lighthouse and Carisbrooke Castle were transferred to Southern Vectis, to which the road portion was apportioned.[20] With a larger fleet of higher capacity vehicles, attitudes changed. In the mid 1930s 47,067 combined road and rail tickets were issued from SR stations to places in the Isle of Wight in a year and 11,461 from the Isle of Wight in the same period.[21] At an average of roundly one hundred and thirty and thirty passengers a day respectively, this represents fairly considerable usage. However, the importance of tourists to the Isle and the need to use a ferry, reducing the level of competition from cars, may well make this unrepresentative.

The general increase in railway fares of five per cent from 1 October 1937 had some impact on these tickets. The major effect was on the interavailability arrangements, discussed later. However, all existing rates for combined season tickets were cancelled and the higher replacements were only calculated if required.[22] This suggests that facilities enthusiastically provided when they were new had been scaled back given the poor use that was actually made of them. There would be little sense in agreeing revised fares that until then had never been used. Few fare changes were proposed by Southern National, although its introduction of a new day return fare between Ilfracombe and Clovelly was in due course incorporated into the rate for the combined rail and road tickets for that journey.[23]

The availability of combined tickets was of clear benefit to the public, as it avoided the need to rebook when changing from one operator to another. Those who used such tickets no doubt found them advantageous, although they did

18 TNA, RAIL 650/4.
19 TNA, RAIL 650/3.
20 TNA, RAIL 650/3.
21 E. P. Leigh-Bennett, *Over the Points.* (London: Southern Railway, 1934), September 1934: 8.
22 WHOTT, WHOTT 26A1, 20 September 1937.
23 WHOTT, WHOTT 26A1, 5 March 1936.

not save any money on the sum of the rail and bus fares. However, from the meagre data available it must be doubtful whether the tickets were widely used. The conclusion must therefore be that the facility was a benefit – a convenience – but not a very substantial one, either to the individual or in total. And certainly its existence did not depend on the SJCs; the commercial attraction of such facilities, slight though they were, meant they would probably have been organised even if there were no SJCs: these were simply a convenient place for such discussions.

Interavailability of tickets

The interavailability of tickets, although widely publicised in rail and bus timetables, was not understood by many people. It has been little studied by either contemporary commentators or historians. The best, indeed perhaps the only, comprehensive survey of the subject was made by J C Chambers, Road Transport Liaison Officer of the SR, in a paper delivered to the Institute of Transport in 1939.[24] He defined interavailability as

> the facility by which passengers may, if they desire, use the return portions of their tickets by a different service or route by which their outward journey was taken, the object of granting the facility being to increase the number of services available and stimulate an increase in the number of passenger journeys made.

Although he considered all forms of transport, he found '…that more can be said about interavailability between rail and road than between other operations.' There it had been introduced for both stage and express services in 1930, as a result of the agreements between the railway companies and their associated bus companies. Since then it had been gradually extended; Table H shows the most recent information then available on its provision and use.

It is immediately apparent that the facility was provided almost four times more widely on the LMSR and LNER than on the GWR and SR. No doubt this in part reflects the larger area covered by the first two companies. It also confirms the previous conclusion that bus services were of more strategic importance to these two companies. The usage shows a different picture. LNER passengers, who had marginally more opportunity to use the facility than LMSR ones, only used it about two thirds as much. Users on the GWR were only around a fifth of those of the LMSR and SR about a seventh. Indeed, interavailability was provided and used less on the SR than on any other company. And when its users are

24 *Journal of the Institute of Transport*, April 1939, 228-241.

compared with the number of SR third class passengers in 1937 of 157 million, it is virtually negligible.[25]

Table H – Interavailability provision and use

	Points between which interavailability operated	Passengers transferring between rail and road in 1937
LMSR	900	576,812
LNER	969	354,235
GWR	243	120,493
SR	232	88,318
Total	**2,344**	**1,139,858**

Source: Journal of Institute of Transport *April 1939, 228-241.*

Chambers reported that it was only really between stage carriage bus services and local rail services, where fares were much the same, that interavailability was most effective and popular. Here the passenger only had to exchange the return half of his or her ticket on the bus or at the booking office, whilst the bus and railway companies shared the total receipts equally. Where the fares were not equal, the higher fare was chosen as the intervailable fare. The bus company obtained half its return fare and the railway company took the remainder. As a rule, the cheap day rail fare was used as the basis for the interavailable fare; as it most closely approximated the road fare. This was unsurprising simply because cheap day tickets had been introduced to meet road competition. Thus the first interavailable ticket, usable for journeys between Exeter and Exmouth, issued in August 1930, was a cheap day.[26]

Where the fares differed, the rail fare was often but not always the higher. If the difference was small, sometimes no supplement was charged. Whilst this might result in one passenger paying slightly more than another for the same journey, it was preferable to charging a very small supplement, perhaps of only a penny. That trivial payment could influence the passenger against the form of transport that imposed it for all future journeys. Some of the smaller supplements had resulted from the 1937 five per cent increase in railway fares but if they could be waved, Chambers thought by not annoying potential customers the railway company would gain revenue from greater usage. Of course the fare was not the only consideration; a convenient departure time, especially in areas with few services, or a faster journey might be more important.

Where the difference between the two fares was too great to be disregarded, a supplement was charged. This worked fairly well in practice and to the undue

25 TNA, RAIL 654/6.

26 *Omnibus Magazine*, August 1930, 85.

advantage of neither party. In 1937 four of the largest SR associated bus companies together collected about the same amount from passengers holding railway tickets as did the SR from passengers holding tickets from these four companies. However, as the distances became longer, the ordinary return rail fare became much greater than the coach fare. Consequently no coach passenger would pay the large supplement necessary to make the coach fare equal the rail fare. In practical terms this made interavailability more widely used on stage carriage bus services than on coach services.

For coach services a new interavailable fare therefore had to be created; not an easy task when coach fares varied with the season or at weekends but rail fares remained constant. In many cases therefore the supplement had to be agreed between the operators, based on their judgement of what the traffic would bear. Inevitably this produced no standard rate of supplement and so hindered the publicity for interavailability. If there had been a universal formula to calculate supplements, it might have attracted more traffic, as the public could then better appreciate the value of interavailability.

Whilst the accounting work for interavailability between road and rail might have been thought a burden, it fitted neatly into the general practices of both organisations and required practically no additional staff. However, the legal position severely checked the development of the facility until it was resolved. In essence the SR, like any railway company, could exclude liability for death or bodily injury to passengers carried at less than the ordinary fare for a journey on its system but the Road Traffic Act 1930 prevented bus companies from such an exclusion on public service vehicles. Any holder of an intervailable ticket, barred from suing the railway company, might consequently sue the bus company instead. An interim solution was found but the eventual answer came in 1938, when the railway companies accepted the same level of liability as the bus companies.[27]

Passengers' luggage presented something of a problem. Railway companies, as common carriers, could not refuse to take it and allowed a certain amount free. Bus companies might not have accommodation for luggage on their vehicles or might limit it to much less than allowed by rail. However, the railways use of 'Passengers Luggage in Advance', where a passenger's luggage was carried unaccompanied before his or her journey was made, mitigated any such inconvenience.[28]

Operational considerations also limited interavailability. In some cases the road

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27 *Journal of the Institute of Transport*, April 1939, 234-5.

28 *Ibid.*, 236.

companies would only agree to their tickets being used for return by rail but would not allow rail tickets to used to return by road. Their fear was a service would be swamped by a sudden influx of railway ticket holders. Thus East Kent initially did not allow full interavailability between Margate and London but, when it finally did so, found no such difficulty. Whilst other companies also began to relax such restrictions, the risk of swamping the last bus service was still judged too great in the Isle of Wight to allow full interavailability.[29]

Three views emerged within the rail and bus industries about the value of interavailability. The first thought it did not attract any additional passengers and was only a complicated way of reallocating receipts. The second saw it as a gesture of co-operation which would never substantially stimulate traffic. The third saw it as a good selling point, even if little use was made of it in practice. Its existence influenced passengers to travel by simply knowing they could use it, even though they did not actually do so. More could be made of it by reducing its complication and renaming it so it could be more effectively publicised. More economic operation of branch lines could be realised by interavailable tickets, joint bus and rail timetables and greater use of station yards as bus calling points.[30]

Chambers suggested that interavailable season tickets and weekly zone tickets were further areas for investigation. A more comprehensive study of the possibilities of interavailable tickets might not produce startling results. It might however beneficially revise existing methods and led to an increase in passenger journeys.[31] Worthy as these proposals were, it is difficult, on the usage made of the facility, to conclude they would have any major effect.

Contemporary opinion as expressed in the discussion on Chambers' paper thought the subject worthy but uncontroversial. The President of the Institute of Transport commented that, although advertised, little use seemed to be made of interavailability. Since the President at that time was Gilbert Szlumper, General Manager of the SR from October 1937, his remarks might be the SR's more private opinion of the facility.[32] Perhaps looking for a more positive view, Szlumper thought the facility's use by over a million passengers in 1937 could be taken as a sign that it was becoming better known; although he recognised the term 'Interavailability' made it sound unattractive to customers.[33] While a million seems large, with hindsight it is clear that insignificant use was made of interavailability

29 *Ibid.*, 236.
30 *Ibid.*, 236-7.
31 *Ibid.*, 237.
32 *Journal of the Institute of Transport*, November 1938, 6.
33 *Journal of the Institute of Transport*, April 1939, 237.

by comparison with the major part of SR traffic. In truth, Chambers seems to have been viewing the facility through rose tinted spectacles. This is not to say that it was completely worthless. In the discussion on the paper Sidney Garke of TBAT accepted the third view of interavailability; it was a good selling point. The bus companies which offered the opportunity to return by rail found although few passengers did so, the idea they could had some influence when choosing how they would travel. He added that East Kent's move to the acceptance of full interavailability was for two reasons. First rail services had been so improved that passenger transfer to bus was much less likely. Second bus services had likewise been improved and so were able to cope with larger numbers diverting from rail.[34]

Mr R Kelso, a Vice President of the Institute, commented from a very different perspective as Chairman and Managing Director of the General Steam Navigation Co. Ltd.[35] He felt pleasure trips were where interavailability was most valued. It gave the chance to make the outward and return journeys by different modes. The difficulty was the public did not know much about it, nor possibly did railway staff. Spreading knowledge of the facility was therefore difficult except by those who had used it.[36] F.C.A. Coventry, who managed GWR road transport, claimed from his lengthy experience of interavailability that there was no definite reason why passengers chose to travel by road or rail. It seemed to depend on some small detail such as how a train time compared to shop opening times or the position of someone's house in relation to the station or bus stop. Any hope of analysis revealing general principles of how passengers selected a particular mode was illusory.[37]

Again a study of Southern National can illustrate some of the principles stated by Chambers. By 1934 the facility was available either on local bus services or on express coach services to and from London. As Table I shows, there were forty four pairs of points between which day return interavailable tickets were issued. They could be used to make the return journey on a different mode to the outward. Generally the adult return fare was between one shilling (5p) and two shillings and sixpence (13p) with the child fare at half these levels. There were eighteen towns, listed in Table J, where passengers travelling on express coach services to London could return by GWR or SR train services on payment of a supplement. As this was related to distance, the adult charge varied from six shillings (30p) for Swanage to thirteen shillings and sixpence (68p) for St Ives.[38] Coach passengers from Barnstaple

34 *Ibid.*, 237.

35 *Journal of the Institute of Transport*, November 1944, 1.

36 *Journal of Institute of Transport*, April 1939, 237-8.

37 *Ibid.*, 238.

38 WHOTT, WHOTT 26A1, 17 August 1934.

to London paid a period return fare of one pound seventeen shillings and sixpence (£1.88).[39] The supplement of eight shillings and three pence (41p) to return by train thus represented about a fifth of what they had already paid.[40] This illustrates how large supplements made interavailability unattractive for coach travel.

Table I – Interavailable day return fares valid on either SR or Southern National services 1934

	Adult	Child
Axminster – Exeter	3/6 (18p)	1/9 (9p)
Axminster – Honiton	1/6 (8p)	/9 (4p)
Axminster – Lyme Regis	1/6 (8p)	/9 (4p)
Axminster – Seaton	1/4 (7p)	/8 (3p)
Barnstaple – Bideford	1/6 (8p)	/9 (4p)
Barnstaple – Braunton	1/- (5p)	/6 (3p)
Barnstaple – Ilfracombe	2/6 (13p)	1/3 (6p)
Barnstaple – Instow	1/- (5p)	/6 (3p)
Barnstaple – Torrington	2/9 (13p)	1/5 (7p)
Barnstaple – Wrafton	/10 (4p)	/5 (2p)
Barnstaple – Blackmoor	2/3 (12p)	1/2 (6p)
Barnstaple – Lynton	3/6 (18p)	1/9 (9p)
Barnstaple – Parracombe Halt	2/6 (13p)	1/3 (6p)
Barnstaple – Woody Bay	3/- (15p)	1/6 (8p)
Bideford – Braunton	2/6 (13p)	1/3 (6p)
Bideford – Ilfracombe	4/- (20p)	2/- (10p)
Bideford – Instow	/7 (3p)	/4 (1p)
Bideford – Torrington	1/3 (6p)	/8 (3p)
Braunton – Ilfracombe	1/8 (8p)	/10 (4p)
Chard- Seaton	2/- (10p)	1/- (5p)
Corfe Castle – Wareham	/9 (3p)	/5 (2p)
Crewkerne – Yeovil	1/9 (9p)	/11 (5p)
Dorchester – Weymouth	1/6 (8p)	/9 (4p)
Honiton – Exeter	2/3 (12p)	1/2 (6p)
Holsworthy -Launceston	3/- (15p)	1/6 (8p)
Ilfracombe – Instow	3/6 (18p)	1/9 (9p)
Ilfracombe – Lynton	4/6 (23p)	2/3 (11p)

39 *London Coastal Coaches Timetable 1931 Easter and Spring Services.* (London: London Coastal Coaches, 1931): 6.

40 WHOTT, WHOTT 26A1, 17 August 1934.

Table I – Interavailable day return fares valid on either SR or Southern National services 1934

	Adult	Child
Ilfracombe – Wrafton	1/10 (9p)	/11 (4p)
Launceston – Bude	4/- (20p)	2/- (10p)
Lynton – Parracombe Halt	1/2 (6p)	/7 (3p)
Lyme Regis- Exeter	4/6 (23p)	2/3 (11p)
Milborne Port – Sherborne	/6 (3p)	/3 (1p)
Milborne Port – Yeovil	1/6 (8p)	/9 (4p)
Okehampton – Hatherleigh	2/6 (13p)	1/3 (6p)
Plymouth – Holsworthy	7/6 (38p)	3/9 (18p)
Port Isaac Road – Wadebridge	1/6 (8p)	/9 (4p)
St. Kew Highway – Wadebridge	/10 (4p)	/5 (2p)
Swanage- Wareham	1/9 (9p)	/11 (5p)
Swanage – Wool	2/9 (13p)	1/5 (7p)
Weymouth – Wool	2/3 (12p)	1/2 (6p)
Wrafton – Bideford	2/4 (12p)	1/2 (6p)
Long Sutton – Taunton *	2/3 (12p)	1/2 (6p)
Langport – Taunton *	1/9 (9p)	/11 (5p)
Somerton – Taunton *	2/6 (13p)	1/3 (6p)

** – Available by any Southern National or Western National bus or Great Western train*

Source: West Country Historic Omnibus and Trasnport Trust, Plymouth, WHOTT 26A1, *Southern National Local Committee, 17 August 1934.*

During the period from 1935 to 1939 comparatively few additional interavailable facilities were introduced. The season ticket between Portland and Weymouth introduced in 1935 demonstrates typical arrangements. It was available for travel either by bus or by third class on rail in each direction and was issued for three months or for four weeks. Of the two pounds sixteen shillings and three pence (£2.81) cost of the three months ticket the SR received one pound three shillings and three pence (£1.16) and Southern National one pound thirteen shillings (£1.65). Comparable amounts for the one pound three shillings and three pence (£1.16) four weekly ticket were eleven shillings and three pence (56p) and twelve shillings (60p).[41] Similarly season tickets introduced later (Axminster and Taunton, Axminster and Lyme Regis, Chard and Tatworth, Bideford and Torrington, Barnstaple and Braunton and Axminster and Colyford) all gave a greater proportion of the fare to Southern National.

41 WHOTT, WHOTT 26A1, 10 January 1935.

On ordinary tickets arrangements were simpler. Interavailability was introduced between Wadebridge and Camelford where both the bus and the railway cheap day fare cost two shillings (10p). Similarly both road and rail tickets from Delabole to Wadebridge, where the bus and railway cheap day fares were identical at one shilling and sixpence (8p), could be used to return by either mode. However, this facility was not available from Wadebridge to Delabole.[42] This was probably an example of where the bus company feared its service might be overwhelmed by a sudden influx of passengers who had made their outward journey by rail. Occasionally interavailability was withdrawn. Fares between Okehampton and Hatherleigh were much cheaper by road than rail, as its route was much shorter. The comparatively high supplement charged to return by rail (nine pence (4p) on a one shilling and nine pence (8p) ticket) meant the usage was negligible and the facility ceased.[43]

Table J – SR and GWR charges to Southern National coach passengers to return by train from London 1935

	Adult	Child
Barnstaple	8/3 (41p)	4/3 (21p)
Bideford	9/- (45p)	4/6 (23p)
Bodmin	11/3 (56p)	5/9 (28p)
Bude	10/3 (51p)	5/3 (26p)
Falmouth	12/9 (63p)	6/6 (33p)
Ilfracombe	9/- (45p)	4/6 (23p)
Launceston	10/- (50p)	5/- (25p)
Lynton	9/3 (46p)	4/9 (24p)
Minehead	6/6 (33p)	3/3 (16p)
Newquay	12/3 (61p)	6/3 (33p)
Okehampton	8/9 (43p)	4/6 (23p)
Penzance	13/3 (66p)	6/9 (33p)
St. Ives	13/6 (68p)	6/9 (33p)
Swanage	6/- (30p)	3/- (15p)
Taunton	7/9 (38p)	4/- (20p)
Truro	12/3 (62p)	6/3 (33p)
Wareham	8/- (40p)	4/- (20p)
Weymouth	6/9 (33p)	3/6 (18p)

Source: West Country Historic Omnibus and Transport Trust, Plymouth, WHOTT 26A1 Southern National Local Committee 10 January 1935.

