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Resumen

El artículo examina los disputados temas de la política seguida por el gobierno para conformar el desarrollo del sector de los autobuses en Estados Unidos y en el Reino Unido (UK) a lo largo del siglo veinte. Estos temas incluyen la libre competencia, las relaciones entre el transporte público y el transporte privado, la conveniencia de una política de transportes de ámbito nacional, el mantenimiento de servicios que no eran puramente económicos, pero que prestaban un servicio público, y el papel de las subvenciones. Las políticas practicadas en ambos países sugieren que el declive del transporte por autobuses ha sido consecuencia de la creciente popularidad del automóvil privado y de las dificultades con las que los gobiernos tropiezan para establecer o gestionar políticas basadas en el empleo de modos de transporte mixtos. A pesar de la mayor capacidad que existe en el Reino Unido para planificar el transporte público, y pese a una mayor preocupación por las cuestiones de protección del medio ambiente, el autobús no ha prosperado. La mayor parte de los conceptos de servicio público y de bienestar común se han visto superados por la demanda generalizada de movilidad individual.

Palabras clave: Autobús; Estados Unidos; Reino Unido; Política Pública.

Abstract

This article examines the contested issues of government policy in shaping the development of the motorbus industry in the United States (USA) and the United Kingdom (UK) in the twentieth century. These issues include free competition, the relationship between public and private transport, the desirability of a national transport policy, the maintenance of services that were not purely economic, but which provided a public service and the role of subsidies. Policies in both countries suggest that the weakening position of motorbus transport stemmed both from the popularity of the private automobile and the difficulties facing government in establishing or managing policies using mixed modes of transport. Despite a greater capacity to plan public transport in the UK and despite a greater awareness of environmental issues the motorbus has not flourished. Most concepts of public service and communal well-being have faded before the widespread demand for individual mobility.

Key words: Motorbus; USA; UK; Public Policy.

Twentieth Century Public Policy in Motorised Bus Transport: the United States and the United Kingdom Compared.

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1. Introduction

This article examines the development of public policy in the motorised bus transport sector using the experiences of the United States of America (USA) and the United Kingdom (UK) to illustrate major issues. In seeking to define motorised bus services, it is clear that a strong contrast exists between those services in urban areas catering for short trips under potential congested conditions and those linking different urban areas within a region or a country. Today, long distance interurban or interstate (USA) coaches usually have clear operating objectives and a commercial remit unlike their urban counterparts, which, at least in Europe, are often subsidised to meet social and other objectives.

The twentieth century witnessed the birth of motorised bus transport, its rise to common usage and more recently its decline in urban and interurban services in both the USA and UK¹. The role of buses in these two countries is, however, quite different. Both countries clearly have urban public transport, which for the most part is catered to by the motorbus, but the structure of cities, the presence of streetcars and the earlier growth in car ownership means that the early role of buses in the UK for travel from suburbs to city was not mirrored in the USA. For longer distance travel, the American interurban and interstate services came to lead public surface transport whereas in the UK, the railways continue to domi-

¹ Comparable statistics for Trans-Atlantic countries are difficult to obtain. For the USA, statistics are derived from Wattenberg: (1977) and *Transportation in America* (1986-97). For the UK, Munby (1978), the CSO Social Trends , 10-32 (1980 - 2002); Dyos, H.J and Aldcroft, D.H (1974) and Root (2000) are the main sources.

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nate this travel market. As a result, to illustrate public policy, this paper will draw on long distance travel in the USA and more local transport in the UK².

In both countries, distinct periods of public transport policy can be observed. The first stage or pioneering years when bus transport was becoming more reliable and widespread identifies a period when policy had yet to be applied nationally. This period was followed by the introduction and the influence of regulation. The third stage was overshadowed by the impact of World War Two which brought nationalisation to the UK and an attempt in the USA to develop the public transport market in the face of mass automobile ownership. Finally, the fourth stage points to a return to a more economically liberal and deregulated market. By comparing motorised public transport across these two countries, it is possible to see similarities in approach in policy and also to see how public policy leads at different points in time in both countries. From these comparisons, discussions about the nature of trans-Atlantic connections emerge.

