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"Buses - Public Service or Private Profit"

by

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Devon General Ltd., U.K.

BUSES - PUBLIC SERVICE OR PRIVATE PROFIT

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A PROFILE OF A PRIVATISED REGIONAL BUS  
COMPANY, ITS DEVELOPMENT AND EXPANSION,  
AND A LOOK AT THE RELEVANCE OF ITS  
EXPERIENCE TO OTHER OPERATORS BOTH  
BRITISH AND FOREIGN.

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At the same time, the NBC was seeking to minimise management costs, and started to amalgamate regional bus companies.

Devon General, having acquired the Exeter Municipal undertaking in 1970, became part of the Western National Omnibus Co, in 1971, and the once proud company was reduced to the status of a district of the larger company.

The replacement of powerful senior company management at Exeter and Torquay by powerless area superintendents left a power gap which was filled by the trade union leaders. Decline continued, and by 1982 Devon General was losing over £1 million per annum.

This clearly could not continue, and from January 1983, Devon General (1983) Ltd was formed, leading to rationalisation of various activities, curtailment of union excesses, and increases in productivity. Under new management, a loss of £1.1m in 1983 turned to break even in 1984 and a profit of £640,000 in 1985.

### THE MINIBUS REVOLUTION

A natural result of the post-Suez decline was that by the 1980's the urban network in Exeter had been reduced to the minimum necessary to carry those people remaining who had to depend on public transport. Frequencies on virtually all routes were down to a bus every half hour in the daytime and in the evenings and on Sundays services operated either hourly or not at all. Devon General had become a cost-minimiser, not a profit optimiser.

The fact that this flimsy network actually managed to make a small profit and that other cities with similar population generated far more public transport ridership, led the new management of Devon General to believe that bus travel was a saleable commodity in Exeter.

There were two principal problems which made it difficult to increase the level of service. The first one was a physical one in that the High Street had become a pedestrian area through which the few double decks operating were allowed to pass. Any major increase in buses would make the High Street less pleasant environmentally and potentially unworkable. The second issue was the sheer capital cost of acquiring additional double decks at £80,000 each.

The solution was found in the purchase of thirty-five 16-seater minibuses for experimentation. These were allocated to two routes, the first where the double deck service was withdrawn and the second where the double deck service was supplemented by minis. Both mini routes were to be on a five-minute frequency. Within three weeks we were unable to cope in the evenings with the passenger demand - on a route where there had been no service before! - and within

last resort, the bus in Exeter is a normal means of travel within the city for people from all walks of life.

It is most unlikely that the mini revolution, and in particular the cost cutting element, would have been possible without deregulation and privatisation.

### THE ROAD TO PRIVATISATION

The highly subsidised British bus industry was anathema to the right-wing Tory government of Mrs Thatcher. In common with many other state enterprises, the NBC had to go. Business was for businessmen, not civil servants!

The top management of NBC fought very strongly to buy the Group as a whole and company managers were forbidden even to contemplate the possibility of going it alone, but the Secretary of State rejected the group proposal and NBC was sold off company by company.

The Devon General team of five - Managing Director, Marketing Manager, Operating Manager, Fleet Engineer and Company Secretary were ready to go and three months into the new year, made a firm bid for the company.

Unfortunately, the vendor - the NBC - having failed to go out as a group, was in no mood to move quickly to sell itself, and it took several weeks for it to get its act together, and the process of negotiation was difficult and protracted. The company also had to be advertised for sale to outside bidders - after all, it was a State asset!

As a highly seasonal company, we needed to acquire the business before the summer season. Recognising this, the vendor agreed to back-date the sale - if we were successful in our bid - to mid-June.

During the process, the Chairman of NBC resigned in protest at the company by company sell off, the new Chairman had to be "educated"; the senior NBC executive handling the sale was "sacked", and then, at a crucial stage, the Secretary of State for Transport was promoted to a larger ministry. Throughout, the Department of Transport, its advisers - accountants, lawyers, property men, and the NBC's advisers - merchant bankers, lawyers, accountants, were learning how to sell a bus company. It was a very difficult and frustrating time. Not until the very last day were we sure they would sell to us - if an outside bidder had come in at the last minute, the countdown would have been halted whilst they negotiated. Eventually, the great day came, Friday 15 August 1986, two and a half months past our (agreed) target date only to find that the Treasury Minister had not approved the deal, so the Transport Minister could not authorise NBC to dispose of the asset. It was a wedding

The majority of staff, the drivers, engineers, cleaners and office sales girls, were expecting a hard-nosed approach and possibly cut-backs and redundancies. In fact the company has continued to expand and the staff appear keen to work hard to support their future. Our announcement at the time of the buy out highlighted the loss of "Father" should we run temporarily short of funds and this had a great impact on the drivers in particular.

On the trade union side, there was a small number of junior representatives who were heard loudly expressing the view in the canteen that now the company had no cash reserves and nobody to back it up, that the new owners would have to give in more easily to demands from the workforce for higher pay or better conditions.