Sometimes more individual arrangements were made to suit particular circumstances. Passengers with the return halves of SR weekend tickets issued to

42 WHOTT, WHOTT 26A1, 18 July 1935.
43 WHOTT, WHOTT 26A1, 16 March 1937.

Braunton could return on the 7.18 a.m. bus to Barnstaple Junction to begin their rail journey at no additional cost. However, the SR paid Southern National eight pence (3p) for each such passenger.[44] Passengers with return halves of monthly return tickets from Exeter to Ilfracombe could on Mondays only return by the Southern National service from Ilfracombe to Barnstaple. Southern National received one shilling and eight pence (8p) for each ticket so used.[45] In both instances the facility was presumably introduced to give an additional service not provided by train and of particular use to those returning from leisure trips.

But the most useful information provided by the Southern National SJC for this analysis was the usage made of the Interavailability facilities. These were reported by quarter but the data for the year to August 1938 gives the best indication of usage. Looking first at local bus services, about a third more rail passengers returned by road (6,168) than those road passengers who returned by rail (4,517). Road passengers returned by rail using sixty two of the seventy four pairs of points between which the facility was available, although the usage of each was very variable. Between three hundred and five hundred road tickets were each used to return from Bideford to Torrington, Wareham to Corfe Castle and Weymouth to Wool. Tickets between fourteen pairs of points were each used between one hundred and three hundred times. Tickets between forty five pairs of points were each used up to one hundred times.[46] Usage must thus be judged to be low; even the best used facility between Bideford and Torrington, saw 464 tickets in a year – only an average of just over one ticket a day.

The position is much the same where rail passengers returned by road. However, a quarter of the total usage occurred on the route from Barnstaple to Braunton. Bideford to Torrington, Wareham to Corfe Castle and Yeovil to Sherborne each exceeded four hundred tickets. Fifty three pairs of points were each used by fewer than one hundred tickets and eight saw no usage at all. Usage was again low, even the most heavily used averaged four tickets a day. Bideford to Torrington and Wareham to Corfe Castle had the greatest usage either where road tickets were used to return by rail or vice versa.[47] This, like the rail users returning by road, confirms the conclusion that the facility was most valued on pleasure trips. Weymouth to Wool and Barnstaple to Braunton are further evidence, whilst passengers from Yeovil would find the bus route more direct for the journey to Sherborne.

Even poorer use was made of the facility to use bus services when certain railway

44 WHOTT, WHOTT 26A1, 7 November 1935.
45 WHOTT, WHOTT 26A1, 26 November 1936.
46 WHOTT, WHOTT 26A1, 20 October 1938.
47 WHOTT, WHOTT 26A1, 20 October 1938.

branch lines were closed. Only eighteen passengers used it during the entire year.[48] Perhaps this thin traffic accounts for Southern National's reluctance to operate a service between Okehampton and Bude on summer Sundays without a subsidy. The SR declined to pay it and decided to open the branch line on those days.[49] Similarly the statistics for express coach services graphically illustrates the low usage of the facility. Only fifty three coach passengers returned by rail in the whole year. The most used route to Ilfracombe saw nineteen passengers. And to further confirm the expense for Barnstaple travellers leading to few returning by rail, only five did so.[50]

Based on the SR usage figures, interavailability involved much effort for little direct financial reward to the operator. To the passenger or consumer this second benefit seems much the same as the first. It had some value to those who used it but, when compared to the much larger group who did not, the benefit to consumers as a whole was not large. This was the conclusion of the group of industry experts who heard Chambers' paper. Even Sidney Garke, one of the architects of the facility, was lukewarm about interavailability. To him, it was a selling point.[51] But the ability to return by a different mode more gave comfort to customers for the decision they had already made than determined it.

Correlation of fares

The final aspect of the SJCs' work, the relationship between rail and bus services, was the most timing consuming, as it involved very detailed examination of particular aspects of fares and services. To judge from the Southern National minutes, it dominated the agenda. In addition there were many additional meetings and correspondence to resolve issues. Yet it was central to the SR's mitigation of direct bus competition. In order to make analysis easier, fares are first considered followed by the timetabling of bus/rail connections.

Generally road fares were cheaper than rail; with the introduction of licensing in 1931 the Commissioners did not approve any general increase in road fares and so the situation remained unchanged. Railways were therefore left with no option, if they were to compete, than to reduce fares. However, wholesale reductions were unwise. As far as possible, reduced fares should be issued to customers to make a journey by rail that they would not otherwise have made. But reduced fares should not be available to customers who would have travelled at full fare

48 WHOTT, WHOTT 26A1, 20 October 1938.
49 WHOTT, WHOTT 26A1, 16 March 1937.
50 WHOTT, WHOTT 26A1, 20 October 1938.
51 *Journal of the Institute of Transport*, April 1939, 237.

anyway. The objective, similar to the yield maximisation practised today, was to attract additional income without sacrificing any expected receipts. For that reason cheap tickets were restricted as to what days or times on which they could be used. Of course diversion from full to reduced fares could not be entirely eliminated but the aim was to reduce it to a minimum. The principal reduced rate rail tickets were issued for a day, a weekend or a month. Necessarily judgement was involved in setting the fare, based on the attractions and charges of competing forms of transport. In an industry such as railways, where costs did not vary directly in the short-term with output, the accepted maxim in the inter-war years was to obtain as high a level of receipts as possible. So a day return ticket sold for five shillings (25p) was worthwhile if the alternative was no sale of a ten shilling (50p) ordinary return, because the intending passenger had made the journey by bus. To aid judgment on the level of rail fares to be charged one input was the bus fare for the same journey. If that increased, the rail fare could also do so but if it reduced, the rail fare would probably have to become cheaper. The SR was therefore always interested in the longer distance bus fares, since it was there that competition was felt. Rail did not compete much with short local bus journeys.

Good examples of this long distance focus were the excursions from Bude to Exeter for the Devon County Show in 1936. The SR raised no objection to any road excursions provided the inclusive return fare was seven shillings (35p), the same as the railway fare. Southern National agreed both to charge this fare itself and to ensure the other road operators did so.[52] A more complex agreement was made later that year for fares between Torrington, Hatherleigh and Okehampton. The SR and Southern National joint opposition to an application by an independent operator to extend an existing service to Torrington had resulted in the Commissioners requiring Southern National and the independent to agree fares between points common to both services. In the consequent revised Southern National fare schedule some existing fares had been reduced and some increased. Additionally, while the Southern National route was shorter than the railway, the independent's was more direct still. In the circumstances the SR agreed to raise no objection. In turn, to retain midweek traffic between Hatherleigh and Okehampton to the two companies, Southern National would not object if the SR revised its fares to the same basis as those charged by the two bus operators.[53]

Independent operators were at the centre of another complex agreement. To meet competition from excursion and tour operators from Launceston to Bude, Southern National proposed to introduce a new day return fare of three shillings

52 WHOTT, WHOTT 26A1, 5 March 1936.
53 WHOTT, WHOTT 26A1, 30 July 1936.

and sixpence (18p), identical to the other operators charge. This compared with an existing return fare of four shillings (20p), available for return at any time. Whilst the likely adverse effect on rail bookings on the route was pointed out by the SR, it could not object in view of the road competition. However, it retained the option to revise rail fares in order to retain existing traffic.[54]

When the fares for the Southern National service between Bideford and Exeter were tabled, the SR pointed out the rail cheap day fares between Exeter and Bideford and between Exeter and Torrington were six shillings and three pence (31p) and seven shillings (35p) respectively. If a cheap day fare was proposed between these two pairs of points on the bus, it should not be less than the rail equivalent between Exeter and Torrington. Southern National undertook to revise the fare table and forward copies to the SR before it was submitted to the Commissioners.[55] The issue was finally resolved in correspondence.[56]

The longer distance threat was seen again in the proposed introduction of road cheap day return tickets from Yeovil and Bideford, which met with a mixed response. Both cost two shillings and sixpence (13p) and were valid in one direction only. The ticket from Yeovil to Lyme Regis was valid on Thursdays and Sundays, whilst that from Bideford to Bude was only for Sunday. Provided at times when potential passengers were not at work, and running to seaside resorts, both were therefore aimed at leisure travel. The SR accepted the fare from Bideford, as the alternative rail route was lengthy and therefore unattractive to such passengers. However, it felt the Yeovil fare would unduly compete with rail and, if it were brought in, a similar rail fare might have to be introduced.[57]

Twice a railway proposal was not approved. In one case, a cheap evening rail ticket was projected in summer from Barnstaple to Instow at a return fare of six pence (3p). There was no non-associated bus operator on the route and interavailability was in operation. Southern National did not favour the proposal, essentially as it would lose revenue from it, and the suggestion was deferred.[58] A further discussion at a subsequent meeting agreed not to proceed.[59] Where there was no direct competition with rail, Southern National fare proposals were relatively uncontroversial. Thus, when an operator from Tintagel surrendered his excursion licence, the company proposed to introduce cheap day fares on its

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54 WHOTT, WHOTT 26A1, 16 March 1937.
55 WHOTT, WHOTT 26A1, 26 November 1936.
56 WHOTT, WHOTT 26A1, 16 March 1937.
57 WHOTT, WHOTT 26A1, 20 October 1938.
58 WHOTT, WHOTT 26A1, 30 July 1936.
59 WHOTT, WHOTT 26A1, 26 November 1936.

existing services to Newquay and Bude, aiming to prevent others applying for the licence. These were the only fares to be revised. With little adverse impact on any SR service, no objection was raised.[60] Cooperation was particularly desired in dealing with local authorities or associations seeking to obtain from one company a new fare which was competitive with the other. Each company agreed to inform the other of such an approach at the earliest possible moment. Thus they could act in concert and avoid a request declined by one company being subsequently being put forward to the other.[61]

Southern Vectis illustrated some examples of friction between road and rail over fares. In 1931 the SR Saturday shopping tickets between Freshwater and Newport, although introduced to attract traffic back from Brown's Bus Services, was adversely affecting Southern Vectis. If the practice was extended, it was 'bound to have a serious effect…especially during the winter months' as Saturday saw the best revenue.[62] The introduction of a summer daily Island Rover ticket four years later was also anticipated to have a serious effect on bus revenue, as the weekly season ticket had done. The SR representative noted the latter was 'introduced long before S. Vectis was formed'.[63] Finally a scheme to pool all bus and rail passenger traffic receipts for conveyance within the Isle of Wight was considered.[64] After 'careful examination', the SJC decided neither company could obtain economies from such a scheme so the proposal was dropped.[65]

Correlation of services

The timetabling of connections between bus and rail is another topic that has been neglected both by contemporary commentators and historians. The only major study was made in wartime, as, by 1942, the practical elimination of coach services had necessarily focused attention on bus and rail connections. Despite the existence of coordination arrangements for almost fifteen years by that time, Charles Elliff, Acting Road Transport Liaison Officer of the SR, felt the subject remained little known.[66] However, as the timetabling structure of both bus and train services was so complex, possible alterations were limited and involved difficult judgements.

60 WHOTT, WHOTT 26A1, 26 November 1936.
61 WHOTT, WHOTT 26A1, 6 July 1937.
62 TNA, RAIL 650/16.
63 TNA, RAIL 650/32.
64 TNA, RAIL 650/37.
65 TNA, RAIL 650/41.
66 *Modern Transport*, 10 October 1942, 3 and 14.

Adjusting bus timings at one particular point might break connections at other railway stations along the route or with other bus services which in turn connected with other trains. One small alteration could therefore have repercussions over a wide area. For example, retiming the Aldershot & District bus from Aldershot to Midhurst to give a better connection at Haselmere station might affect the connection at the terminus with Southdown services to Portsmouth and Bognor, which made rail connections at Petersfield and Chichester. The return workings of the buses and the connections they made during those journeys added further complication.[67]

The need to maximise the use of resources, particularly vehicles and staff was another major constraint. For instance, the ideal of a bus that connected with every arriving and departing train at every station it served was practically impossible to attain. Either two buses would be required to serve departing and arriving passengers separately or one bus would have to wait at the station for a period. Additionally the number of buses available limited the connections that could be provided. It was therefore necessary to decide which of the arriving and departing trains should have a bus connection. The bus which arrived three minutes after a train had departed, although annoying, might be of more value to passengers who arrived by that train. Changing the bus arrival time to avoid this might prejudice a connection with a more important train later in its journey.[68]

If buses were allowed a layover period of ten minutes to ensure passengers were both fed into and collected from a particular train, it would provoke complaints from those passengers unconcerned with train connections and who possibly formed a majority. Thus services which used Farnborough station yard had been withdrawn, as the detour was costly in time and fuel whilst benefitting only a small proportion of passengers. A similar outcome of serving Folkestone Central was noted in chapter five. More difficulties came from buses on one route operating journeys on another. Changing timings on the first route would affect the working of the second. In addition timing alterations could negate the benefits of regular interval services.[69]

A further consideration was the legislative limit on bus drivers' hours. Providing a connection with a particular train could in some instances involve an additional driver and conductor just to operate a single journey. Additionally certain bus users had special needs. Schoolchildren had to be cleared promptly

67 *Ibid.*, 3.

68 *Ibid.*, 3.

69 *Ibid.*, 3.

and shoppers carried to meet shop opening times. All these were factors to be considered when improving bus connection to trains. But altering train times had its own difficulties. Although it had been possible in a few cases to alter train arrival or departure times, it was a complicated procedure. Generally trains served a longer route so that changes were felt over a wider area and by a greater number of other trains. Occasionally it was possible to provide an additional train by withdrawing another at another time of day but 'only in exceptional circumstances can this be justified'.[70]

Despite all the difficulties the Southern National SJC spent considerable time considering connections and did achieve some success. Visible examples were the timetables displayed by the SR showing the times of bus services from Devon and Cornwall towns connecting with trains from and to London, Salisbury and Exeter. Not only did they include Southern National but also those of another company.[71] Nevertheless concentration at the SJC was primarily on Southern National services.

A distinct group of timetabled connections were those where train services did not run on Sundays. These were between Barnstaple and Lynton, Axminster and Lyme Regis, Barnstaple and Ilfracombe as well as Barnstaple and Torrington. In each case the bus services provided connections with trains at Barnstaple or Axminster.[72] Useful as this facility might appear, the low usage made of it mentioned earlier meant its value was limited. Indeed so low was the usage of certain early and late journeys that the SR agreed to make good any difference between receipts and working expenses.[73] Later two of these four little used services were withdrawn.[74] A further development of the group came when the Lynton & Barnstaple Railway was closed in 1935 and replaced by buses. Here the substitute service began from Barnstaple Junction station, where it gave train connections. A joint poster, with details of both the bus service and train connections, was produced for display about the new arrangements. Indeed the integration extended to newspapers, mail and perishable traffic being conveyed on the bus as part of their throughout transit.[75] Later specially adapted vehicles were used on this service.[76]

A specialist aspect of timetabling was Southern National's wish to provide the necessary number of vehicles when large numbers of passengers arrived at

70 *Ibid.*, 3.
71 *Railway Gazette*, 11 May 1934, 841.
72 WHOTT, WHOTT 26A1, 17 August 1934.
73 WHOTT, WHOTT 26A1, 10 January 1935.
74 WHOTT, WHOTT 26A1, 7 November 1935.
75 WHOTT, WHOTT 26A1, 7 November 1935.
76 WHOTT, WHOTT 26A1, 17 November 1937.

stations. This was a particular concern in the summer, when usually the SR Station Master advised the bus company of such cases. The arrangement was extended from Camelford and Bude to Barnstaple Junction; there the Station Master was in turn to be advised on Summer Saturdays of Waterloo, Salisbury and Exeter passengers with through tickets to Lynton. To aid train connections, Southern National issued the general instruction to its staff that wherever practicable buses were to be held for a reasonable time.[77] Yet more specific instructions were issued for Lyme Regis. To assist booked connections, bus conductors and railway staff should confer before the bus left.[78]

Despite the autonomy granted to local managers and supervisors, the main task of the SJC was to consider detailed circumstances. Usually the result was better connections. The 7 a.m. bus from Ilfracombe to Barnstaple was retimed to 6.45 a.m. to provide a train connection at Barnstaple.[79] Revised schedules gave improved connection at Padstow station with buses to and from Trevone Bay.[80] A special meeting was arranged, with a GWR representative present, to discuss connections at Easton station on a SR and GWR joint railway. Southern National would impress upon staff the need to ensure the 10.50 a.m. from Portland entered the station yard. Additionally it would apply for the 5.00 p.m. and 7.00 p.m. buses to use a route suitable to stop at the station gates.[81] Connections at Wool station for Lulworth Cove and Bovington Camp throughout the year had been agreed in correspondence.[82] Next year a summer only service was approved, which gave additional connections at Wool station.[83]

Once Southern National agreed to vary its proposed times to avoid diverting traffic from rail to bus. The intended Wednesday only 1.30 p.m. bus from Bude to Holsworthy was rescheduled to 2.00 p.m. so as to follow rather than precede the 1.45 p.m. train.[84] Joint action was also evident when both companies met the Clerk to Beer Parish Council to explain the steps taken to improve connections between its bus service and the trains at Seaton.[85] They had a similar meeting in the next year to explain the proposed summer timetable.[86] Whilst the Clerk was satisfied, two individuals later wrote to the SR about the service. After a review the SJC felt the connections were reasonable.[87]

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77 WHOTT, WHOTT 26A1, 7 November 1935.
78 WHOTT, WHOTT 26A1, 23 August 1938.
79 WHOTT, WHOTT 26A1, 18 July 1935.
80 WHOTT, WHOTT 26A1, 7 November 1935 and 20 November 1938.
81 WHOTT, WHOTT 26A1, 16 March 1937.
82 WHOTT, WHOTT 26A1, 26 November 1936.
83 WHOTT, WHOTT 26A1, 6 July 1937.
84 WHOTT, WHOTT 26A1, 16 March 1937.
85 WHOTT, WHOTT 26A1, 17 November 1937.
86 WHOTT, WHOTT 26A1, 20 April 1938.
87 WHOTT, WHOTT 26A1, 4 January 1939.