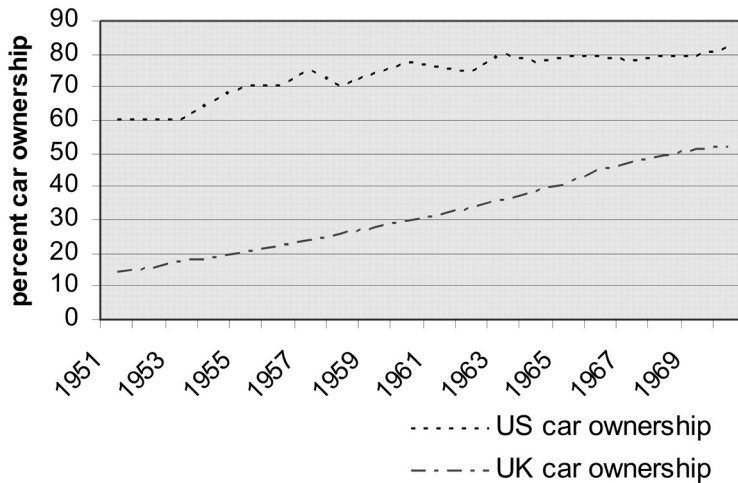
Such close connections should not be surprising since economic historians have suggested that mature economies in the western world in the twentieth century have shared common trends. The transfer of technology and labour and the flows of investment capital and ideas ensured that similar products and services were available, albeit at slightly differing times and under diverse conditions. The trans-Atlantic connections in transport endeavours have generally been stronger between the UK and the USA than between the UK and Continental Europe or between individual Continental European countries and the USA.

Historically poor roads, improved rivers and canals, followed by rapid expansion of rails were central to understanding mobility and economic development first in Britain and then in the USA in the years up to the twentieth century. Then the USA raced ahead. The invention of the internal combustion engine, though pioneered in Europe became an American tool of expansion as automobiles were mass-produced and popularly consumed in the 1920s. Indeed the UK lagged well behind the USA as cars increased to 61.7 million in 1960 with one for every 2.9 persons. In the UK, by contrast, there was only one car for every 8.6 persons in 1961. The British car user boom began in the 1960s. By 1979 there was one car for every 3.7 person and in the last quarter of the century car registrations doubled, making ownership nearly commonplace as shown below in Figure 1.

The motorcycle and the motorbus also moved people. They were more popular in the UK than in the USA, but their usage has decreased in the recent face of the growing ownership of private automobiles. The motorbus was always in competition with other modes of surface mobility. Initially it competed with the train and still remains as a poor person's rival to the train in the UK. In the USA the automobile became dominant for surface transport in the years after 1945 and has remained dominant. Regardless of the changing nature of public management of the bus, it proved impossible to resist most people's 'love-affair' with the car.

² Evidence from London is specifically excluded. London was regulated earlier and differently from the rest of the UK and therefore became a special case.

Figure 1: Car ownership levels in the USA and UK



Source: Wattenberg, B (1977), Q175-Q177 (USA); *Transport Statistics Great Britain 2004*: Table 9.14 (UK)

2. The entry of the bus industry in to the national arena and government regulation

The American long-distance bus industry emerged from its local origins to develop regional status in the 1920s. By that time the railroads had been regulated for nearly forty years. Abuse of power had been a major issue in early government intervention. The establishment of a regulatory agency, the Interstate Commerce Commission (ICC), in 1887 and then its strengthening in the early twentieth century had addressed such problems as discriminatory rates and collusion and had established rules and regular accounting procedures. Many observers considered that sound government policy had then been achieved. But the economy was not static and conditions of transport changed in the years after the First World War. Reform came in the shape of the Transportation Act of 1920 which aimed to improve the financial health and adequacy of transport by requiring coordination and cooperation. The ICC's ratemaking power was also altered to ensure that rates would bring a 'fair return' to the rail industry as a whole. But this new regime failed to work well. Rail managers could not forget their earlier competition with each other while increased labour costs further threatened rail profitability. Equally importantly rail managers failed to respond effectively to the new inter-modal road competition.

By the mid 1920s the railroads were in serious financial difficulties. Some of these difficulties stemmed from an inability or an unwillingness to meet the threat of road competition from cars, buses and trucks. Though some rail companies

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cooperated with buses and trucks and even went into ownership themselves as a means of replacing revenue-losing train services, most were more concerned to protest to the government about unfair competition. What should either the individual state governments or the federal government do? The fear of monopoly within one transport sector loomed large, yet new motor vehicles offered competition both with older forms of transport and with each other. There was much debate. Discussions in Washington DC lasted for nine years, by which time the American economy had collapsed into the 'Great Depression' and immediate action was needed. The newly appointed Federal Coordinator of Transportation, Joseph Eastman, conducted extensive investigations into the transport network as a whole, focusing in particular on the railroads, which were in dire straights by the early 1930s. He recommended economies and reorganisation within the rail industry, a comprehensive system of regulation for interstate motor and water carriers similar to that in force for the railroads, and the restructuring of the ICC to supervise the new regulation.