The senior union representatives, however, and the regional officer of the National Union of Railwaymen to which the majority of our staff belong, had been consulted throughout the buy out and were wholly supportive and conscious of the need to improve performance.

Privatisation also coincided with deregulation. Furthermore, subsidies from the County Councils to support, in Devon General's case, the rural service network, could only be retained after competitive tender.

The company received £600,000 a year in subsidy for its rural operations, but with over 100 small private operators in Devon we recognised that about a quarter of our business would be at risk if we were to continue to rely on subsidy. We, therefore, consulted with the trade unions and concluded that it was possible by increased productivity and in some cases, cutting wages, to bridge this £600,000 gap and continue to operate in the rural areas without financial support. In the extreme case, one depot on Dartmoor, comprising four drivers, accepted a change from an hourly rate plus overtime payments which resulted in an average of £220 per week, to an annual salary of £7,800 and an agreement that all the work at the depot would be covered by the four men without additional payment. If 'Fred' goes sick or on holiday then 'Jack' covers the work on his rest day for free.

This would not have been possible in a State owned enterprise. National and local political pressures would have been brought to bear on the trade union, Devon General would have stopped operating in that area and the drivers would have been either unemployed or working for an average small operator's wage of £100 per week.

Many years of State ownership and trade union power had resulted in the company being used as a political football and a promotional ladder for either local socialist councillors or through the hierarchy of the National Union of Railwaymen. Whilst progress was possible the rate of that progress was dictated by the need to consult and to placate local political sensitivities. The management attitude to this has

It was necessary, therefore, to make application to the Metropolitan Traffic Commissioners for licenses, and at a public enquiry at the beginning of March, the newly formed THL subsidiary, Docklands Transit Ltd, was granted licenses for a network of seven routes in East London, in the face of objections from four borough councils, on political grounds, and from the Metropolitan Police, who were anxious as to the effect of "hail and ride" on the busy streets of the capital.

The first two of the new routes were started at the end of March 1989, between the Tower of London and Wapping, via a new shopping centre at Tobacco Dock; and between Mile End Underground Station, Limehouse and the Isle of Dogs. The Isle of Dogs is the location of a massive office, shops and housing development, and is to be the destination of six out of the seven routes granted to Docklands Transit. Whilst there is some element of competition with London Transport, the capital's first major private bus company since the 1920's will provide many new direct links from the Isle of Dogs to the surrounding towns and suburbs. The network requires 98 minibuses and over 200 staff, bringing much needed manual jobs to the deprived east end of London.

Further opportunities have been identified to the east of the Isle of Dogs, in the former Royal Docks, and application will be made later this year for services in that area. And beyond 1989, who knows? London is a very large city!

#### PUBLIC OR PRIVATE; PLANNED OR DE-REGULATED

There is no doubt that privatisation has been good for the new owners of the former state bus company; many shareholders have the potential for large personal gain from their acquisitions.

But has the new environment been good for public transport and the role it has to play in the overall movement of people in our cities, and indeed our country areas?

Many cities in the capitalist world have a strictly regulated and heavily subsidised urban road passenger transport system, in many cases integrated with either underground or surface rail systems.

These systems seem to suffer from either massive and increasingly unacceptable growth in costs to the public purse - although often accompanied by increased ridership; or a decline in ridership as costs are contained and investment withheld.

wants them and schedule the staff economically around that demand. Our duty schedules include, as well as normal early and late shifts (8 to 9 hours each/5 day week), split shifts where staff are booked off during the day, 10-11 hour shifts covering both peaks and the busy shopping period but rostered over 4 days, and part-time staff to fill in where necessary. Only time worked is now paid for - the old days of spreadover penalty, make up time and bridging payments between duty and overtime went with privatisation.

But we still have a happy and co-operative and much larger staff; we have a large increase in satisfied customers and we can see no disadvantage to anyone from our new found freedom.

### CONCLUSION

Having examined the principal factors which have led to the company's present situation, it is probably appropriate to review the overall change which has been achieved in the period since December 1982.

At the end of 1982, the company was an average operating unit in an industry which was facing a future which most feared to contemplate - gradual continuing decline with an ever smaller operating base, dependent upon ever increasing amounts of public money. Over the following four years, there has been a metamorphosis in almost every aspect of that depressing outlook; passenger numbers are up; productivity is up, despite a much increased labour force; morale is high among both management and manual workers; and profits have been created against a lengthy background of losses, without resorting to ephemeral subsidies.

In short, a healthy business has been drawn from the sodden mess of the past.

It would be easy to attribute this solely to brilliant management, but more realistic to acknowledge that a number of ~~factors~~ has combined to create the necessary environment. Government policy at national level has supported an energetic and creative approach to the problems. The desire of the management to ensure that the product was demand-led enabled us to develop a strong demand, and need of the Trade Union to ensure that the maximum number of jobs was created at a time of high unemployment secured their co-operation.

Finally, the availability of investment cash removed the last obstacle to meeting the demands of a newly buoyant market.

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