However, the reasons identified by Elliff sometimes prevented action. The bus connection for the principal trains to and from Waterloo at Ilfracombe for Combe Martin was satisfactory in summer but 'none too good' for the 12.40 p.m. from Waterloo in winter. However, a retiming of that bus journey would dislocate the local services and the matter was left in abeyance.[88] The presence of three other operators on the route between Port Isaac Road station and Port Isaac made it impossible to improve the Southern National service to provide better train connections. Action was left until circumstances permitted.[89] A 9.45 a.m. service from Wool to Lulworth Cove, connecting with the 5.40 a.m. train from London, would incur considerable dead mileage and heavy costs 'which could not be justified'.[90]

Unfortunately the companies themselves created poor connections by having different dates of operation for their summer timetables. Since the SR covered virtually the whole of Southern England, its dates of operation were essentially a compromise to give the best possible overall service for the differing demands in its region. By contrast Southern National could more closely match the needs of its smaller area. To help resolve the mismatch, the SR was asked in 1938 to prepare details of train times at those stations in North Devon and Cornwall where bus connections were desired. The two companies would then consider how suitable connections could be provided throughout the year.[91] However, the summer timetable periods differed again in 1939.[92] The issue had not been resolved before the outbreak of war made it irrelevant.

Bus industry views

This analysis has shown that some of the SR's public pronouncements overstated the potential benefits to customers. In May 1931, some two years after its initial investment, the SR publicised a self-congratulatory account of the arrangements for 'Linking-up Rail and Road in Southern England'.[93] A much more sceptical view was given within a month by E B Hutchinson in 'This Co-ordination Nonsense'.[94] He felt the railway companies were using their financial interests to either object to the licensing of some bus operators or to run others off the road by uneconomic competition. If not seeking a monopoly of the road themselves, they were trying hard to assist their allies to get it quickly. As to 'true' co-

88 WHOTT, WHOTT 26A1, 30 July 1936.
89 WHOTT, WHOTT 26A1, 16 March 1937.
90 WHOTT, WHOTT 26A1, 2 February 1938.
91 WHOTT, WHOTT 26A1, 23 August 1938.
92 WHOTT, WHOTT 26A1, 20 October 1938.
93 *Southern Railway Magazine*, May 1931, 166.
94 *Motor Transport*, June 8 1931, 660.

ordination, there was 'no real and honest desire'; they had 'got nothing that they could have had anytime from the road men'. Since the railway companies purchase of a half-share in the bus companies, 'the only people who could and would have exposed their selfish pretentions now have their mouths firmly shut'. But Hutchinson was far from an impartial observer, as he had resigned after TBAT and the LNER had jointly purchased the United bus company in 1929.[95] And as a former railwayman he might well harbour resentment against his former colleagues.[96]

But much more serious were the doubts that these arrangements amounted to a great deal by somebody who was greatly involved in them. In his review of 1945 as Chairman of Thomas Tilling Limited, Sir Frederick Heaton felt that co-ordination between road passenger and rail services did '…not really exist to any substantial degree.' The railway companies acquired interests in individual bus companies, which had been '…not much more than good investments.' Although the SJCs were set up for the purpose, '…there has been no real co-ordination nor can such be expected so long as there is a conflict of interests.'[97] Although these views were expressed in his rationale for a national transport authority, his conclusion of the arrangements achieving little has been borne out in this analysis.

Conclusions

The benefits of cooperation with bus companies were widely portrayed by the SR as accruing to the travelling public as much, if not more, than to itself. The control of fares and services was an important aspect of mitigating competition, but could also be viewed in the same light as a public good. Whilst the value of these benefits to consumers is hard to evaluate because of the lack of usage data, such material as remains suggests it was not great.

Selling tickets which combined rail travel and the use of another facility predated the first world war and the SR therefore had much precedent to guide it. Its extension to bus journeys was facilitated by the link with the bus companies. The commercial benefits of such arrangements meant they would probably been introduced even if the SJCs did not exist. Avoiding the need to rebook brought some benefit to the public by saving passengers' time. But it seems that combined rail and bus tickets were not provided very frequently and

95 Hibbs, *The History of British Bus Services*, 104.

96 *Ibid.*, 101.

97 *Thomas Tilling Limited Review by the Chairman, Sir Frederick Heaton, in respect of the year ended 31st December 1945.*

even when they were, usage was not very high. In these circumstances combined tickets must be accounted a benefit to customers but not a very substantial one.

Interavailability was a new concept attributable to the link with bus companies. Although new between rail and bus, bus operators had sometimes made arrangements to accept tickets from other operators on their services. Its apparent novelty may have produced the public's lack of understanding of how the rail and bus arrangements worked, a situation admitted even by enthusiasts for the concept. That, or the apparent complexity of the arrangements, may account for their lack of usage. Certainly the low use was appreciated at the time, and the continuance of interavailable tickets was perhaps justified more as a selling point for leisure travel. The key finding in the 1930s was that the user's decision on what mode to use was dependent on particular circumstances rather than any application of general principles. So development of the facility had to proceed by trial and error, which was inevitably slow. Like combined tickets, it was a convenient facility to those who used it but their number was not great. To echo that reached by informed commentators in the 1930s, the conclusion must be the facility was a benefit to passengers but not a substantial one.

The coordination of fares and services was more complex. The regulation of fares was obviously of benefit to the SR and the bus company. It lay at the heart of the SR's policy to mitigate competition. No doubt it was of value to the bus company for exactly the same reason. But it was also portrayed as a public benefit. Perhaps it could claim with some justification to give the passenger certainty about the fare to be paid. More generally it was justified as avoiding 'wasteful competition', the ethos of the age. Judged on that basis, it could be said to be a 'success' and, to evaluate it by the amount of time spent at Committees discussing the subject, a substantial one. Timetabling of bus/rail connections involved so many factors that achieving widespread improvement was admitted to be probably impossible. Nevertheless what was achieved did undoubtedly benefit the public. Although usage figures are not available, that those changing between modes did not have to make any prior arrangements to benefit from better connections suggests it was of more value than interavailability. And to the bus companies it must have been of benefit by producing more passengers.

In short this chapter shows that the contemporary views expressed by Hutchinson and Heaton were substantially correct. The overall conclusion must therefore be that for the public the SR overstated the benefits it provided. Whether this was because it really thought that more could be achieved or because it wanted to appear to be acting in the public's interest can only, on the present evidence, be a matter for speculation.

The suspicion must be that the SR's major reason for investing in bus companies was good returns on its capital. Historians, greatly influenced by Aldcroft's writings from the 1960s, have generally accepted that the money would have been better spent elsewhere. Contemporary managers thought otherwise. The next chapter explores who was right.

7. Measuring the SR's financial returns

'…the returns from this investment were very small…equivalent to a return of less than 3 per cent…' DEREK H. ALDCROFT[1]

'…we shall get a good return on the money invested…' EVERARD BARING[2]

The contradiction between the presently accepted view among historians of poor earnings on railway company shareholdings in bus companies and the belief at the time that it was good is the central concern of this chapter. It investigates the SR's investment from a purely financial viewpoint. As a profit-seeking firm, this is one of the key measures of its performance: the chapter's purpose is to assess whether the actions taken were financially advantageous to the company.

To set the scene for subsequent analysis, the chapter begins by outlining what shares in bus companies were acquired by the SR followed by considering the basis of valuation of each of them. The third section is concerned with evaluating the wisdom of the SR's terms; whether the price paid for the shares was a reasonable one. It then considers why the SR differed from the three other railway companies in both the lower level of shareholding it sought and its accounting treatment. The central question of whether the shareholding was a good investment is considered in the next section. After establishing the outlay involved and the dividends received, the rate of return on capital invested is calculated. Next the implications for the railway side of the SR's business of this investment are assessed. Comparing the rate of return in the SR's railway business with that obtained from the bus investment suggests where money would have been better invested. In addition the section assesses if the purchase of bus company shares squeezed out worthwhile rail investment. A final section gauges the practical value of the Railway Rate Tribunal's ability to consider the financial return from bus services in any general review of railway rates.

Acquiring the bus company shares

The acquisition of shares in ten bus companies fell into four groups, based on the original ownership of each company. The SR negotiated the purchase of eight of the companies, whilst it merely supported the GWR in the remaining two. Generally

1 Aldcroft, *British Railways in Transition*, 86.

2 *Southern Railway Magazine*, March 1930, 86.

the SR followed the approach agreed by the four railway companies, although there were some differences which are noted in this chapter. Only in the negotiations for Southern Vectis was the SR able to act without the need to involve any of the other three railway companies. Table K summarises the initial investment, which requires brief explanation.

Table K – SR – Initial share purchases in bus companies

<table>
<tr><th></th><th></th><th>Date</th><th>Value of ordinary shares (£)</th></tr>
<tr><td>National Omnibus & Traction</td><td>Southern National</td><td>Jul-29</td><td>175,000</td></tr>
<tr><td>Torquay Tramways Company</td><td>Devon General</td><td>Jul-29</td><td>27,000</td></tr>
<tr><td>Dodson Brothers</td><td>Southern Vectis</td><td>Sep-29</td><td>27,500</td></tr>
<tr><td rowspan="7">Tilling and British Automobile Traction</td><td>Aldershot & District</td><td>Nov-29</td><td>84,650</td></tr>
<tr><td>East Kent</td><td>Nov-29</td><td>245,672</td></tr>
<tr><td>Hants & Dorset</td><td>Nov-29</td><td>149,053</td></tr>
<tr><td>Maidstone & District</td><td>Nov-29</td><td>250,635</td></tr>
<tr><td>Southdown</td><td>Nov-29</td><td>229,199</td></tr>
<tr><td>Wilts & Dorset</td><td>Mar-31</td><td>12,500</td></tr>
<tr><td>Thames Valley</td><td>Jun-31</td><td>32,859</td></tr>
</table>

Source: West Country Historic Omnibus and Transport Trust, Plymouth, 31A13 Kithead Trust, Droitwich Spa National Tramway Museum, Crich, BET Archive, Bus Company Files

The first group was NO&T, the predecessor of Southern National. Geographically widely spread, NO&T divided its business into three new companies, each jointly owned with the railway companies. So in addition to those with the SR, NO&T held negotiations with the GWR about Western National and the LMSR and LNER jointly about Eastern National. The newly established Southern National purchased that part of the NO&T's business which traded in Somerset, Dorset, North Devon and North Cornwall.[3] The ordinary shares, which alone possessed voting rights, were equally held between the SR and NO&T.

The Torquay Tramways Company with its subsidiary Devon General comprised the second group, where the GWR led the negotiations.[4] As the resulting agreement was signed on the same day as the Southern National one, the negotiations with both groups must have been proceeding simultaneously. This was necessary as they served adjacent areas. Devon General operated services in South Devon in the territory of both the GWR and SR.[5] In this case the SR held twenty per cent of the voting rights with a further thirty per cent held by the GWR. Thus the two railway

3 WHOTT, WHOTT 31A13.
4 TNA, RAIL 258/225.
5 TNA, RAIL 258/225.

companies jointly held half the ordinary shares, equal to the holding of the Torquay Tramways Company.

In the third group were the Dodson brothers, who owned the Vectis Bus Company on the Isle of Wight.[6] Another newly established company, Southern Vectis, was formed to purchase the existing business.[7] In this case the ordinary shares, which alone possessed voting rights, were equally held between the SR and the Dodsons. However, the partnership was short lived, as, in October 1932, TBAT agreed to purchase the Dodson brothers shares at the price they had originally paid for them.[8]

The last group was TBAT, with which national negotiations were held by Sir Josiah Stamp of the LMSR and Sir Ralph Wedgwood of the LNER.[9] As part of this overall approach, an offer to purchase shares in each of the TBAT controlled bus companies was made to their existing shareholders by one or more of the four railway companies.[10] Five such bus companies operated in the SR area, Aldershot & District, East Kent, Hants & Dorset, Maidstone & District and Southdown and an SR offer was made to each. In all cases the SR offer was subject to obtaining enough shares to give an equal holding with TBAT and the right to refuse to take up any acceptances in excess of those necessary to achieve this. TBAT, in the offer letter, gave notice to the other shareholders in each company that it intended to accept the offer for a portion of its holding.[11] In each case the SR sought one third of the ordinary shares, more than achieving that.[12] Consequently it declined to purchase some of the shares it was offered. Here it differed from the other railway companies, which purchased all they were offered.[13]

TBAT also arranged the purchase of the last two bus companies' shares. TBAT made an agreement in March 1931 to allot to the SR some of the shares it was allowed to subscribe to the increased capital of Wilts & Dorset. When completed, the SR and TBAT each held some twenty two per cent of the ordinary shares with voting rights of Wilts & Dorset.[14] The GWR led the negotiations to acquire the interest in Thames Valley.[15] In June 1931, TBAT, which had almost total control, sold some of its ordinary shares in Thames Valley to the GWR and SR. As a result, the SR had fifteen per cent of the voting rights with a further thirty four per cent held by the GWR. Thus the two

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6 Newman, *Southern Vectis*, 9.
7 TNA, RAIL 650/3.
8 NTM, BET Archive, Bus Company Files.
9 *Proceedings of the Omnibus Society*, December 1946, 7.
10 *Stock Exchange Gazette*, 6 December 1929, 2766..
11 NTM, BET Archive, Bus Company Files.
12 NTM, BET Archive, Bus Company Files.
13 *Financial Times*, 6 December 1929, (in Science Museum Library, Swindon, Papers of Charles E. Lee, Box 4).
14 NTM, BET Archive, Bus Company Files.
15 TNA, RAIL 258/220.

railway companies jointly held almost half the ordinary shares, equal to the holding of TBAT. There was a minority shareholder who held the remaining two per cent.[16]

Valuing the bus companies

With this understanding of what investments were made, the process of valuation can be assessed. There were two basic approaches; valuing part or all of a business or valuing a share in a company. All of the four groups of shareholding involved the valuation of an existing business. In the first group this was of a part of the existing NO&T business. Southern National was established with SR and NO&T capital to purchase that part. In the second group Devon General was valued as a whole, from which a price per share was derived. Shares in the existing company were then sold to the SR and GWR. In the third group a valuation was placed on the existing Vectis business. Southern Vectis was then set up with SR and Dodson Brothers' capital to purchase Vectis. In the first tranche of the fourth group Aldershot & District, East Kent, Hants & Dorset, Maidstone & District and Southdown were each valued as a whole from which a price per share was derived. Shares in the existing company were then sold to the SR. The procedure was similar in the second tranche, involving Wilts & Dorset and Thames Valley. Consequently there were two main variations in the way in which the acquisitions were made. The first and third groups were the valuation of part or all of a business. The second and fourth were the valuation of a share in a business. Each of these bases should be considered separately.

To appreciate the process more fully, a brief outline of the ways to value a company is necessary. Essentially the purchaser of a business acquires both assets and future profits. Any valuation of a company has to reflect both. Valuing the assets begins with the published balance sheet of a company. But since this is the result of its accounting policies adjustments may be necessary to arrive at the net worth of the company. Since the process invariably involves judgments, different people will arrive at different views of this figure. Valuation based on profits begins with the selection of a target return on capital – the minimum return the acquiring company will accept on any purchase it makes. To calculate the price it would be prepared to pay, the target return is applied to the profits of the company it wishes to acquire. Thus if the target return is ten per cent, and the profits are £500,000, the maximum acquisition price is £5m. Judgement is again involved, especially if the acquiring company believes the profits can be increased.[17] Any offer for a company will be based on such calculations as these but in the last analysis the process is one of judgment.

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16 TNA, RAIL 650/10.

17 Wendy McKenzie, *The Financial Times Guide to Using and Interpreting Company Accounts.* (London: Financial Times, 1994): 266-9.

Since no papers seem to have survived from NO&T or Dodson brothers, it is extremely difficult to find the basis on which their businesses were valued. No doubt initial proposals, perhaps based on a valuation of the assets of the business and its trading results, would have been varied in negotiation. However, in the absence of information all that can be done in the first and third groups is to form some judgment on the reasonableness of the eventually agreed figure; this task is performed later.

Some papers survive from the other eight companies from which a broad idea of how the shares were valued can be derived. However, the different approach taken for Wilts & Dorset and the absence of papers from it, means that little can be deduced about that company. For the remaining seven, the process basically started with the net value of assets in the balance sheet, to which a number of adjustments were made. To the resulting figure was added a number of years' profits, one measure of the goodwill of a business, to arrive at the value of the business. This was then divided by the issued number of shares to obtain a price per share. Two examples will make this clearer.