The only proposal that was enacted promptly was the regulation of road transport in the Motor Carrier Act (MCA) of 1935. The objectives of the MCA were to prevent wasteful and destructive competition within the motor transport industries in particular and in the transport sector in general, and to promote and protect the 'public interest'³. In respect to the bus industry these aims would be achieved by regulating entry through certificates of convenience and necessity. These could be suspended, changed or revoked. Bus operators had to comply with additional regulations governing safety, insurance, finance, accounting and record keeping and they had to publish and adhere to rates and fares, giving 30 days notice of any changes. The ICC could suspend these changes and could prescribe maximum, minimum and actual rates to be charged. The long-distance bus industry had entered a regulatory era.

The large number of small companies who carried sizeable numbers of passengers on relatively short hauls found that the main way the act affected them was through the imposition of standards of safety, adequate service and business practices and they sometimes chose to operate under state government regulations which were not as stringent as federal regulations. For existing larger operations, the administration of the act promoted regulated competition through protecting them under the 'grandfather' clause of the certificates of convenience and necessity⁴. Short-route extensions were also encouraged to form a new national system, the Trailways network, which could compete on a nationwide basis with the one existing major corporation, Greyhound. Uneconomic routes were then sanctioned if they formed part of a company that was competitive with Greyhound routes and if the parent company could absorb the costs. The examiners of the Motor Carrier Bureau were responsible for interpreting the new legislation.

³ Public interest is a highly contested concept. For a fuller discussion, see Walsh (1999), 12-14.

⁴ 'Grandfather' rights refer to the policy of issuing a certificate to any operator who was in bona fide operation at a specific date, without further proof that public convenience and necessity would be served by such operation. The date established in this instance was 1 June 1935.

These examiners based their interpretation of the 1935 act on the government's existing strategy of restraining abuse and monopoly in the rail sector while monitoring rates and thereby 'profits'. Though there was some recognition during the 'Great Depression' that the nation might need to rethink its public policy so that competing modes of transport could be considered within an integrated framework, they continued to be treated separately. They also continued to be treated as though they could create monopoly conditions within their specific sector rather than that their very existence as different modes of transport created a competitive public transport market. And most importantly of all, for passenger services, there was no consideration of the impact of private vehicles and whether some provisions should be made to adjust regulations for the competition of the motorcar⁵. The new regulatory framework seemed to have emerged from a series of compromises between government officials who were trained in an existing pattern of monitoring and vested business interests who wanted to protect their particular concern. Yet there was also an ideological distrust of federal government intervention. Even in the midst of a major economic depression, many were very nervous about introducing a regulatory policy which had the potential to integrate transport modes through coordination and cooperation rather than providing for and ensuring competition.

In the UK, the railways emerged from the First World War with a run-down rolling stock and a system which had suffered from lack of investment, maintenance and repair work. Much consideration was given to the future of the then privately owned railways, and the possibility of nationalisation was contemplated, but rejected. Post-war wages and the costs in the rail industry rose considerably and yet their regulated rates had not been changed. This situation prompted discussion which led to reorganisation with rationalised ownership into four large railway groups in the early 1920s. While business and government concern was concentrated on the continued regulation of the railways, the bus industry emerged. Then vehicles had become much more reliable and their mass production had commenced. Furthermore the market was swamped by the release of many ex-army vehicles which demobbed, cash-happy ex-servicemen bought to use as buses or lorries. Unlike the railways that were heavily regulated, this road transport was almost completely untouched by public intervention.

Concomitant with this fast growth of motor traffic was an increase in the number of fatal and non-fatal motor accidents. The growth of motor traffic, particularly in London, provoked the first official investigation into the potential regulation of all vehicles, including motorbuses in 1920⁶. Concern for public safety, congestion and an increasing level of accidents was soon thereafter voiced. The

⁵ The material in this and the previous three paragraphs is based on Walsh (2000), pp.137-53 and Walsh (1999), pp.11-29.

⁶ These were 'to consider what immediate steps can be taken, consistent with existing powers, to remove congestion existing in London Traffic and to consider the powers necessary and the action to be taken to improve London Traffic.'

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motorbus was particularly criticised as dangerous to the public⁷. However, it was difficult to regulate motor traffic because the existing laws were designed to control the much slower moving horse drawn transport of the nineteenth century. Thus, the newer problem of motorised traffic was referred in the first instance to the Taxation Committee of the Roads Department within the Ministry of Transport. However, early in 1922, the specific issues of motorbus taxation and regulation were passed to a newly created Committee, the Hackney Vehicle Committee, which had greater local authority representation.