The process for Devon General started with the balance sheet value of assets at 31 December 1928. This was adjusted to reflect: a longer estimated life for the vehicles; to remove the assets and liabilities of a subsidiary company; to allow for amounts due to both preference shareholders and creditors; and finally to eliminate goodwill. This 'actual value of assets over liabilities for ordinary shares' of £59,975 was divided by the 30,000 ordinary shares issued to give a value of roundly £2 a share. The amount available for dividend in the year to 31 December 1929 was expected to be £20,000, equivalent to 67p per share. Since the price agreed for each share was £4.50, the excess over the net assets per share of £2 was £2.50. If the amount available for dividend per share continued at expected levels, the £2.50 would be equalled in about 3.75 years. So the price paid for Devon General equates to net assets plus 3.75 years profits.[18]

The process for Hants & Dorset was reasonably typical of the TBAT companies. The net value of assets and the net profit was taken from the accounts for the year ended 31 March 1929. Since the net profit was more than a seven per cent return on assets, the valuation was the sum of the net value of assets and a number of years' purchase of the super profits (i.e. the amount of net profit in excess of the minimum requirement of a seven per cent return on capital specified by the four railway companies). This gave a value of £271,315 for the business, which when

18 TNA, RAIL 258/225.

divided by the 125,000 ordinary shares in issue, gave a price of £2.17 per share.[19] As groundwork for the negotiations, the TBAT Secretary prepared a number of valuations on alternative bases. In addition certain companies, such as East Kent and Thames Valley, were asked to produce revised accounts with standardised depreciation. Sidney Garke, TBAT's negotiator, explained 'I am requiring for my personal guidance information in regard to the "actual" as distinct from the published profits of all our Group of Companies.'[20] It is important to remember that at this time companies were permitted to publish profit figures which differed from the actual results shown by their accounts. Building up reserves so as to draw on profits set aside in good years when trading became more difficult was thought prudent; controversy surrounded whether it should be disclosed. There were a number of ways to create these secret reserves: by including any transfer within a vague heading such as 'sundry creditors': or by making excessive depreciation charges. Whatever the method, the reported profits either understated or overstated the actual trading results with the considerable risk that external users were misled. This practice was justified as it produced a balance sheet which understated the financial strength of the concern [21] Since the Companies Act 1928 failed to impose precise obligations, it allowed secret reserves to continue.[22] While the individual bus companies practice was not illegal, Garke wished by using their actual profits to produce a higher valuation for them.

These calculations were the basis for negotiations on the price to be offered for each share. Obviously TBAT's negotiators were keen to obtain as high a price as possible. So 'If there are any facts or arguments which tend to enhance the value of the undertaking' they asked the TBAT representative on each subsidiary's Board 'to draw up the necessary explanatory memorandum.' Some glimpse of the negotiations can be seen from the report to Sidney Garke of November 1929 about Maidstone & District. The company 'had a long interview' with Szlumper and Davidson of the SR with the result that the price per share had been increased to 48/- (240p). As the company was holding out for 50/- (250p), Szlumper '…promised to report the matter to the General Manager and report the result this week'.[23] The result was the SR conceded a little; the finally agreed price was 48/6 (243p).

The offer price

In considering the purchase some assessment should be made of the reasonableness

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19 NTM, BET Archive, Bus Company Files.

20 NTM, BET Archive, Bus Company Files.

21 J. R. Edwards, *A History of Financial Accounting.* (London: Routledge, 1989): 137-8.

22 *Ibid.*, 141.

23 NTM, BET Archive, Bus Company Files.

of the price paid for each of the ten bus companies. It is important at the outset to recognise that any prospective purchaser of a business is likely to have to pay more than its present value. The premium is necessary to induce the existing owners to sell; without it, they are unlikely to do so. So an element of overpayment compared to the market price before the offer will almost always be present. The question therefore becomes whether the overpayment is excessive. Perhaps a more appropriate measure is the return the purchaser is able to obtain over the medium term, perhaps five years, from his investment in the company acquired. This aspect of the SR's purchase is assessed later in this chapter.

Table L – Bus company values

	Price per share	Number of issued ordinary shares	Total value of company £
Aldershot & District	26/6 (133p)	200,000	265,000
Devon General	90/- (450p)	30,000	135,000
East Kent	43/6 (218p)	350,000	761,250
Hants & Dorset	45/- (225p)	175,000	393,750
Maidstone & District	48/6 (243p)	300,000	727,500
Southdown	65/- (325p)	225,000	731,250
Southern National			353,520
Southern Vectis			55,000
Thames Valley	30/- (150p)	150,000	225,000
Wilts & Dorset	25/- (125p)	45,000	56,250

Sources: National Tramway Museum, Crich, BET Archive, Bus Company Files. Kithead Trust, Droitwich Spa. The National Archives, RAIL 650/1, RAIL 650/2, RAIL 650/3, RAIL 650/7, RAIL 650/9, RAIL 650/10. West Country Historic Omnibus and Transport Trust, Plymouth, 31A13.

To aid this analysis, Table L sets out the value of each company based on the price paid by the SR. Before looking at the share prices, the reasonableness of the purchase price for Southern National and Southern Vectis should be considered. Unlike the other companies, where this can be done by using Stock Exchange data, there are difficulties in both cases. Although NO&T was quoted, what became Southern National was only a part of its business. Vectis Bus was a private company and did not have a quotation. For each, the only possible comparison is with the value placed on the other companies. On this basis Southern National comes out somewhere between Aldershot & District and Hants & Dorset. To judge by the bus company receipts given in chapter two, Southern National's earnings were about half of these two companies in the early 1930s. With hindsight this suggests the SR may have thought Southern National's business larger than it was and so paid a little too much for this company. Alternatively, as Southern National was the SR's first investment, it may have had little experience of valuing bus companies. By contrast Southern Vectis has the lowest value in the table and in size terms this seems appropriate. It is unlikely the SR paid too highly for that business. Even if it did, the effect would be small.

Of the eight where the SR purchased shares in the existing companies, no information on share prices is readily available for Devon General, Thames Valley and Wilts & Dorset. Since the Torquay Tramways Company held all the shares in Devon General until the sale to the GWR and SR, there was only a Stock Exchange quotation for the Tramways company. As all the shares in Thames Valley were held by TBAT and one minority shareholder, there was no market data for its shares. Wilts & Dorset was similar, even though it was a public company. Again the only ranking is with the other companies. Both the Devon General and Wilts & Dorset value is small and this seems correct in size terms. Thames Valley is a little larger but this does not seem disproportionate with its size. It appears the SR did not pay too highly for any of these three companies.

This leaves the original five TBAT associated companies where some measurement against Stock Exchange prices is possible. However, 'most of the shares have not a free market'.[24] They were traded infrequently and so the price is not as reliable as major shares which are traded daily. Only East Kent and Maidstone & District were quoted. Individual transactions in Aldershot & District, Hants & Dorset and Southdown shares were noted in *The Stock Exchange Official List* but they were not quoted securities.

Table M sets out the average price per share for each of the five companies based on the information given in *The Stock Exchange Official List* for each Friday in 1929 and gives the price offered by the SR for each share.[25] In addition, the price per share on the day before the offer was announced is included.[26] Broadly that day's price is in line with the average price. The size of the premium paid is estimated by expressing the offer price as a percentage of the average price.

Since the data on prices should be treated with a degree of caution, it would be unwise to draw precise conclusions from these figures. However, it seems reasonable to conclude that the SR paid a premium of between thirty and forty per cent for all of the companies, with the possible exception of Aldershot & District where it only paid the market price. The reasons for this individual result are beyond the scope of this chapter. Dealings in Aldershot & District

24 *Stock Exchange Gazette*, 6 December 1929, 2762.

25 NTM, BET Archive, Bus Company Files.

26 *Financial Times*, 4 December 1929, 7.

shares may have impacted on its share price on the day before the offer. Alternatively it may be that the smaller area covered by this company gave little opportunity to expand the existing business or increase earnings.

Table M – TBAT bus company premiums paid by SR

	Average price per share	Price on day before offer	Offer price	Offer price compared to average price (%)
Aldershot & District	26/7 (133p)	22/6 (113p)	26/6 (133p)	99
East Kent	32/- (160p)	33/- (165p)	43/6 (218p)	136
Hants & Dorset	31/2 (156p)	30/- (150p)	45/- (225p)	144
Maidstone & District	43/- (215p)	42/6 (213p)	48/6 (243p)	128
Southdown	46/5 (232p)	46/9 (234p)	65/- (325p)	140

Source: National Tramway Museum, Crich, BET Archive, Bus Company Files.
Financial Times, *Wednesday December 4 1929, p.7*

The TBAT negotiators were obviously aware of this market price data, as the information was provided to them by at least East Kent, Hants & Dorset and Southdown. Although for a different period, the year ended 31 May 1929, the average prices of 30/6 (153p), 26/2 (131p) and 40/4 (202p) respectively are not considerably different from the market price in the table, given the quality of the data it contains. [27]

Some indication of the market reaction to the SR's offer has already been noted; in each of the five companies it obtained acceptances for more shares than it required. Perhaps this is unsurprising when there was press comment that the price offered was such '…that no shareholder can afford to refuse. In all cases they are well above current market prices…'.[28] Almost a year later, when recommending the purchase of East Kent shares at 32/6 (163p), the same reviewer referred to the SR purchase of its shares at 43/6 (218p) '…which today looks a very good sale by the said other shareholders.'[29] So it is reasonable to conclude the SR offer for the five companies' shares was thought an attractive one by the market.

But the key judgement here is whether the price paid for the shares was a reasonable one. In the case of Aldershot & District, as the SR purchased at the market price, it cannot be accused of overpayment. Payment for the four other companies was on the basis of net assets plus an assessment of future profits, resulting in a premium of thirty to forty per cent above market price. In the absence of a recognised convention on the amount of any premium, but relying solely on judgment, the price paid

27 NTM, BET Archive, Bus Company Files.

28 *Stock Exchange Gazette*, 6 December 1929, 2762.

29 *Stock Exchange Gazette*, 31 October 1930, 2600.

does not seem to exceed reasonable limits. This conclusion therefore applies to the original five TBAT companies. Earlier analysis in this section concluded that the SR did not pay too highly for any of the remaining five companies apart possibly from Southern National. So overall it paid a reasonable price for shares in nine of the companies and slightly overpaid for one. But if the SR paid a fair price, it is legitimate to ask what level of ownership it achieved and whether the treatment of the transaction in its accounts divulges any further information.

Shareholding level and accounting treatment

In purchasing shares in the ten bus companies, the SR sought a different level of shareholding from the other three railway companies. Table N shows the railway holdings in bus companies in January 1938.[30] Whilst the level of shareholding by the four railway companies varies in each bus company, a broad pattern can be distinguished. In only three of the ten bus companies in which it held shares did the SR have a fifty per cent holding (albeit one of these, Thames Valley, was jointly with the GWR). In all the remaining seven (again including one, Devon General, joint with the GWR) its holding was roundly thirty three per cent. By contrast the LNER, LMSR and GWR, either individually or jointly, held a fifty per cent holding in sixteen of twenty three bus companies, with a further four where it was over forty per cent. This reflects the SR decision to seek only a thirty three per cent shareholding in the TBAT companies whereas the other three railway companies accepted all the shares they were offered.[31] However, all four observed the principle of acquiring a holding equal to that of TBAT.

The reasons for seeking this different level of shareholding were not made explicit by the company. However, three reasons can be inferred. Firstly, acquiring only thirty three per cent rather than fifty per cent would reduce the amount the SR had to invest initially in each bus company. Since the bus groups had an equal holding of thirty three per cent, the two organisations together had control of the bus company, even at this lower level. Secondly, the existence of outside shareholders would reduce the amount the SR had to subscribe to any new issue of shares by the bus company. As it was obliged to hold the same proportion of each bus company's capital as the bus groups, it had no option other than to subscribe to new issues but in this way could limit its liability to some extent. Finally a thirty three per cent holding made it easier for the SR to maintain the railway companies' policy that they held a substantial but not a controlling interest in individual bus companies.

30 *Railway Gazette*, 11 March 1938, 476.

31 *Financial Times*, 6 December 1929, (in Science Museum Library, Swindon, Papers of Charles E. Lee, Box 4).

Having acquired the bus company shares, the SR treated them in a different way in its accounts to the other three railway companies. But before considering this, the almost immediate reduction of the valuation of two of the bus companies in the SR accounts should be briefly examined. About a year after they had been purchased, the SR wrote off a proportion of the cost of the shares of Aldershot & District and East Kent. The Finance Committee minute of 4 February 1931 that authorised this action gave no reason. It implied the action was more to reduce the company's overall profit on government securities and investments from £90,000 than motivated by any concern about the value of the two bus companies.[32] As the Aldershot & District shares had been purchased at market levels, there would seem no reason to reduce their value. And whilst the East Kent shares had been purchased at a premium, it was lower than that paid for either Hants & Dorset or Southdown. If there was concern about paying too much for the shares, East Kent was not therefore the most obvious example. However, since later analysis in this chapter shows East Kent to have had the lowest return on the money invested in it, the Committee might have had an inkling of this in making their decision. But this seems unlikely, as it was made before that result became apparent. Two further investments, Imperial Airways and Channel Tunnel, were reduced in value at the same time. Since all were written down to a round amount (£1 in the case of Aldershot & District and £2 for East Kent), it suggests the four were selected principally for their ability to reduce the SR's overall profit to the more acceptable figure of £11,400.[33] No further write offs, whole or partial, were made on any of the bus company shares for the rest of the period.

However, the major accounting difference was that the SR classified its shareholding in bus companies as Revenue Account items whilst the other three railway companies classified them as Capital Account.[34] The standard railway accounting textbook explains these two different approaches. In brief 'only expenditure which is incurred…[in] increasing the revenue earning capacity, [of an undertaking] may be properly charged to Capital Account; expenditure incurred in alterations (not involving increased capacity or improvement of the asset) or in renewal of existing assets is a proper charge to Revenue Account'.[35] Charges to Capital Account that should properly be charged to Revenue Account increased the amount available for dividends. But it also meant that the assets had not increased, and increasing the Capital Account without any corresponding real increase in assets was known as 'watering' the capital.[36] Prudence required such transactions to be avoided.

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32 TNA, RAIL 645/8.

33 TNA, RAIL 645/8.

34 *Omnibus Magazine*, May 1933, 110-11.

35 Newton, *Railway Accounts*, 165.

36 *Ibid.*, 164.

Table N – Railway ordinary shareholdings in the bus industry as at 1 January 1938

Bus Company	Ordinary Share Capital	
	No	%
Aldershot & District	200,000	100
W Alexander	450,000	100
BMMO (Midland Red)	1,200,000	100
City of Oxford	141,750	100
Crosville	1,100,000	100
Cumberland	150,000	100
Devon General	200,000	100
Eastern Counties	672,069	100
Eastern National	825,000	100
East Kent	450,000	100
East Midland	187,500	100
East Yorkshire	300,000	100
Hants & Dorset	450,000	100
Hebble	120,000	100
Highland Transport	35,000	100
Lincolnshire	200,000	100
Maidstone & District	750,000	100
Northern General	692,567	100
North Western	750,000	100
Ribble	800,000	100
SMT	858,434	100
Southdown	750,000	100
Southern National	542,200	100
Southern Vectis	95,000	100
Thames Valley	200,000	100
Trent	450,240	100
United	1,248,850	100
Western National	1,783,576	100
Western Welsh	406,000	100
West Yorkshire	675,000	100
Wilts & Dorset	120,000	100
Yorkshire Traction	350,000	100
Yorkshire Woollen District	440,000	100
TOTAL	17,593,186	
Percentage of Total Capital	100%	

Source: Railway Gazette *March 18 1938*

Table N – Railway ordinary shareholdings in the bus industry as at 1 January 1938

LNER		LMSR		GWR		SR		Total Rail
No	%	No	%	No	%	No	%	%
	0		0		0	66,112	33	33
50,000	11	50,000	11		0		0	22
	0	360,000	30	240,000	20		0	50
	0		0	70,875	50		0	50
	0	412,071	37	137,357	12		0	50
	0	49,999	33		0		0	33
	0		0	40,917	20	27,279	14	34
163,267	24	22,422	3		0		0	28
206,250	25	206,250	25		0		0	50
	0		0		0	151,355	34	34
62,500	33	31,250	17		0		0	50
149,362	50		0		0		0	50
	0		0		0	174,728	39	39
15,000	13	45,000	38		0		0	50
	0	17,500	50		0		0	50
63,929	32	15,985	8		0		0	40
	0		0		0	262,725	35	35
304,767	44		0		0		0	44
124,444	17	248,888	33		0		0	50
	0	352,987	44		0		0	44
214,609	25	214,609	25		0		0	50
	0		0		0	242,792	32	32
	0		0		0	271,100	50	50
	0		0		0	47,500	50	50
	0		0	68,153	34	29,208	15	49
62,473	14	124,947	28		0		0	42
610,956	49		0		0		0	49
	0		0	891,788	50		0	50
	0		0	203,000	50		0	50
167,865	25	167,865	25		0		0	50
	0		0		0	30,724	26	26
85,830	25	85,829	25		0		0	49
73,334	17	146,666	33		0		0	50
2,354,586		2,552,268		1,652,090		1,303,523		
13%		15%		9%		7%		

If treated as Capital, the 'subscriptions to other undertakings' were to be shown as an expenditure on Capital Account. The bus shares would be shown within this heading as 'Other Companies', as being subscribed under statutory authority to companies other than railways or joint committees.[37] If treated as Revenue, any holdings acquired from time to time in stocks and shares of other undertakings, in which for whatever reason the railway company was interested, were shown as an asset in the Balance Sheet. Here the bus shares were shown as 'Transport Undertakings'.[38]

If the shareholdings were treated as Capital, dividends from such 'Investments in Other Companies' should be separately shown within 'Miscellaneous Receipts' in the calculation of the Net Revenue of the whole undertaking for the year.[39] If the shareholdings were treated as Revenue, the dividends should be included as part of' 'General Interest' within 'Miscellaneous Receipts'.[40] This was the SR's practice with regard to the bus companies. Since this meant the SR did not separately disclose the dividends and any other income from bus companies in its accounts, an article on the railway companies' financial return from investment in road transport had to rely for part of its calculations on information specially provided by the SR Joint Accountant.[41]

There is no written evidence for the reasons behind SR's differing treatment of its bus shareholdings from the other three companies. However, four may be inferred. First the railway companies were given general powers under their Road Transport Acts to invest in bus companies. However, these were not specifically named so it may have been felt that the SR would be failing to observe the letter of the law if the shareholdings were treated as Capital. Second, because the agreements with the bus companies required the SR's shareholding to be identical with the bus groups, shares had to be purchased by the SR from time to time to ensure this was so. The number of shares held in a particular bus company therefore varied and it was therefore arguably more appropriate to treat them as Revenue. Thirdly, as noticed earlier the proportion of the shares in bus companies held by the SR was thirty three per cent as distinct from the fifty per cent of the other railway companies. This lesser level of control may have been a factor which favoured their treatment as Revenue. Finally, the simplest explanation was the feeling it was better to treat items as Revenue to avoid the danger of further inflating the Capital Account at a time when the SR was investing heavily in

37 *Ibid .*, 49.
38 *Ibid.*, 154.
39 *Ibid.*, 67.
40 *Ibid.*, 67.
41 *Railway Gazette*, 10 March 1939, 409.

electrification. Of these possible reasons the third seems the most plausible. No comment on the SR's practice has been found in the financial or railway press, possibly because it was a minor technical issue. Its rationale must remain a matter of speculation.

The return achieved

Although the SR did not acquire a shareholding in each of the ten bus companies for purely financial reasons, the key question is whether they proved to be good investments. Chapter one outlines the criticism levelled against the grouping companies that the returns they obtained from their investment in road transport organisations were very small and would have been better employed in improving train services and infrastructure.[42] This section examines whether what Aldcroft held to be a return of less than 3 per cent holds true of the SR's investment. [43] The charge that it absorbed money better spent in the rail business is examined in the next section.

The evaluation of the return on the investment on the ten bus companies begins with establishing the total amount the SR spent on purchasing the shares. To do this information was extracted from the memoranda produced by the SR's Accountant for the years from 1929 to 1938.[44] This is presented in Table O. This shows that the major outlay of £1.3m took place in 1929 to obtain the initial involvement in eight of the companies. Eighty per cent of the total expenditure on bus shares occurred in that year. Expenditure in 1931 bought the initial involvement in the other two companies. When added to the 1929 figure, it means eighty two per cent of the expenditure was needed to become established in the bus industry. The remaining eighteen per cent was mainly for subscriptions to new issues of shares by individual companies in order to maintain an equal shareholding with the bus groups. This need for equality also occasionally led to small purchases of shares to match transactions by the bus groups, a minor cause of continuing expenditure. In addition the bus companies periodically made bonus issues of shares. However, as they were allotted equally to existing shareholders, they did not alter the proportion of the total issued capital held by the SR and the bus groups. More importantly for the present purpose, they were distributed free of charge and so did not increase

42 Aldcroft, *British Railways in Transition*, 86.

43 *Ibid* ., 87.

44 TNA , RAIL 650/4 to RAIL 650/49.

Table O – SR – Total outlay on bus company shares 1929-38

All Figures – £												
Year ended		**Aldershot & District**	**Devon General**	**East Kent**	**Hants & Dorset**	**Maidstone & District**	**South-down**	**Southern National**	**Southern Vectis**	**Thames Valley**	**Wilts & Dorset**	**Total**
31.12.29	Purchases	85,543	27,270	251,847	152,474	253,974	235,776	249,600	32,700			1,289,184
	Write Off	21,656		22,137								
31.12.30	Purchases		4,000		9,633		48,789	21,500	9,800			93,722
31.12.31	Purchases									33,188	12,500	45,688
31.12.32	Purchases		6,000									6,000
31.12.33	Purchases										2,500	2,500
31.12.34	Purchases		4,965								2,571	7,536
31.12.35	Purchases	4,760		900	2,478	13,992						22,130
31.12.36	Purchases					28,416			10,000		1,690	40,106
31.12.37	Purchases			37,687	32,138	15,963	3,602		10,000			99,390
31.12.38	Purchases				189	6,759				7,302		14,250
Total Outlay excluding Write Off		**90,303**	**42,235**	**290,434**	**196,912**	**319,104**	**288,167**	**271,100**	**62,500**	**40,490**	**19,261**	**1,620,506**
Write Off		21,656		22,137								43,793
Book Value		**68,647**	**42,235**	**268,297**	**196,912**	**319,104**	**288,167**	**271,100**	**62,500**	**40,490**	**19,261**	**1,576,713**

Source: The National Archives, London, RAIL 650 series

Table P – SR – Total dividends received on bus company shares 1929-38

All Figures – £											
Year ended	Aldershot & District	Devon General	East Kent	Hants & Dorset	Maidstone & District	South-down	Southern National	Southern Vectis	Thames Valley	Wilts & Dorset	Total
31.12.29	0	0	0	0	0	0	8,750	0			8,750
31.12.30	0	1,680	8,917	5,310	8,714	7,828	13,226	1,293			46,968
31.12.31	4,792	2,168	6,891	9,369	12,962	21,732	14,394	3,100	1,095	625	77,128
31.12.32	4,792	3,200	6,891	9,610	12,962	21,732	5,766	2,550	1,095	1,250	69,847
31.12.33	4,792	2,400	4,594	9,610	12,962	21,732	5,766	1,725	1,095	1,563	66,238
31.12.34	4,792	3,410	6,891	9,610	12,962	21,732	11,016	2,275	1,643	1,885	76,215
31.12.35	5,269	3,410	9,223	15,442	17,351	21,732	11,744	2,550	1,643	3,141	91,505
31.12.36	5,289	3,410	9,223	15,479	19,891	21,732	13,555	2,825	1,643	3,201	96,247
31.12.37	5,289	3,410	9,907	19,408	29,180	24,146	16,266	4,900	1,643	3,840	117,988
31.12.38	5,289	3,410	12,108	23,780	29,508	24,242	22,436	6,141	3,777	4,237	134,927
Total Received	**40,302**	**26,497**	**74,646**	**117,617**	**156,491**	**186,605**	**122,919**	**27,359**	**13,635**	**19,741**	**785,813**

Source: The National Archives, London, RAIL 650 series

Table Q – SR – Total return on bus company shares 1929-38

All Figures – %

Year ended	Aldershot & District	Devon General	East Kent	Hants & Dorset	Maidstone & District	South-down	Southern National	Southern Vectis	Thames Valley	Wilts & Dorset	Total
31.12.29	0.00	0.00	0.00	0.00	0.00	0.00	3.51	0.00			0.68
31.12.30	0.00	5.37	3.54	3.28	3.43	2.75	4.88	3.04			3.40
31.12.31	5.60	6.93	2.74	5.78	5.10	7.64	5.31	7.29	3.30	5.00	5.40
31.12.32	5.60	8.59	2.74	5.93	5.10	7.64	2.13	6.00	3.30	10.00	4.87
31.12.33	5.60	6.44	1.82	5.93	5.10	7.64	2.13	4.06	3.30	10.42	4.61
31.12.34	5.60	8.07	2.74	5.93	5.10	7.64	4.06	5.35	4.95	10.73	5.28
31.12.35	5.83	8.07	3.65	9.38	6.48	7.64	4.33	6.00	4.95	17.88	6.24
31.12.36	5.86	8.07	3.65	9.41	6.71	7.64	5.00	5.38	4.95	16.62	6.39
31.12.37	5.86	8.07	3.41	9.87	9.34	8.38	6.00	7.84	4.95	19.94	7.35
31.12.38	5.86	8.07	4.17	12.08	9.25	8.41	8.28	9.83	9.33	22.00	8.33
Total Return on Total Outlay	**44.63**	**62.74**	**25.70**	**59.73**	**49.04**	**64.76**	**45.34**	**43.78**	**33.67**	**102.49**	**48.49**
Total Return on Book Value	**58.71**	**62.74**	**27.82**	**59.73**	**49.04**	**64.76**	**45.34**	**43.78**	**33.67**	**102.49**	**49.83**

Source: The National Archives, London, RAIL 650 series the SR's outlay. Finally the table shows the write off of part of the cost of the Aldershot & District and East Kent shares previously noted. The 'Total Outlay' does not include these write offs but the 'Book Value' does. This enables the return on investment to be calculated on both bases.

Having established the amounts invested in the ten bus companies, the next step is to set out the dividends received on those shares. To do this information was again extracted from the memoranda produced by the SR's Accountant for the years from 1929 to 1938.[45] This is presented in Table P. As the shares in the eight companies were not acquired until late in 1929, understandably no dividend payments were received in that year and those for 1930 were not for a full year. So full consideration of the annual dividends should not begin until 1931, remembering the slight distortion that year contained, caused by only a part-year dividend for Wilts & Dorset.

From the outlay and the dividends, the return obtained by the SR can be calculated by dividing the dividends by the outlay and showing the result as a percentage. The result is shown in Table Q both for the individual bus companies and in total. Starting at just under three and a half per cent in 1930, slightly depressed for reasons noted above, the total rises to just under five and a half per cent in 1931 and then holds level at about five per cent until 1934. It then begins to increase and reaches nearly eight and a half per cent in 1938. Of course this total figure hides variations among each of the bus companies, although they all broadly have an increasing return from 1934 to 1938. Judged on the total return they provided on the total outlay, Devon General, Hants & Dorset, Southdown and Wilts & Dorset were the best performers with poorer results from the remaining companies. East Kent is appreciably lower than all the other companies. It provides justification in hindsight for the write off of part of the purchase price of the shares by the SR Finance Committee. East Kent did not have so generous a dividend policy, perhaps because its earning capacity was lower than the other bus companies.

This analysis bears out the positive remarks of Baring, the SR Chairman, at the company's Annual General Meetings. In February 1930, when the holdings had still not been fully acquired, he felt that apart from the benefits from the working agreement, 'we shall get a good return on the money invested'.[46] By the following year, when slightly more shares had been purchased in the companies, the dividends received or to come would 'give us a return on the total amount invested of over five and a half per cent per annum'. Although this comment slightly overstates the performance until 1934, it is then exceeded in the four years to 1938.

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45 TNA , RAIL 650/4 to RAIL 650/49.

46 *Southern Railway Magazine*, March 1930, 86.

The other railway companies experience seems to have been a little better. Speaking at the LMSR Annual General Meeting in February 1931, Sir Josiah Stamp said the company was making a return of about six and a half per cent on the price paid for its shares in bus companies.[47] Viscount Churchill, the Chairman, reported the same return to the GWR Annual General Meeting.[48] Since William Whitelaw gave an identical figure at the LNER Meeting, it suggests all three had taken a common line.[49] Barings' SR figure was thus marginally worse than the other railway companies. This was perhaps because the bus companies in its territory served no major industrial areas, where there was a fairly constant level of demand throughout the year. By contrast they served holiday areas with high demand concentrated in a few summer months and much lower demand for the rest of the year. Weather conditions and the availability of disposable income added further complexity to this seasonal demand.

At the end of the period, although each company's return had grown, the pattern remained similar. In 1938 the LMSR received a return of about eleven and a quarter per cent on the £3.1m it had invested in bus companies. The GWR obtained eleven and a half per cent on its investment of £2.3m and the LNER fourteen and a quarter per cent on £2.4m.[50] The nearly eight and a half per cent of the SR on its investment of £1.6m was therefore the lowest of any of the four grouping companies. Yet from 1930 the SR's return from the bus company shares exceeded the Treasury Bill rate, which overall declined from just under two and a half per cent in that year to less than one per cent in 1938.[51] Its bus investment this produced a greater return than could be obtained in the money market. And, as will be seen later, after 1932 this was also true even of the lower return the SR achieved in its rail business.

Before drawing conclusions from this analysis, it would be of value to re-examine the issue of whether the SR paid too high a price for the bus company shares in the light of the returns it obtained. Obviously a higher price would lower the return obtained on it. Overall the SR achieved a positive return on its investment so the price it paid was not so greatly excessive as to preclude a worthwhile return. A small overpayment might be another reason why its return was lower than the other three railway companies but its effect would be hard to assess. In such circumstances it may be better to look at the individual bus companies.

Earlier analysis suggested some overpayment for Southern National shares. Although

47 *Tramway and Railway World*, 12 March 1931, 159.

48 *Ibid.*, 159.

49 *Ibid.*, 160.

50 *Railway Gazette*, 10 March 1939, 409.

51 N.H. Dimsdale, 'British monetary policy and the exchange rate, 1920-1938', *Oxford Economic Papers*, (New Series Vol. 33, Supplement: The money supply and the exchange rate (July 1981)): 327, 338

its return was not among the best performers, it did not greatly differ from Aldershot & District, Maidstone & District or Southern Vectis. All four were broadly similar to the performance of the ten companies taken as a whole. So the returns obtained do not support the view that too high a price was paid for Southern National. However, the significantly poorer performance of East Kent and Thames Valley do suggest that in purely financial terms too high a price was paid for them. TBAT calculations for the purchase negotiations assumed a return of nine per cent on assets for East Kent.[52] Thames Valley was even lower at seven per cent.[53] The dividends received by the SR implied these returns were not achieved. Perhaps significantly Sidney Garke admitted during the negotiations for the purchase of Thames Valley shares that, as 1930 showed a 'considerable diminution of profit', the Board 'will not press you [Milne of the GWR] to increase your offer'.[54] Garke may have decided to accept what he felt was a generous offer. To judge from the return on investment, the lower levels of profit may well have continued. So the earlier overall conclusion it paid a reasonable price for shares in nine of the companies and slightly overpaid for one should be modified. On the basis of the return on its investment, the SR overpaid for East Kent and Thames Valley but not for Southern National.

But more importantly this analysis has demonstrated that the SR, and probably the three other companies, achieved a return of much more than three per cent on their investment in the bus industry. Whilst it is difficult to be precise in the absence of detailed information on historians' previous analysis, the difference in conclusions may be the result of a misunderstanding. If the evidence for the claim that road transport operations offered '…a return of less than 3%...' was taken from each railway company's Road Transport Account, prepared under the Railway Companies (Accounts and Returns) Act 1911, it could account for the difference.[55] This account '…included the receipts and expenditure of services operated under the powers of the Railway Companies' (Road Transport) Acts, 1928.'[56] The detailed explanation which follows makes it clear that the account refers to the direct operation of road services (i.e. those actually undertaken by the railway company). Thus receipts '…include "local" receipts i.e. receipts in which the road transport section alone is concerned…'[57]. But chapter three established that the railway companies took a conscious decision not to operate bus services directly but rather through agreements with existing operators. Their returns came in the form of dividends, which could not, consistently with

52 NTM, BET Archive, Bus Company Files.
53 TNA, RAIL 258/220.
54 NTM, BET Archive, Bus Company Files.
55 Aldcroft, *British Railways in Transition*, , 87.
56 Newton, *Railway Accounts*, 131.
57 *Ibid.*, 131.

the requirements of the Act, be included in the Road Transport Account. All that it would contain therefore were the receipts of such few directly operated services as there were. Unsurprisingly the receipts would be low. As outlined above, dividends from shareholdings in bus companies were included in Miscellaneous Receipts, a part of Revenue Receipts and Expenditure of the Whole Undertaking.[58] Although the two differing accounting treatments would put such dividends in different sub-divisions, they would both be included within the division of Miscellaneous Receipts.

Implications for the rail business

This final section looks at the effect on the SR railway business of its investment in bus companies. To begin the task of comparing the return from the bus industry with that of the railway business, the first step is to compute the amount of capital invested in the railway business. To do this information was extracted from the *Railway Returns* from 1929 to 1938 and this is presented as the first column of Table R. This 'capital expended upon the railway' may not be all the capital employed in the rail business, as some was held in suspense accounts and was capitalised over a number of years. In addition some expenditure was charged against renewals accounts. However, the figure from the *Railway Returns* has been taken, as it is readily available. To the extent that suspense and renewals accounts were used, they would understate the capital employed in the rail business. The estimate provided here is therefore at the lower limit.

Table R – SR – Rail business performance 1929-38

Year ended	Capital Expended on Railway £	Net Receipts from Railway Working £	Rate of Railway Return %	Total Return on Bus Company Shares %
31.12.29	138,572,664	4,818,003	3.48	0.68
31.12.30	139,101,289	4,467,576	3.21	3.40
31.12.31	139,416,478	4,031,045	2.89	5.40
31.12.32	139,961,072	3,660,094	2.62	4.87
31.12.33	140,148,570	4,027,872	2.87	4.61
31.12.34	140,814,941	4,298,415	3.05	5.28
31.12.35	141,747,967	4,554,499	3.21	6.24
31.12.36	143,544,885	4,782,202	3.33	6.39
31.12.37	145,860,683	4,869,848	3.34	7.35
31.12.38	147,729,822	4,275,678	2.89	8.33

Source: Railway Returns *1929-38*

58 *Ibid.*, 61-67.