The creation of this new Committee does not appear to have been politically motivated – indeed it was set up and convened under the governments' of two different political parties. Nor does this Committee appear to have had restrictive regulation as part of its remit as this was not in keeping with either Liberal or Conservative government's policy and would have taken considerable justification, as had been necessary with the railways⁸. The issue of regulation was governed by safety matters which dominated the Committee's first meeting in July 1922. Successive governments in the 1920s acknowledged the need for motorbus regulation but parliamentary time was occupied with other measures considered to be of higher priority. Only the London Traffic Act of 1924, which, in its systematic regulation of London's buses, relied on the evidence and interim recommendations of the Hackney Vehicle Committee, was passed. Not until there was renewed political and public pressure in 1927, in the form of private bills before Parliament to allow railways to acquire bus interests and to force through some regulation, did the government act to appoint a Royal Commission on Transport to examine the whole 'transport problem'. Then the issue of wasteful competition between transport modes emerged and has subsequently remained the popular interpretation of ensuing legislation. But in respect to motorbuses, the Royal Commission did not add any significant evidence to the deliberations of the Hackney Committee when its findings resulted in the 1930 Road Traffic Act. Safety was the key issue for instigating a change to more restrictive public policy⁹.

This Act divided the country initially into thirteen Traffic Areas in each of which, the licensing system was administered by an independent tribunal of Traffic Commissioners whose chair was directly appointed by the Minister of

⁷ Evidence on the growth of buses and accidents caused by buses is available for London. Generally the experience in London would exaggerate situations elsewhere. A retrospective investigation into London street accidents in 1927 found that many resulted from a lack of awareness of the changing conditions brought about by the increased speed of vehicles and that the most common cause of street accidents was mechanical defect. For further information see Glaister and Mulley, (1989).

⁸ Sir Eric Geddes, as the first Minister of Transport, conceded in 1921, that regulation of the railways was a 'necessary evil'.

⁹ Safety is emphasised here because much of contemporary literature suggests that the 1930 Road Traffic Act heavily influenced over 50 years of bus regulation in the UK, and originated either because of the problems which arose from competition between railways and trams and buses or because the uncontrolled competition of buses produced an uncoordinated and wasteful transport system.

Transport. It empowered these Traffic Commissioners to directly control entry and participation in the bus industry by licensing the vehicles, services and service employees. Very few commentators at the time or since disagreed with the requirement of a public service licence or that drivers and conductors holding a licence guarantee their fitness as transport workers. Such rules enhanced the bus service and provided for its safety. The road service licence, however, was contentious. It authorised bus service and established the conditions under which companies operated. When granting or refusing this licence commissioners considered the suitability of the route and the extent to which it was already served; how far the proposed service was necessary or desirable in the public interest; the needs of the area as a whole in relation to other traffic and the prospects for coordination of transport facilities within that area. When successful the licensee had to ensure that fares were reasonable; were at a level that prevented any wasteful competition with other forms of transport; that fares and timetables were available and that there were fixed pick-up and drop-off points¹⁰.

Although the criteria for granting and retaining a road service licence were embodied in the 1930 Road Traffic Act, both the Traffic Commissioners and the Minister of Transport refused to identify any general criteria as to when a licence should be granted or rejected. Thus the first five years of the Act's operation provided a diverse experience for motorbus operators and significantly shaped the development of the industry because the Traffic Commissioners took relatively independent approaches, failed to use precedence in the granting of licences and had vague and at times inconsistent definitions of central terms like 'suitability', 'necessary', 'desirable' 'adequate service' or 'wasteful competition'. In contrast, the second five years of the decade, starting at a similar time to the implementation of the Motor Carrier Act in the USA, showed much greater consistency between the Traffic Commissioners' decisions. Indeed, it might be argued that the granting of all licences had by then become standardised and had introduced stability into what had been a highly competitive and volatile industry.

In terms of industrial structure, the 1930s saw increasing concentration of the businesses in the hands of large operators and the virtual demise of the small operator in terms of absolute numbers although many still remained important on the boundaries of the larger operators. The granting of road service licences was guided by an overriding concern for the coordination of services and thus the Traffic Commissioners often favoured the large operators. Uniformity was also sought in the setting of fares¹¹ and the protection of competing modes was considered a necessary but troublesome objective. Importantly too, for subsequent discussion of deregulation, the 1930 Road Traffic Act condoned the practice of cross-subsidisation of services in requiring the Traffic Commissioners to take

¹⁰ For a fuller discussion of the background to the 1930 Road Traffic Act see Mulley (1983), pp. 1-18.

¹¹ The Traffic Commissioners often sought a common scale on a given section of route when operated by more than one company even though they recognised that services were provided at different costs and could therefore be operated at different fares.

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account of the operation of ‘un-remunerative services’ by the applicant of a road service licence thus destroying the ‘free marketplace’. Furthermore, the preference given to existing operators in terms of perceived coordination benefits meant that new entry into the industry was increasingly difficult.