Having established the capital invested in the rail business, the next step is to set out the return received on it. To do this information on the 'net receipts from railway working' was extracted from the *Railway Returns* for the years from 1929 to 1938.[59] This is presented in the second column of Table R. Since this includes Miscellaneous Receipts (which itself includes the dividends and interest from the bus companies), there is an element of double-counting. However, for the sake of simplicity, a readily available figure has been taken. The double counting means that the return is slightly overstated. This information enables the rate of return to be calculated for the railway business and this is presented in the third column of Table R. It is computed by dividing the net receipts by the capital expended and showing the result as a percentage. Finally the return on bus company shares, previously evaluated, is shown in the final column of Table R.

Comparing the return from rail and bus, rail returns are lower in all years other than 1929. As previously explained, 1929 and 1930 were untypical years for the bus returns, as they included nearly all the initial outlay on purchasing the shares but few of the dividends. 1931 is therefore a more appropriate year to start measuring bus performance. In order to simplify the analysis the write off of part of the cost of Aldershot & District and East Kent shares has been ignored. This is justified as valid comparison requires the actual capital invested in each business. The difference between the bus and railway returns until 1934 is about two percentage points. Subsequent years see that increase to around three points, rising to a maximum of five points in 1938. When the understatement of capital employed, and the overstatement of returns, is taken into consideration, the rail return could be marginally less which would increase the gap with the bus return.

From this analysis, it can be concluded that for the SR its investment in the bus companies produced a higher return than did its railway operation. Judged as an investment it must be accounted a success and on financial criteria alone more should have been invested in the bus industry. However, given the SR's funds were limited, it could be argued that financially worthwhile rail investment was not undertaken because money was diverted into the purchase of bus shares. Before looking at a comparison at the levels of investment in the various sections of the SR, two general points need to be made.

As a profit seeking organisation, the SR should have sought to seek those opportunities which gave the greatest return on the money invested in them. The previous analysis in this section demonstrated that a higher return was generally to be obtained in the bus industry rather than the existing rail business. On the face of it

59 *Railway Returns.*

therefore investment in the railway business did not seem to be financially attractive. Indeed it is difficult to see what the opportunities were that had to be foregone. As we have seen, the Royal Commission on Transport felt rather lukewarmly in its final report that 'possibly such capital would be better applied to the electrification of their suburban lines'.[60] Whatever the merits of that suggestion (one that was strongly contested by the RCA) it is sufficient to note that the SR had completed that process, at least with regard to inner-suburban routes, with the opening of the line from South Merton to Sutton on 5 January 1930 and extension of electrification from Wimbledon to West Croydon, Hounslow/Feltham Junction to Windsor and Dartford to Gravesend in July 1930.[61] Purchase of most of the bus shares in 1929 did not therefore preclude suburban electrification. Neither, as the subsequent analysis makes clear, did it prevent SR longer-distance electrification. As the most obvious alternative investment was undertaken, the charge against bus investment becomes more nebulous.

However, to compare the total sums of capital invested in bus with that in rail, information is presented in Table S. The first two columns were obtained from the 'Details of Capital Expenditure' in the SR Report and Accounts. Although the information is analysed there over a number of headings, only the two relevant ones have been used here. The first column is the overall total of capital expenditure. The second column of railway capital expenditure comprises 'Lines belonging to the Company open for Traffic', 'Lines belonging to the Company not open for Traffic' and 'Rolling Stock'. The major part of the first of these is electrification as well as additional station and siding accommodation. Throughout the period, most of the capital expenditure is on the railway. However, there was substantial spending on the company's Southampton Docks from 1931 to 1933 and in 1934 around £545,000 was incurred in the SR share of the purchase of Carter Paterson and Hays Wharf, the road hauliers. Both are included in the first column of Table S but not in the second.

As the purchase of bus shares was not charged to capital, the expenditure shown in the third column of Table S is not part of the total in the first column. However, since the objective is to establish if rail investment was squeezed out, in Table S the amount spent on bus shares is related to railway capital expenditure and expressed as a percentage. It can be seen that from 1932 onwards bus investment was relatively insignificant at around one to two per cent, although it reached just over four per cent in 1937 when there were new issues of shares from four of the bus companies. Consequently the first three years, especially 1929, were when rail investment may have suffered because of the initial purchase of bus shares. It may well therefore

60 Royal Commission on Transport, *The Co-ordination and Development of Transport*, 41.

61 Dendy Marshall (revised by Kidner) *History of the Southern Railway,* 515.

be that the SR had to defer railway investment in 1929 in order to finance the acquisition. Significantly this was at the completion of suburban electrification, when there was briefly a lesser need to invest in the rail business. But really only in that year did it probably suffer when the SR had to take the strategic view to give bus investment preference.

Table S – SR – Rail and bus investment levels 1929-38

Year ended	Total Capital Expenditure £	Railway Capital Expenditure £	Outlay on Bus Company Shares £	Bus Outlay as Proportion of Railway Capital Expenditure %
31.12.29	1,780,443	595,983	1,289,184	216.31
31.12.30	1,301,193	527,896	93,722	17.75
31.12.31	1,381,879	315,547	45,688	14.48
31.12.32	2,367,558	544,594	6,000	1.10
31.12.33	1,197,357	187,498	2,500	1.33
31.12.34	1,727,765	667,139	7,536	1.13
31.12.35	1,361,042	933,925	22,130	2.37
31.12.36	1,719,019	1,796,919	40,106	2.23
31.12.37	2,351,245	2,301,534	99,390	4.32
31.12.38	2,093,706	2,019,333	14,250	0.71

Source: London School of Economics Library, London, HE3020.S, Report of the directors, Southern Railway Company. The National Archives, London, RAIL 650 series

Returns and regulation

In chapter three it was noted that road transport services provided under the Act were to be considered as ancillary businesses. In the Minister of Transport's words, this was the 'cornerstone of all the safeguards'.[62] The Railways Act 1921 required the Railway Rates Tribunal, when determining the amount to be raised by railway rates and charges, to take into consideration the financial results of the separate or ancillary businesses.[63] Apart from road transport, there were seven others.[64] If the ancillary business results were thought too low, the Tribunal could reduce the proposed railway rates.[65] In this way cut throat road competition by the railway companies, resulting in meagre or no financial returns could be penalised by the Tribunal's action on railway rates.

In practice the value of this safeguard was slight. In the event only one general increase in railway rates and charges between 1923 and 1939 was requested by the

62 *Parliamentary Debates* (H.C.), Fifth Series, Vol. 214 (29 February 1928), col. 550.

63 Newton, *Railway Accounts*, 129.

64 *Ibid.*, 131-50.

65 *Ibid.*, 129.

four railway companies. Although it was always open to the Railway Rates Tribunal to reduce rates, market conditions meant it did not do so. Thus there was only one opportunity to use this weapon against the railway companies. And the railway companies elected to co-operate rather than compete with the bus companies. So the circumstances which would have produced the low return on road transport, triggering the ability for the Tribunal to consider it, did not exist. But even more than this, the decision to operate bus services indirectly enabled the railway companies to sidestep the safeguard altogether.

As noted in the previous section about the return on investment, the Road Transport Account, '…included the receipts and expenditure of services operated under the powers of the Railway Companies' (Road Transport) Acts, 1928.'[66] This account referred to the direct operation of road services. Thus the acquisition of shareholdings in bus companies meant that the Account did not entirely reflect the actual position. Instead the shareholdings were included, as already noticed, as Revenue Account items by the SR and Capital Account items by the other three railway companies. Most importantly they were not shown as a part of the railway or ancillary businesses.[67] 'Interest and Dividends from Investments in other Companies', such as dividends from shareholdings in bus companies, were included in Miscellaneous Receipts, a part of Revenue Receipts and Expenditure of the Whole Undertaking. Again this treatment meant they were not shown as a part of the railway or ancillary businesses.[68]

This accounting treatment therefore not only sidestepped 'the cornerstone of all the safeguards'. Much more importantly it put the income from the bus company shareholdings outside the railway or the ancillary businesses. This meant it would not be taken into account by the Railway Rates Tribunal when considering any changes in railway rates. However, as miscellaneous receipts were deducted from the Standard Revenue in calculating the amount to be raised by railway rates and charges, they did not escape completely from the regulation of railway companies' profits.[69] But the dividends from bus companies, part of miscellaneous receipts, would in this case simply be taken at face value and escape detailed scrutiny.

Conclusions

Having considered these four aspects of the investment in turn, the results can now

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66 *Ibid.*, 131.

67 Railway Research Service, *The Main Line Railways of Great Britain 1923-1933.* (London: Railway Research Service, 1934): 8.

68 Newton, *Railway Accounts*, 61-7.

69 *Ibid* ., 211.

be used to assess whether it was financially advantageous to the company. The first aspect investigated the basis of negotiations and whether the price paid for the shares was excessive. For most of the businesses the value of the assets to be purchased, supplemented in some cases by the purchase of a number of years' profits, were the basis on which the negotiations began. These were then modified by the subsequent negotiations between the SR representatives, mainly Szlumper and Davidson, and the bus companies. The GWR negotiated on behalf of both companies where the GWR and SR were seeking joint ownership of a bus company. Subject to being consulted, the SR accepted these arrangements and did not seek to be directly involved in the negotiations. The process was therefore a logical one. As TBAT were the owners of five of the bus companies acquired in the first phase, and were also negotiating with the other three railway companies, there was also a measure of standardisation. The negotiations started with relevant information, and were concerned with specific points as they progressed, rather than simply being bargaining from the outset.

The need for a premium in order to induce the existing owners to sell means the question becomes whether the SR paid an excessive price. Of the two companies where the SR offer was on the basis of a valuation of the whole business, one, to judge from its size relative to other companies may have been too high. The remaining eight companies were acquired on the basis of an offer for each share. Three of the eight companies had no share quotation so again have to be judged on their relative size. In all three the resulting value seems a reasonable one. The other five companies each had a share quotation. The price paid was about a thirty to forty per cent premium for four of them and at the market price for the other. Overall therefore the price paid by the SR was a reasonable one.

The thirty three per cent level of shareholding the SR sought was lower than the fifty per cent the other railway companies desired. However, this still enabled it to have an equal participation with TBAT. Jointly the SR and TBAT controlled the bus company. This level of shareholding therefore reduced the amount the SR had to invest, enabling more projects to be financed. The differing accounting treatment of charging the shares to revenue seems difficult to understand in the absence of detailed evidence. Nevertheless it did not adversely impact on the financial consequences of the investment. Whilst the accounting treatment may be of minor importance, the lower level of shareholding was a real benefit to the company. Joint control was attained with lower cost.

The key question of the return obtained on the overall £1.6m investment shows it to be between five and eight per cent. This is slightly less than achieved by the other three railway companies but exceeds the less than three per cent previously accepted by historians. When individual company's returns are examined, doubt is cast on the earlier conclusion that the SR overpaid in one case. However, the poor performance of two of the remaining bus companies detracted from the overall performance. On purely financial grounds the SR's investment in them looks doubtful. But this is minor compared to the generally good overall performance.

Finally a comparison of the results of this exercise with returns obtained from the railway business shows the investment in the bus companies produced a higher return. Rather than being unadvantageous, judged as an investment it must be accounted a success. On financial criteria alone more should have been invested in the bus industry. It seems unlikely, except perhaps in 1929, that investment in the bus companies precluded worthwhile rail investment. Electrification of suburban lines, the one suggested instance where this might occur, was not true of the SR. There the process was complete by early 1930 around the time the bus company shares were purchased. Fortuitously these purchases could be made in the gap before main line electrification began. Probably the SR saw these purchases as of such importance to justify diversion of funds from the rail business. However, on the evidence examined, it seems difficult to justify the charge that the funds could have been better spent in the rail business.

Overall, and judged from a financial aspect, the SR's involvement with the bus industry must therefore be accounted worthwhile. As this concludes the detailed investigation of the seven questions posed in chapter one, a broader outlook is now necessary to use the results of the intervening chapters to assess the overall effectiveness of the SR's bus policies and what that reveals about the quality of the company's management.

8. Conclusions

'Yet Walker also knew that railways were no longer omnipotent;'
OXFORD DICTIONARY OF NATIONAL BIOGRAPHY[1]

This is the first detailed study of how one of the four grouping companies reacted to bus competition. Prior surveys have only touched on the subject incidentally to their main purpose, the business and managerial performance of the railway industry as a whole. The study's importance is therefore twofold. Within the wider canvas of the railway companies' reaction to inter-war road competition, and thus the quality of their management, the thesis confirms, clarifies, modifies and even in part refutes existing knowledge. It also adds to recent work on how the railway companies attempted to preserve their share of the transport market after the first world war, largely through the adoption and innovative use of marketing. This thesis explores how this battle to retain traffic was extended from trains to public road transport.

This conclusion first reviews the findings developed in the preceding chapters in the light of present understanding of the SR's involvement in the bus industry. This has a three part structure – changes in the market, the formulation of company policy, and how it was executed. The review forms the basis of an appraisal of the quality of SR management seen through the prism of the effectiveness of its response to bus competition. Finally, potential areas for more research are suggested.

Changes in public passenger transport markets 1923-39

The received view is that the SR suffered a very considerable loss of passengers to buses and that the managers reacted in an inadequate fashion. This thesis suggests that both points need modifying. Chapter two suggests that the transfer was probably not as great as it was portrayed by contemporary commentators and suggests the SR acted in a way favourably recognised in modern competition theory.

Comprising three quarters of its receipts, passenger traffic was the SR's principal business and hence crucial to its finances. Overall its rail passenger receipts remained broadly constant between 1923 and 1939. The major change was the decline in the proportion of passengers carried at full fares. With alternatives, such as the bus and the car, now increasingly available passengers were not prepared

1 Colin Watson, 'Walker, Sir Herbert Ashcombe (1868–1949)', rev. *Oxford Dictionary of National Biography*, Oxford University Press, 2004 [http://www.oxforddnb.com.ezproxy.york.ac.uk/view/article/38097, accessed 6 Dec 2013].

unquestioningly to use rail. New reduced fares had therefore to be introduced to attract passengers and meet competition. Only in peak-hour commuting, where rail was less vulnerable to road competition and passengers were predominantly already served by discounted season and workmen's tickets, could further fare reductions be avoided. In this market the SR was aided by its policy of electrification of London suburban services, which gave faster journeys and more frequent services, leading to the growth of traffic particularly over the longer distances from the growing outer suburbs. Overall this evidence confirms the widely-held view among historians that the railways were obliged to cut fares to hold traffic.[2] However some qualification is needed. Aldcroft has claimed that 'nearly all' fares were discounted, while it is clear that from around 1934 about eighty per cent of SR passengers (excluding season ticket holders) travelled at reduced fares. [3] Nevertheless it is evident that the railways were losing market share. Since there is little information about ticket sales by area or type of traveller, trends in particular rail markets are virtually impossible to specify. But on the SR the fast and frequent electrified services were less vulnerable to road competition. By contrast the rural rail services over short distances were more susceptible to decline.

In sharp contrast to the SR's overall static demand, the associated bus companies saw a fivefold increase in demand over the same period. Outside London and other urban areas, buses provided rural, and coaches long-distance services. Initially growing rapidly after the first world war, the rural network was largely complete by the mid 1920s. It was here that competition between bus and rail principally took place, and it seems plausible that some SR passengers transferred to buses. But as no systematic data is readily available, assessing the extent to which this took place is very difficult. The static overall demand for SR services might appear to suggest that passengers did not transfer in great numbers to bus services but rather it failed to attract new business. However, this conclusion about the whole of the company's business probably masks differences across the various markets it served. There might have been a loss of short-distance traffic, for which there is some anecdotal evidence, but a rise in long-distance travel. The great growth in the use of bus services implies the development of a new market from those who had not hitherto travelled. In short, the SR's experience tends to confirm the growing importance of the motor bus for personal mobility between the wars, underpinned by the great expansion of the industry between 1920 and 1931.[4]

A central plank of the railway companies' case in 1928 for parliamentary powers

2 Barker and Gerhold, *The Rise and Rise of Road Transport*, .91.

3 Aldcroft, *British Railways in Transition*, 61.

4 Barker and Gerhold, *The Rise and Rise of Road Transport*, .89: Hibbs, *The History of British Bus Services*, 71.

to operate road services was the widespread transfer of passengers from rail to bus services. Thus this suggests that the railway company's estimates ought to be treated with caution, since it was in their interests to exaggerate the losses. But however the figures are viewed, the evidence for loss of local rail traffic was substantial. The real doubt lies with the cause. The railway witnesses contended that about four fifths of the loss was attributable to the bus. The parliamentary committee concluded that was more correctly a half. The bus industry witnesses contended it was lower still, as they had developed a new market from those who had not previously travelled. In short the railway case was probably overstated. Certainly the examples cited by the SR stood up poorly to cross-examination. Only a case by case examination would show the level of transfer and this is unlikely to be possible given the surviving data. But the general point is important: earlier scholars have not noted this probable exaggeration of the bus threat.

What of the SR's reaction to the loss of business viewed in the light of modern-day competition theory? No previous work has studied railway involvement with buses from this perspective. Part of competition theory concerns the threat posed by a substitute product or service; bus as a replacement for rail is one such example. One leading theorist, Michael Porter, argues that substitute services requiring the most strategic attention from managers in the industries under threat fall into two categories: those whose price-performance trade-off are improving: and those produced by industries earning high profits.[5] Both conditions were true of bus services from the mid 1920s. The SR's involvement in the bus industry bears out Porter's contention that a company faced with a declining market generally does better to participate in the new, growing markets rather than trying to win back lost customers. This rationale underpinned the SR's policy of not restricting the freedom of action of the existing bus company managers; they knew how to reach markets that railway managers did not. The SR thus provides historical evidence for the theoretical claim that companies that are objective about managing decline are often participants in the substitute industry. Porter says such firms survive partly because they have a clearer perception than their rivals of the prospects of the substitute product and the reality of decline.[6]

SR bus policy – company, industry and government

With this understanding of changes in the market, attention now turns to assessing the SR's policies and practices and this demonstrates the shortcomings of the existing historiography.

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5 Porter, *On Competition*, 32.

6 *Ibid* ., 116.

Bus policy was developed jointly from the mid 1920s by the four major railway companies. As each was an independent organisation, this involved a good deal of negotiation and inevitably involved the state as well, given the recent history of the industry's rationalisation. But the government essentially reacted to the railway companies' proposals. This section looks first at how the joint policy was constructed, then examines government reaction and finally offers new insights, based on four detailed aspects.

We have already seen that the SR responded to the threat from a substitute product in the way competition theory suggests. In developing a common policy the four companies were clearly aware of the threat from road transport from almost the end of the first world war: Hibbs is wrong to suggest that the likely impact of the bus found them ill prepared.[7] But tactically, after the failure of the bill for road powers in 1922, an immediate further attempt was unwise. The alternative consequently adopted, of lobbying government to increase taxation on heavy vehicles, had some success. But crucially in the period up to 1928, road passenger transport grew unchecked. Applying for road powers by the railway companies was made easier once the threat was plain. Yet by 1928, when powers were finally obtained after a considerable parliamentary struggle, the development of local bus services was almost complete. Scholars' criticism of inaction is thus largely misplaced. The four railway companies well knew the danger. Their problem was finding a successful way politically to take action against it.

This study brings out a clear shift in government policy between 1922 and 1928. In obtaining their road powers, the four railway companies were aided by the MOT. This was in contrast to 1922, when the conditions the Ministry attached to a similar bill were so unattractive that the railway companies withdrew it. In 1922 the effect of road transport on the railway companies was incipient. Six years later it was very apparent and needed remedial action. Because of its responsibilities for road transport, the Ministry's policy could not be too obviously partial to the railway companies. Arguably the Ministry's main help was procedural: it agreed that the bill could proceed without waiting for the imminent RCT to report. Otherwise parliamentary powers could not have been obtained for at least another two years. The change in approach by the Ministry was probably in part due to shifts in public opinion about the fairness of the railway companies' treatment. By 1928 the effect of road competition was much more obvious and denying such powers to the railway companies was thus hard to justify.

Although the Ministry was supportive of the bill in principle, it suggested safeguards to be incorporated into the Act. These safeguards have not previously been examined

7 Hibbs, *The History of British Bus Services*, 99.

in detail and it is clear that they made direct ownership or operation of bus services highly unattractive to the railway companies. Three of them affected direct operation of buses. Any regular service had to be notified to the Minister and any withdrawal agreed by him. This was more onerous than any railway service. The financial results could be included in any review of railway rates undertaken by the Railway Rates Tribunal under the provisions of the 1921 Act. The Minister could hold a public enquiry if the public interest was apparently prejudiced. Together these made direct operation so unattractive that the railway companies felt compelled to find an alternative. Since any bus service provided by a body controlled by the railway company was subject to the same service notification and withdrawal arrangements, only one not so controlled could avoid them. Hence the companies took shareholdings in existing bus operators. As the railway companies continually pointed out, their holdings were substantial but not controlling. Furthermore the dividends on such holdings were not included in any review of railway rates. Until now the scholarly debate has concentrated on whether railway companies were suitable organisations to operate buses. The fact that the statutory environment more or less precluded such a course has not previously been fully recognised.

This topic is worth a little more analysis given its prominence in the historiography. Some historians have been puzzled that direct operation did not continue after 1928, usually with the rider that it would have been a more successful course of action. Other scholars have been unable to explain how the bus companies were able to neutralise this threat. The answer lies in the onerous obligations, just outlined, inserted into the railway companies' acts for road operating powers. As we have seen, these could be avoided if the railway companies invested in bus operating companies they did not control. The existence of the holding companies in the bus industry facilitated that outcome. Indeed, since it avoided competition from direct railway operation of bus services, bus companies would have been keen to make such an arrangement possible. It was therefore in both railway and bus interest to come to an arrangement. That motivated both parties during the lengthy negotiations to produce the necessary agreements.

As earlier, less detailed, studies have suggested, none of the four railway companies followed an absolutely identical approach. Rather there were four slightly different positions within an agreed policy. The LMSR style was at one extreme; its bus staff thought as railwaymen.[8] By contrast, the SR approach was characterised by a frank recognition that different skills and abilities were needed in the bus industry: its staff involved with the industry thought as busmen. This attitude facilitated the exchange of information between the SR and each bus company. Arguably it gave

8 Bonavia, *Railway Policy between the Wars*, 101.

the SR greater influence on decisions, since its views were informed by a sense of the reality of bus operations. However, the final judgement was left to bus managers. Moreover, this influence was bought at a comparatively low cost since the SR had a slightly lower level of shareholding in individual bus companies than its three contemporaries. Finally the SR alone compared its approach to passenger road transport with railways in the United States, finding no major innovative practices that it could adopt. By studying one company how the attitude it took influenced its effectiveness in implementing the agreed policy, unconsidered by earlier studies, becomes apparent.

To oversee the operation of the agreements, the SR established a joint committee with each of its associated bus companies. The committees' regular meetings were an effective way of agreeing actions in private. So unsurprisingly they were preferred by the SR to the alternative of objecting to applications for bus services to the Traffic Commissioners, which administered the route licensing system introduced in 1931. The power of veto of new services under the agreements was most effectively exercised behind closed doors. On the few occasions the SR and a bus company failed to agree, the option of objecting to the Commissioners was used as a second line of defence. This explains what Mulley characterised as the unexpectedly low level of opposition by the railway companies.[9] It was not that they never objected to proposals but rather the joint committees were a more effective way of doing so.

Similarly the SR's influence on, if not control of, bus competition was strengthened during the 1930s as its associated companies purchased independent operators. Typically the seller in any such arrangement agreed not to run new services in a defined area for a period of five, ten or fifteen years. That process of consolidation was aided by the licensing system, since existing licences were transferred with the business. Any application for a competing service would have to prove to the Commissioners that it was needed. Few new operators would try and fewer would succeed. The increasing power the SR exercised on the network, as its associated bus companies gradually consolidated their hold in their territory, has not been previously appreciated by historians.

Execution – results, benefits and externalities

This section first looks at what protection from bus competition was achieved by the SR and assesses the public benefits it claimed to provide through its arrangements

9 Mulley *Public control of the British bus industry,* 143.

with bus companies, including the replacement of rail services by buses. Second it examines the SR's purchase of shares in the bus companies, assessing the level of effectiveness of the funds given to the bus companies and whether there were better alternatives of investing the capital from the railway's perspective. Finally any change to the status of the bus companies is briefly noted to illustrate what benefits they derived from the arrangements.

Hibbs argues that the four railway companies' arrangements offered some protection from bus competition.[10] The SR case forces a more nuanced conclusion. The railway companies had to agree to those routes that were already in existence at the date of the agreements with the bus companies. However, as outlined above, the railway companies were able to prevent any new bus route likely to compete for traffic. As shown in chapter five, there are a few examples where the SR did just that. In addition, a more informal process was at work through the joint committees of road and rail representatives. The routine discussion of changes to bus timetables probably allowed the SR's representatives to influence the proposals without the need to invoke a formal objection. Indeed this process may well not have been minuted. Although there is no way of knowing how often it took place, it gave another opportunity to achieve an outcome favourable to the SR. In short, both the formal and informal negotiations between the rail and bus managers strongly suggest that the former's interests were better protected than Hibbs suggests.

This can be further explored in relation to route development. Since the major part of the bus network had been established by 1929, the practical effect of the arrangements was simply to accept the status quo. To the SR this could be seen as stabilising the competitive situation. With hindsight this was probably not a major achievement, since the growth of competing bus services was almost complete. Nevertheless it should be weighed in the balance when considering historians' claims that the purchase of shares in the bus companies was unwise. The existence of these agreements about route networks, and crucially the influence they gave the SR on route development, has been widely disregarded. They go some way to justify the SR's claim that its association with bus companies was in the railway's interest.

The argument is perhaps not quite as strong when considering the claimed benefits for consumers (that is passengers). Interavailability of tickets offering the choice between bus and rail for certain journeys was a new practice attributable to the link with bus companies. However, the facility was not widely used, probably because of its complexity and a public lack of understanding of how it worked. Another

10 Hibbs, *The History of British Bus Services*, 104.

facility widely thought desirable, the improved timetabling of connections between bus and rail, involved so many factors that achieving major success was probably impossible. Nevertheless what was achieved did benefit the public. Although the numbers of passengers making multi-modal trips by bus and rail are not available, easier interchange seems more likely to have benefited more people than the negligible use of interavailability. But the value of all three benefits to the public was probably overstated by the SR. Overall it is difficult to argue with Hibbs' conclusion, 'In practice all this did not amount to very much'.[11]

Apart from Butterfield, the rationale for bus substitution and the extent to which it took place have not greatly figured in accounts of the railway companies' involvement with the bus industry.[12] It is perhaps surprising that the SR did not replace more of its marginal rail services by buses provided by one of its associated companies. The process began after 1931 but was confined to only eleven services; these had suffered a considerable loss of custom, were financial liabilities or in the most egregious cases were lines built for reasons of Nineteenth-Century railway politics that had long ceased to apply. The SR was certainly aware of other circumstances in which train services might be withdrawn: it was mindful of the potential of intermodal journeys in which the trunk section was by train, with the first and last stages by road. But no rationalisation was carried out of local stopping services on the mainline or the large scale withdrawal of branch services. Indeed it seems not even to have been considered in any detail. That may have been from ignorance of the costs of such services or from the absence of a pressing need to make economies. Perhaps by withdrawing only the most extreme cases the SR felt itself beyond legitimate criticism from the public and so could avoid controversy. Perhaps it felt its financial position was not quite as strained as its fellows. Certainly the LMSR and LNER withdrew the greatest number of rail services in favour of buses; their need to realise economies by such substitution probably impelled them to take the lead in developing policy. Strangely this need for savings did not produce a strictly profit maximising approach. Butterfield's impression, garnered from his study of passenger service withdrawals in the North Eastern area of the LNER, that managers preferred to avoid confronting the situation, finds an echo in the SR's apparent reluctance to substitute buses for marginal rail services.[13] In both companies, managers seemingly accepted an ethos of public service or a preference for the quiet life.

What effect did all this have on the SR's finances? For the most part the historiography simply records that the railway companies acquired shares in the bus industry. However the process was in fact more intricate. The SR's experience,

11 *Ibid* ., 181.

12 Butterfield, 'Branch lines, wayside stations and road competition', 179-195.

13 *Ibid* ., 193.

broadly similar to the other three companies, illustrates these complexities. In some cases it bought shares in an established bus operating company, but in others it invested in a company newly formed to take over an existing operator. It did this alone, apart from two instances where it acted jointly with the GWR, but always within the overall policy agreed by the industry. In negotiations with each bus company the price paid depended on a combination of factors: the value of the business acquired; a premium to induce existing holders to sell; and any adjustments agreed in discussions. The SR shareholding was equal to that of the bus holding company, reflecting the general principle observed by all four railway companies. But the SR aimed to hold a third of the capital rather than the half desired by its three fellows; together with the bus holding company, it still obtained a majority of the capital but at a lower cost.

The argument may be broadened by looking at the financial health of the public transport sector as a whole. Hibbs contends that by acquiring shares in the bus operating companies, the railway companies provided the bus holding companies with an additional source of capital.[14] This was true but the position is more complex. An overall limit was placed on such capital funding by the principle that the railway company shareholding in a bus operating company should be no greater than that of the holding company. The major purchase of shares took place when the railway companies made their initial investment. Whilst subsequently all four subscribed to new share issues, compared to the initial investment these were fairly minor amounts. Effectively, this additional source of capital was a single occurrence rather than a continuing provision.

The criticism that the money spent on investing in bus companies would have been better spent on electrifying suburban lines originated with the RCT in 1931. Although only stated tentatively in that report, the claim has been repeated by succeeding commentators, seemingly gaining strength with every mention. Since the SR had completed the electrification of its inner-suburban lines by 1929, it is difficult to see how that criticism could justly be made of the company or likely to be true of other routes, such as that to Portsmouth, where distances meant bus competition was not an issue. Possibly the criticism might be validly made of the other three companies. However, mere electrification of a line was no guarantee of financial success. Lines which were strongly competitive could justify electrification. But electrification would not of itself dramatically increase the fortunes of lines which were weak. Even arguing for electrification solely as a way to reduce the costs of a line's operation was hard to justify. The capital cost of installing even the low-cost third-rail system outweighed the lower initial cost of the alternative of steam

14 Hibbs, *The History of British Bus Services*, 104.

locomotive operation and could only be justified where a more frequent and faster service of electric trains would help build substantially greater volumes of traffic. Those who have reiterated the Royal Commission's general criticism seem not to have considered if it is true of the SR or justified at all.

In the financial aspects of the SR's investment in bus companies, examined in chapter seven, the analysis overturns the received view. Aldcroft maintained the return on the investment in buses was low and the money would have been better spent on the railway business.[15] However, the SR annual return on its overall investment in buses of £1.6m has been shown to be between five and eight per cent. This is slightly below that achieved by the other three railway companies but exceeds the less than three per cent Aldcroft cited for the whole railway industry.[16] Since the basis of his calculation was not disclosed, the difference cannot be conclusively explained. However it is probably because Aldcroft's figure – which has become accepted – does not include the bus company dividends received by the four railway companies. The SR's return on its bus investment was higher than on its railway business. In short, on financial criteria alone more should have been invested in the bus industry. It seems unlikely, except perhaps at its height in 1929, that the SR's investment in the bus companies precluded worthwhile rail investment.

There were also arguably other benefits to the bus companies – and perhaps too to the consumer – from their association with the SR. Their public profile was enhanced by reference to the SR in their publicity, the inclusion of railway information in their timetables as well as the provision of joint facilities and marketing. The use of 'in association with the Southern Railway' on timetables and publications was intended to underline their importance as components of a transport system extending beyond the purely local. The SR's associated bus companies probably created the impression of substantial concerns, an equal partner of the large railway company and closely connected to it. This differentiated them from independent bus operators, who, particularly in the 1920s, were associated with skimpy resources and unreliability. The associated companies' purchase of such operators during the 1930s only reinforced the former's dependable image. The account of their experience working with the SR in this thesis illustrates their enhanced status more fully.

The quality of SR management though its response to bus competition

How effective were the SR's policies and practices towards the bus industry? How does its performance in that area reflect on the quality of the company's

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15 Aldcroft, *British Railways in Transition*, 86-7.

16 *Ibid* ., 87.

management? Although the SR's bus interests were only one aspect of its activities, the quality of the management response to bus competition can support or undermine the more general critiques of the four grouping railway companies. The answers to both questions are difficult to separate.

In the inter-war years railways were a key industry in the British economy and the four companies' prosperity was of general concern to the state as well as shareholders and the public. The start of motorised road competition in the 1920s began to affect the companies almost immediately they were released from government control in 1921; their initial response was significant for their future strategy. Undoubtedly the railway companies' market share of passenger traffic before 1939 fell significantly whilst bus services expanded greatly. However there is little evidence to show that these trends were primarily caused by rail passengers transferring to bus.

In appraising management quality, the 'unfairness' of this road competition is the major area of debate. The principal railway company argument was that road transport did not pay its fair share of its track costs. The bus industry countered that roads were provided for wider purposes than simply to allow buses to operate. The difficulty of making definitive judgments about allocating road costs to users means the debate continues unresolved today. But the railway case in the interwar decades was hardly a gross misrepresentation.

Most historians accept that the external trading environment, and especially the growth of road transport, was beyond the control of railway managers. Nevertheless this thesis shows the four railway companies did recognise the road transport challenge and attempted from the start to meet it. The loss of traffic to buses should have impacted most severely on the SR, since three quarters of its business by value were passengers. In that case, the SR might have been expected to be the first company to take action and to be the principal driver of policy. Yet, paradoxically, it seemed content to let the LMSR and LNER take that role. The nature of its passenger business explains this apparent contradiction.

From 1923 to 1938 the SR was electrifying its services, beginning with the London inner-suburban area. This improved journey times and service frequencies. Not only was the benefit seen in the growth of the commuter market as a proportion of its business but also an increase in the average third-class season ticket fare. Although stimulated by reduced fares, the additional off-peak business the improved service attracted still made some financial contribution. In this way electrification put much of the SR's passenger business by value in a stronger position to resist the competitive challenge.

The SR was aided too by serving a more prosperous area of the country. Whilst the full impact of economic depression was not felt until the early 1930s, its effect was greatest on the manufacturing and extractive industries of the north and west of Britain. By contrast the relocation of industry to and the growth of administrative employment in the south east meant greater affluence for the area. Of course this also favoured the private car, probably more than the bus, as an alternative to the train. But cars would not be greatly used for commuting, protecting the SR season ticket market.