Both countries saw a period of relatively unregulated competition during the pioneer years of their bus industries. Though motor transport established itself more quickly in the USA, the control of motorbuses came earlier in the UK. Perhaps this resulted from British regulation being initiated by a concern for congestion and safety rather than a concern that bus transport seriously threatened competing modes. In neither country did legislators nor commissioners consider that protection of the railways was a potentially destructive idea or that the regulation of motorbuses might allow the railways to maintain a monopoly of freight and passenger traffic. Possibly in both countries the railways effectively lobbied to protect their investments. On both sides of the Atlantic the railways had begun to acquire bus subsidiaries before the implementation of regulation and this appeared to be a critical factor pressuring governments to act in the 1930s. In the USA actions was prompted by a major economic disaster and in the UK by the threat of potential legislation by private bills.

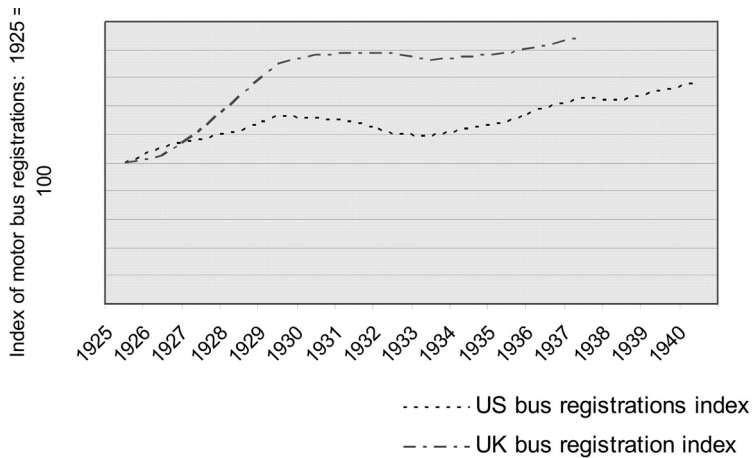
Both countries favoured a system of licensing and certificates of convenience and necessity to regulate the behaviour of their motorbus businesses, thereby allowing government appointees to interpret laws. Yet Motor Bureau Examiners and Traffic Commissioners appear to have been guided by different principles: in the USA it was to prevent the abuse of monopoly whilst in the UK, it was to promote coordination. Both governments legislated for public road transport that not only provided for safety, but which made economic judgements about public interest. Neither government considered regulating the car on economic or on safety grounds but the car was not yet a major competitor with public transport in the UK because it was still regarded as a luxury and an elite purchase. The outcome of this regulatory activity is well shown in Figure 2 where the effect of the earlier restraints in the UK, the impact of the depression in the USA and the convergent rates of growth of the motorised bus at the end of the 1930s decade can be seen.

3. Divergent paths: artificial conditions and new directions in mid century

The legislation that was framed in the 1930s stayed in place, essentially untouched, for half a century in both countries until the temper of the mature westernised economies swung towards deregulation in the late 1970s and the 1980s. There were, however, very different developments in government policies and outlooks across the Atlantic. The USA entered a long boom period in which government maintained traditional regulatory control over all public modes of transport. Increasingly air travel expanded while the private automobile and the truck dominated surface transport. Both the rail and road sectors faced serious difficulties in meeting this new competition. In contrast, after the

war the British economy entered a period of austerity. The Labour government (1945-51), determined to create a fairer society, introduced legislation to build an embryonic welfare state and also aimed to nationalise transport. The Transport Act of 1947 provided the framework for this policy in which the public sector was a major player.

Figure 2: Bus registrations in the USA and UK: 1925 – 1940¹²



Source: Wattenberg, B(1977): Q152-155 (USA); Munby (1978): Table B13.1 (UK)

In the USA the Second World War brought expansion to the bus industry, but under stressful conditions and with consequences that would have long-term implications. The need to carry both civilians and troops, combined with gasoline, rubber and parts shortages, forced Americans from their automobiles and onto public transport. New records were set for road and rail passenger services. Seats were often filled to capacity. Long-distance bus passenger miles doubled from 13.6 billion in 1941 to 26.9 billion in 1945. This business was not, however, achieved in a free market. The wartime Office of Defense Transportation (ODT), created in December 1941, managed traffic flows throughout the war. It used relatively simple devices like rationing of parts, rubber allocation, speed limits, fuel control and the restriction of non-essential services to distribute scarce resources among transport systems. Assisted by trade associations like the National Association of Bus Operators (NAMBO), the ODT issued directives encouraging full use capacity.

¹² Strictly comparative figures for the two countries are impossible to identify. The series from the two sources have been indexed on the basis that each series is internally consistent and thus this makes a better comparison. The UK series stops earlier than the US as the earlier data is based on the Municipal Year Book and this does not compare well with information provided by the early years of the Traffic Commissioners.

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Though bus companies abandoned competition with each other and with the railroads, they did not gain long-term benefits from their patriotic efforts to win the war. Industry earnings rose, but these could not be reinvested because of official curtailment of bus production and construction of buildings. Hence existing buses remained in service beyond their normal life expectancy and terminals were neither renovated nor rebuilt. Speed limits of 35 miles per hours, imposed in 1942, created longer working hours for drivers and lengthened journey times for passengers, already frustrated and tired by waiting in crowded terminals. Despite the industry's wartime propaganda exhorting Americans either not to travel or to do so at off-peak times and to be patient for the good of the country, many patrons never forgot nor forgave the inconvenience and discomfort of travelling on wartime buses¹³.

Emerging from the wartime conditions, bus managers were optimistic, as they had increased passengers and had capital to invest. But they had not reckoned on the effects of rapid post-war inflation on wages and costs or on significant delays in purchasing vehicles and improving terminals. Nor had they calculated on a lengthy federal government inquiry into the conduct of the industry. The ICC, concerned about the honesty and efficiency of the intercity bus industry, its profit margins during and after the war and the lack of uniform bus fares instigated an investigation of bus fares and prices in July 1946. The industry was exonerated and was given a rate structure that offered success in a competitive intermodal marketplace. But the federal government hearings lasted until December 1949. During these years, bus operators hesitated to make major changes. State governments also contributed to the climate of uncertainty. Multiple state registration fees and motor-fuel taxes for vehicles crossing state boundaries increased both running and administrative costs of companies. Furthermore the lack of uniform size and weight limitations on vehicles between the states delayed the ordering of larger, more economical coaches. Bus operators were unable to modernise the bus industry in the post-war years at a time when they needed to be assertive and dynamic.

These structural problems dominated bus company discussions at the expense of improving public relations. Certainly managers were pro-active in advertising regular and leisure services and in emphasising the reliability, safety, flexibility and comfort of bus journeys and the courtesy of coach personnel. But this approach failed to retain, let alone promote business. The 25.8 million car registrations of 1945 had become 40.5 million by 1950 and 52.1 million in 1955. The USA was moving towards automobility. The federal government stimulated this personal mobility by subsidising the construction of nationwide highways in the Interstate Highways Act of 1956. Buses also benefited from the new high-speed roads, but increasingly the automobile dominated short-distance travel under 400 miles. Americans preferred the convenience of their own vehicles and as they increasingly became suburban dwellers, were unwilling to go to downtown bus terminals.

¹³ Walsh (2000), pp.33-35.

In the face of this automobile challenge of the 1950s and 1960s, bus operators reinvi-gorated their efforts to compete. Externally they were encouraged to anticipate growth by the closure of many competitive railroad routes and by improvements in the road network. Internally they improved their management through the systematic training of personnel and the restructuring of their administrations to make more effective use of equipment, procedures and manpower. The large corporations, Greyhound and Trailways, envisaged further business opportunities by merging into conglomerates. They thereby hoped to realise substantial benefits through the exchange of clients and economies of scale.

Many companies, both large and small, also searched for new trade, by expanding charter operations, carrying small freight and mail, moving into van lines and car rentals and in making connections with airlines. To develop this traffic they instigated new publicity campaigns, portraying themselves as considerate and caring. They also more clearly targeted specific markets by paying attention to female audiences, as women had always been the majority of bus passengers, to tourists, domestic and foreign, to those who did not drive and the poorer groups in society. Women and holidaymakers often took chartered buses or joined escorted tours and the income from these special recreational services rose during the 1960s. Women, non-drivers, minorities, students and armed forces personnel were the main passengers on the scheduled services of the national bus lines and the smaller companies¹⁴.

As in the USA, the British motorbus industry emerged from the Second World War greatly changed. During the war, licensing provisions were modified to give greater flexibility in meeting emergency needs and to give the government greater control over the use of vehicles. The war years saw considerable growth and significant technological improvements to the industry. Vehicles increased by nearly 30% between 1937 and 1948¹⁵ and vehicle miles increased by just over 50% in the same period with a higher rate of growth (about 60%) in the urban areas served by municipal operators. Passenger journeys more than doubled overall. The highest growth was in the contract sector (188%), followed by express services (144%), local services (116%) and Excursions and Tours market (85%). Not surprisingly, all sectors were profitable over the period, with profits increasing by over 50%¹⁶. In terms of structure, the industry had a core of large holding companies surrounded by numerous and still important small independents. The initial three major holding companies, British Electric Traction (BET), Thomas Tilling and Scottish Motor Traction, formed in the 1930s, had both train and bus interests. Later that decade BET and Tilling effectively merged to prevent railway domination of the motorbus industry. This arrangement, however, was dissolved in 1942 when the bus operations were re-assigned to either Tilling or BET. These

¹⁴ For this and the previous three paragraphs see Walsh (2000), pp.35-47.