In these circumstances it is unsurprising that the SR's senior management knew by the late 1920s that its losses were a good deal less than the other three companies. In local services it was effectively 'two railways' – a heavily used electric system and a lighter loaded steam-hauled remainder. As well as electrification, the growth in Continental traffic revenue helped the company's market position. So the company could be more sanguine about bus competition than the rest of the Big Four and let those companies more affected by it take action. The SR was content simply to be involved in agreeing policy. It did not wish to determine it. But for all the companies the initially insurmountable problem lay with the state's opposition to granting operating powers for road services on terms acceptable to the railway companies. If the SR and its fellows had been truly conservative, another favourite indictment of historians, they would simply have done nothing.

It is, of course, open to critics to argue that the four railway companies and their predecessors should have done more to win government and public support for such powers in the early 1920s. More research should be done on this possibility. But it seems unlikely that the existing consensus that the post-war reorganisation of the railways was framed by a belief in their quasi-monopoly position will be greatly shaken. As such the railways were highly unlikely to have ever gained road powers until their position was so weakened that neither government nor public opinion could ignore the reality.

Amalgamating the railway companies into four groups in 1923 facilitated the process of responding to road competition. Establishing an agreed strategy should thus have been easier. Yet, as their circumstances differed, the four could not establish a completely common line. Even so the result – agreement on broad principles which each was free to modify in its own area – was adequate enough. Significantly the keystone of the result – taking a shareholding in bus companies – was first proposed by the SR. Negotiations with the bus industry were also simplified by a similar process of consolidation taking place there.

In addition to its relatively small losses in overall terms to buses, the SR and its constituent companies had little direct experience of bus operation. Two of the three major constituent companies had not operated bus services, whilst the third transferred one service to a local operator. The only bus service operated directly by the SR was withdrawn in 1924. It had no wish to become involved in such activities, preferring to invest in existing operators. That made available the expertise the SR did not have and also provided a financial return from any traffic that it had lost. Catering and air transport were other examples where the SR contracted out specialist activities in which it recognised its lack of relevant skills. Its conscious decision to do this contributed to its good relations with individual bus companies, where it gave freedom of action to the existing managers.

The SR saw an investment in bus companies as a way of recouping financially what little revenue it had lost. The alternative argument was there was little or no transfer: the bus companies had developed a new market from those, predominantly lower-income groups, who had not previously travelled much, if at all. If this was true, the railway companies could not hope to compete for these passengers, as their fares and services were not suited to the new market. This does seem to have been the case; most bus passengers travelled between three quarters and two and a half miles. Even if some had transferred from rail, it was unreasonable to expect them to travel by rail and bus on so short a journey. All the railway companies could reasonably hope to do was to acquire an interest in the bus companies so as to at least share in the profits of this new traffic. This in essence was what the SR believed and guided its actions.

So whether or not more generally rail passengers were transferring to bus, the SR’s strategy was sound. The electrified network protected a significant part of the company’s passenger business by offering faster and more frequent services, whilst investment in and good relations with bus companies would help obtain dividends to replace lost revenue in the remaining part. In other markets where generation of new business was probably more significant, electrification would attract new business and the investment would produce substantial additional income from dividends, earned in a market the SR could not serve directly.

In this light the argument made both by contemporaries and historians that capital would have been better spent on electrification needs re-examining. Electrification, it is argued, would have attracted passengers to rail instead of bus. However, as, for instance, Wedgwood of the LNER pointed out, only lines with dense traffic could justify electrification. And these were generally to be found where they possessed a competitive advantage – most notably in urban areas. Electrification realised the potential of lines whose competitive position was strong, and it was this more general set of circumstances that gave protection against passengers transferring to buses. Mere electrification would not give protection if rail's competitive position was not resilient. The truth of this is suggested by the closure in the 1960s of some rural electrified lines, such as that between Haywards Heath and Horsted Keynes.

Consideration of inadequate investment and a lack of modernisation of railway services and infrastructure by the SR inevitably involve more detailed analysis than can be encompassed here. However, this thesis concludes that the investment in the bus companies was made at a opportune moment between the completion of suburban electrification and beginning this work on the main lines. Again critics might argue that the SR should have done more or invested at different times. On the other hand one might argue that at a time of financial stringency, the SR spent wisely. Certainly the branding and advertising of the new services as 'Southern Electric', together with station reconstruction, was meant to convey an image of modernity obtained at minimum cost. Similarly adding 'in association with the Southern Railway' to the bus companies publicity suggested that the SR was a modern transport company, not just a railway company. But the level of investment and modernisation it 'should' have made is difficult to specify, and no one disputes that the SR spent heavily on the modernisation of railway passenger services most likely to reap good financial returns.

The SR's association with the bus industry also demonstrates that the company was able to adapt organisationally. It created the new post of Road Transport Liaison Officer, with a supporting staff, to be responsible for the detailed relationships with its associated bus companies. He performed this role in part as a member of the SJCs, ensuring policy was consistent with the SR's objectives. Local knowledge was provided at each Committee by the appropriate operating manager. In addition the Assistant General Manager and the Joint Accountant took on additional roles to represent the SR as directors of the individual bus companies. All these arrangements were completely new, evidence that the company's structure and staffing did not simply ossify. And, whilst not examined in detail within this thesis, the introduction of a Traffic Manager, responsible for both the operating and commercial railway activities, produced somebody subordinate to the General Manager to focus on overall business performance.[17] The failure to create such posts has been a persistent criticism of the four railway companies' management structures. At least for the SR, criticism of blinkered vision in the reform of its management structures is misplaced.

Was the Southern too committed to running trains than running a business? That there was some awareness of net revenue is demonstrated by the SR replacement

17 Bonavia, *Railway Policy between the Wars*, 17.

of some rail passenger services by buses. However, those rail services withdrawn were completely unremunerative; more work could have been done to identify the less obvious cases. Szlumper's call for the ability to complete a trunk journey by bus, and the consequent ability to close lightly used services and stations, was not developed. In this it was echoed by the LNER where Butterfield found not much management time was given to branch lines and little was done to reduce costs.[18] However, the low level of SR passenger service withdrawals may well have been due to a fear of jeopardising its attempts to regulate road transport. If there was no suitable alternative railway service, objections to new bus services were harder to sustain. Certainly withdrawing only hopeless cases would put its action beyond reasonable criticism at the time. In addition a replacement service provided by one of its associated bus companies would give the SR some influence on the new arrangements.

A lack of commercial enterprise among the Big Four may perhaps be seen in the lacklustre arrangements the SR made to co-ordinate rail and bus services. The small public use of combined and interavailable tickets suggests they were more maintained more as a symbolic gesture to provide a service, irrespective of small patronage they attracted. But the work on timetabled connections indicates a more commercial approach. Any failure of these facilities to attract traffic links back to the difficulty of responding to the road challenge; the convenience of bus services was difficult to match.

Whilst the SR's managers continued to adhere to a public service obligation, charges of conservatism and a failure to adjust to a changing trading entrepreneurial and institutional environment are misplaced. Although there was little external recruitment of managers, Walker did recognise that railwaymen would be poor busmen. And by the close working relationships it built with its associated bus companies, including having the Assistant General Manager as Chairman of one of them, the SR viewed them as allies rather than competitors.

Overall therefore, the SR's road passenger transport policy must be judged as adept. If only those areas where it was able to act alone are considered, the verdict is even more favourable. In policy formation, where it acted with the other railway companies, their concerted actions were as effective as was possible in the political circumstances. If they had met success earlier, any arrangements would have been more effectual. However, in both developing the policies and in using them to mitigate competition, the SR was adroit. Although the benefits to the bus company and the public were small, the financial benefits to the railway company from its

18 Butterfield, 'Branch lines, wayside stations and road competition', 193.

shareholdings were substantial. If the role of any firm is taken as maximising profits or at least producing a dividend to satisfy major shareholders, the SR can be seen to have been very skilful in its response to bus competition.

Any assessment of the quality of the SR's management cannot be solely based on its actions on bus services. More investigation is needed into the whole range of the company's activities before any general conclusions can be drawn. This thesis suggests that some long-standing criticisms of the Big Four's management are valid. The SR arguably maintained an adherence to public service for too long, limiting its commercial enterprise and inhibiting overall strategy. Similarly lack of knowledge of train operating costs may have held back a programme of bus substitution. Yet the SR showed many positive attitudes in relation to its bus policies. It demonstrated flexibility in implementing them. Rather than an unadventurous adherence to the status quo, it appreciated the need for change. It understood the different skills needed to provide bus services and treated bus managers as colleagues. In its negotiations with them it showed openness and involvement without interference. In its financial policies it showed innovation by reducing the cost of its bus investment and used the resulting dividends to increase its available cash. Here the SR achieved the most advantageous result possible, an outcome reflecting considerable credit on its managers. Overall on its bus policies and actions their performance was estimable.

Future research

Inevitably this thesis raises as many questions as it answers concerning the Big Four's policies and practices towards road competition. More research into four questions would be valuable.

Firstly better estimates of the numbers of rail passengers that transferred to road would ensure a sound foundation for future study. It would be particularly useful to know how many used bus instead of rail for their journey. On a broader canvas establishing how many transferred to bus and how many to car would be instructive. Whilst the national aggregate picture could be the starting point, a regional or even more finely graded analysis would probably be more achievable and probably of even greater value. However, such a study would be fraught with practical problems, not the least whether the necessary data is readily available. Some local material may be obtainable but analysing it would be a considerable task. This statistical analysis would be the background for the remaining questions.

Secondly studies of each of the other three railway companies' treatment of bus competition would give a comparison to this work on the SR. It seems each would reveal a subtly different approach. By studying each companies approach in more detail, it might be possible to establish the most successful approach. For example, since both the LMSR and LNER claimed the greatest losses of passengers to buses, both four to five times that of the SR, they seem to have taken the lead in developing policy. By purchasing the Crosville bus company, the LMSR indicated a preference for direct control. The LNER offer for the United bus company suggested a similar wish. Their initial strategy was probably to purchase existing major operators outright to provide bus services. When that was thwarted by the major holding company in the bus industry, joint ownership with it of the operating companies seemed the only realistic option left. This frustrated desire for direct involvement may also explain a difference in approach, where the LMSR and LNER were more directive than the SR and always appeared as railwaymen. The GWR's position is the most difficult to deduce. Its losses to bus competition were only put at slightly more than the SR, probably because of its substantial direct operation of such services. Although run without statutory powers, the GWR might reasonably have been expected to wish to retain them. Yet it apparently accepted the new arrangements without demur and transferred its services to successor companies. Perhaps the reason is that its General Manager was seriously ill when the agreements were made. His assistant, who acted for him during this period, may not have felt he had sufficient authority to oppose the proposals negotiated by the LMSR and LNER.

Thirdly a similarly systematic study of competition from the car would be equally instructive. As already noted, the car was a popular alternative to the train in the areas served by the SR. Sir David Salomons was a director of the SER from 1894 and later of the SR.[19] Yet ironically, as a pioneer motorist, he had organised the first motor exhibition at Tunbridge Wells in 1895 and founded the Self-Propelled Traffic Association later that year.[20] To house the new form of transport he built 'motor carriage houses' at his house Broomhill nearby[21]. Rudyard Kipling, a keen motorist, purchased Batemans in Sussex in 1902 because he could use a car to reach the railway station four miles away.[22] These examples illustrate the luxury role of the car before 1914 noted by O'Connell.[23] This rise of motoring for the affluent came well before the birth of the SR in 1923. Since the SR served a more prosperous area of the country, it would appear to be the most vulnerable, since many of its customers could more easily afford a car. However, the strong competitive advantage given

19 *Southern Railway Magazine*, February 1925, 31.

20 Kathryn A. Morrison and John Minnis, *Carscapes; the Motor Car, Architecture and Landscape in England*,.(London: Yale University Press, 2012): 9.

21 *Ibid* ., 77.

22 Peter Thorold, *The Motoring Age; the Automobile and Britain 1896-1939.* (London: Profile Books, 2003): 44.

23 O'Connell, *The Car and British Society*, 19.

by its electrified network could equally have protected it from car competition in a number of markets, particularly as congestion was a problem in some urban areas – particularly London – in the inter-war period. If so, the car may have been most effective for short journeys in country areas. Any such series of studies could resolve these issues, not only in the SR area but elsewhere.

Finally as the *Oxford Dictionary of National Biography* entry at the start of this chapter notes, Herbert Walker, the SR's greatest General Manager, knew railways were no longer the predominant carrier of passengers. As well as buses, the SR had made some attempt to enter air transport. Its operation of ports and shipping services was much longer established. Of course the three other railway companies were also involved in providing similar facilities. Such a range of services provokes the question of whether the SR – and indeed its three companions – saw itself as primarily a railway company or a transport company. The latter would arguably have been more appropriate to the multi-modal age into which the company was moving. Finding out what business the company's major stakeholders saw as its core, and their view of horizontal and vertical integration, could help explain the policies that guided its actions. It might help to establish whether the SR's failure to become a multi-modal provider was more to do with the nature of state regulation and legislation than a failure of management vision.

It seems likely that the SR was attempting to become a transport provider using whichever mode was appropriate. If so, this suggests some further lines of enquiry. The need for a comprehensive business history of the company has been noted more than once: it remains a key foundation for any further studies. In any such account two aspects of dock and shipping services call for particular attention. Southampton Docks, which had been purchased by the LSWR in 1892, were regarded as particularly important by the SR.[24] Indeed, Gilbert Szlumper had been Docks and Marine Manager from 1923 to 1925 and Eustace Missenden from 1933 to 1936.[25] That both were later to become General Manager is an indication of how important the Docks were considered. But they did call for significant capital investment and perhaps received too much management attention. Cross Channel traffic was another highly regarded business with a premium nature thought to make it highly profitable. Yet with the development of air transport, a London to Paris service had been opened by Imperial Airways in 1924, this traffic must have deserted rail.[26] Its consequent declining profitability questions whether the SR tailored its services speedily enough to the new market demand. The doubt remains that it did not. As classic traffic declined, demand

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24 Bert Moody, *Southampton's Railways.* (Poole: Waterfront Publications, 1992): 114.

25 Jack Simmons and Gordon Biddle (editors), *The Oxford Companion to British Railway History.* (Oxford: Oxford University Press, 1997): 498 and 326.

26 A. S. Jackson, *Imperial Airways and the First British Airlines*. (Lavenham: Terence Dalton, 1995): 25.

arose to transport accompanied cars across the Channel. That Townsend Bros Ferries Ltd, an independent operator, was the first to operate such a service in 1930 suggests the SR did not begin to develop the new market early enough.[27]

And the policy for hotels may be the most difficult to find, although the SR may have been constrained by long-term agreements made by its predecessors. It had ten major hotels serving three different markets. Some such as Dover served shipping passengers, those in London served business travellers and some such as Hythe served leisure markets. Some were managed directly and some by lessees. The Hotels Committee Chairman favoured direct operation and the General Manager indirect.[28] To find an overall strategy in such complexity appears a challenging task, as it would appear more to be based either on opportunism or treating each case individually. Whether the hotels were seen essentially as a facility provided for rail passengers or were aimed at a wider market would be an important investigation, as well as what determined their location and size. The use travellers made of them and the return the SR obtained from them would be effective measures of their value. Until such work is done the suspicion must remain that they were not an essential part of its business.

Envoi

Surveying the SR's involvement with buses, what overall impression remains? Its directors and managers were neither half wits nor intellectual giants. Perforce their task involved making decisions in limited time, using far from perfect information, to produce what could actually be implemented. Their competence has been questioned by later critics, who have not fully appreciated the subtleties of the circumstances within which decisions were made or at worst have misunderstood it even with the benefit of hindsight. Any verdict on the effectiveness of the SR's bus activities is complex. But in essence the company gained the optimum result in financial terms for itself, although it overvalued the benefits it provided for the public. To have achieved this should not be a cause for apology. Perhaps the final verdict on the company's decision makers is best expressed by the editor of its magazine, *Over the Points*, shortly before the outbreak of the second world war radically – if only temporarily – once again changed the circumstances in which managerial decisions were made. 'Sure… that their work is well done and equally sure…that nothing is perfect… [they know] that the reasons behind everything they do will bear inspection'.[29]

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27 The Monopolies and Mergers Commission, *The Peninsula and Oriental Steam Navigation Company and European Ferries Group plc: a Report on the Merger Situation*,.(London: Her Majesty's Stationery Office, 1986): 19.

28 Michael R Bonavia, The *History of the Southern Railway*. (London: Unwin Hyman, 1987): 145-7.

29 Michael Gifford, *Over the Points.* (London: Southern Railway, 1938), January 1938, 4.

List of abbreviations

BAA	British Airways Archives
BAT	British Automobile Traction Company Limited
BET	British Electric Traction Company Limited
GWR	Great Western Railway
LBSCR	London, Brighton and South Coast Railway
LCDR	London, Chatham and Dover Railway
LMSR	London, Midland and Scottish Railway
LNER	London and North Eastern Railway
LPOOA	London and Provincial Omnibus Owners' Association (Incorporated)
LPTB	London Passenger Transport Board
LSWR	London and South Western Railway
MOT	Ministry of Transport
NECC	National Electric Construction Company Limited
NMM	National Maritime Museum
NO&T	National Omnibus and Transport Company Limited
NTM	National Tramway Museum
NUR	National Union of Railwaymen
PA	Parliamentary Archives
RCA	Railway Companies Association
RCH	Railway Clearing House
RCT	Royal Commission on Transport
REC	Railway Executive Committee
SECR	South Eastern and Chatham Railway Companies' Managing Committee
SER	South Eastern Railway
SJC	Standing Joint Committee
SR	Southern Railway
TBAT	Tilling and British Automobile Traction Company Limited
TKT	The Kithead Trust
TNA	The National Archives
WHOTT	West Country Historic Omnibus and Transport Trust

Keywords

Bus, rail, inter-war, competition, management, Britain, inter-modal collaboration

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