¹⁵ Specific figures for the war years are difficult to identify: the figures in this paragraph are drawn from Munby (1978) which attempts to provide a consistent series.

¹⁶ This figure is based on money adjusted for the effects of inflation.

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developments were of major importance in shaping the post-war bus industry because Tilling's chairman favoured nationalisation whilst the BET group not only opposed nationalisation but also undertook strategies to frustrate the process.

The 1947 Transport Act looked towards nationalisation. Its underlying philosophy suggested that single ownership of commercial transport would produce more efficient and more financially viable services derived from coordination and integration. The new public authority owning the transport assets, the British Transport Commission (BTC), would be directly accountable to Parliament but would operate at 'arms length' from the government. It was to act as a non-executive, planning authority with the day-to-day management delegated to executives as its agents. When the railway companies' assets were vested in the BTC in 1948 it acquired a substantial interest in motorbus companies in the form of the railways' shareholdings in bus companies¹⁷.

Though the Act did not specifically make arrangements for any change in public management of the motorbus sector, it mandated the BTC to examine the country's bus provision and to prepare 'Area Schemes' to co-ordinate and integrate these services. Thus the Act created the potential for very significant changes to the motorbus sector. However, BTC was much more concerned with road freight than with passengers and almost two years lapsed it gave full attention to the passenger travel. During this time, the BTC had acquired the coach operations of the Tilling group and Scottish Motor Traction giving it outright ownership of some 20% of the British fleet¹⁸. In the spirit of the 1947 Act, plans were then made to implement Area Schemes which would effectively nationalise the total motorbus sector despite heavy opposition from municipal bus operators and their owners, the local authorities, and from the BET group of companies. However, the election of 1950 reinstated the Labour Party with a much reduced majority. The government thus felt unable to move ahead with unpopular actions and the prototype scheme for Northern England was re-assessed. Slow progress in drafting, let alone implementing the Areas Schemes, allowed the Conservative Party, successful in the election of 1951, to repeal the provision of Area Transport Schemes. The Transport Act of 1953 re-invested the Traffic Commissioners with their pre-1948 powers and duties.

Though the motorbus industry was then returned to the rigours of the 1930 Act, it faced a different set of circumstances to those of the 1920s and 1930s. The 1950s witnessed a major increase in private car ownership. Automobiles had become relatively much cheaper and mass production had made them accessible to many households. Ownership was reinforced by post-war land use decisions that meant many workers had longer journeys to work or journeys that were difficult to make by public transport. In 1950, public transport (road and rail) accounted for 75% of all passenger mileage travelled. By 1960, nearly 30% of all households had at least one car and by 1970 the roles of the different modes had

¹⁷ Mulley (1988), pp.122-136.

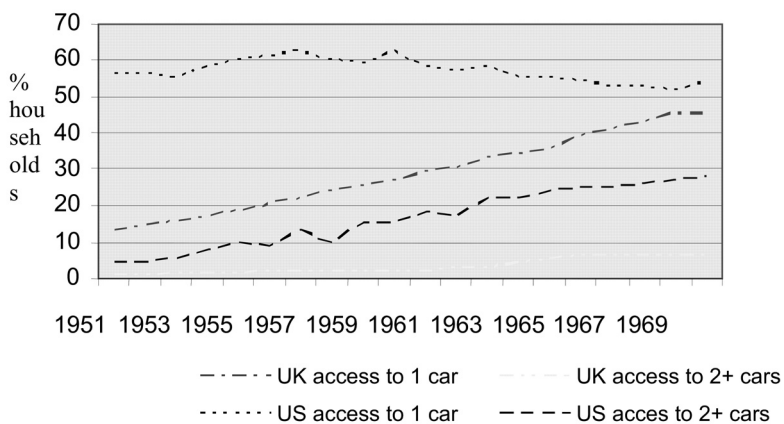
¹⁸ Mulley (1989), p.199.

been fully reversed with 77% of all passenger mileage travelled by private car. Whilst households in the UK acquired their first car, in the USA this was mirrored by households acquiring their second – automobility indeed arrived much later in the UK (Figure 3).

The logical conclusion to the reversal of the post-war legislation came with the 1962 Transport Act. The BTC was abolished and separate independent boards were established for each mode of transport. Those motorbus services held in public ownership were now vested in the Transport Holding Company (THC). The Act abandoned any prospect of integration and co-ordination of internal transport services and competition between modes became explicit government policy. Such competition, it was hoped, would stimulate financial improvements, especially for the railways which were facing bankruptcy. Nearly all the local motorbus activities were brought under one control apart from the municipal transport companies and those operating in London.

The 1962 Act had not been long on the statute books before another political change introduced a further alteration to policy. The Labour government proclaimed that a commercial approach would not integrate services and drew up passenger transport legislation to effect coordinated services. Changes in travel patterns, particularly in the larger urban areas had meant that local authorities were often too small, geographically, to bring about integration and so Passenger Transport Authorities (PTAs), which spanned the local authorities of the major conurbations, were created. These PTAs had financial powers to ensure cooperation between road and rail and their presence marked the beginning of urban transport policy in the UK. The issue of motorbus licensing, however, remained as specified by the 1930 Road Traffic Act.

Figure 3 Households with access to a car in USA and UK 1950 - 1970



Source: Wattenberg: (1977), Q175-Q177 (USA); *Transport Statistics Great Britain 2004*: Table 9.14 (UK).

[44]

Outside the major conurbations the National Bus Company (NBC), which had inherited the enlarged interests of the THC including all the BET interests, managed motorbus policy. It delivered bus services through the formation of a number of regional bus companies, each of which dominated the geographical areas in which they were based. The PTAs flourished and in many cases pioneered integrated networks¹⁹ within their boundaries, but at the public cost of underwriting uneconomic services. Subsidy levels spiralled in the 1970s as use of public transport declined with the widespread use of the private motorcar. The latter created the additional problems of congestion, which by the late 1970s adversely affected the reliability of urban bus services. Beyond the PTAs, the incumbent NBC subsidiaries were very staid in their methods and the effects of the 1930 legislation made it difficult for entrepreneurs to start new services. Thus integration between land use and transport policies frequently failed. As new housing was rarely adequately served by public transport, the car became a 'necessity' and the motorbus very much a poor relation. The 1950s to the 1970s saw the decline of the motorbus and the rise of its perception as the mode of last resort.

This period of British motorbus public policy was shaped by successive governments' attempts to deal with the railways. The related policy of bringing such a high proportion of motorbus transport into public ownership led to increasing demands on resources, setting the stage for the next phase of change. But, the main controversy centres on whether the legislation concentrated too heavily on the process of organisational change rather than confronting the real problem of the rise in private motor transport.

On both sides of the Atlantic, the 1960s saw the motorbus industry catering for a smaller proportion and specific parts of the travel market. For both countries the cause was the same: growth of competing modes, particularly the private motorcar. In the USA there were more bus than train passengers because the bus, as a flexible and relatively low cost vehicle, served more urban and rural communities and served them economically. In the UK, the end point was the same, but the route was different. British policy was dominated by the desire for coordinated transport and the process of nationalisation was designed to provide this through single ownership but with the additional advantage of profits deriving to the state rather than individual companies. While based on sound economic principles at the time as the motorbus sector was making good returns, it had not the foresight to see the effects of growth of the private motorcar. By 1970 the major difference in the status of the motorbus on each side of the Atlantic lay in ownership and public subsidy: by the late 1970s the UK regular passenger bus services were primarily in public ownership and benefited from considerable public subsidy whereas the lack of such public subsidy outside the conurbations led to a sector more commercially focused with the need to gain and retain patronage in the USA.

¹⁹ Tyne and Wear, for example, introduced an authority-wide integrated network with the new metro at its centre. Bus services were reorganised so that they became feeder services to the metro and pricing and ticketing allowed multi-trip journeys across modes for the first time in the UK.

4. Deregulation and limited horizons

The economic regulation that had lasted in some form for nearly half a century gave way to economic deregulation in both countries in the late 1970s and 1980s. Deregulation or a range of processes and laws that aimed to loosen the dominance of government policy in shaping market developments and structures then became widespread in westernised mature economies. The policies were introduced because regulation was increasingly perceived as being burdensome, ineffective, highly bureaucratic and time wasting, and in the UK, a drain on valuable national resources through subsidy. In the USA, the loss of credibility in and the failures of the federal government following the Vietnam War, Watergate and the oil crises contributed to a political atmosphere that resisted centralisation in general and regulation in particular. On a macroeconomic level the records of both national governments were weakened by their failure to deal with stagflation. Questions were raised about whether regulation contributed to economic crises. Deregulation fitted the mood of the 1970s and 1980s and trans-Atlantic governments looked to changing their policy to encourage more competition and individual freedom²⁰.

Commentators differ whether the UK or the USA led the way in the process of transport deregulation. Some liberalisation of transport controls were early visible in the UK when the railways were freed from many constraints in 1962 and the economic controls over road haulage were effectively abolished in the 1968 Transport Act. But the process of deregulation was lengthy. The railways did not gain full commercial freedom until 1977 and the deregulation of the bus industry was staggered from 1980. British Airways only became a commercial operation in 1987. In the USA, by contrast, a flood of legislation between 1978 and 1982 basically unpicked the system of economic regulation that had been developed during the century, starting with the airlines and ending with the motor coaches.

In the USA, the bus industry continued to modernise its operations in the late 1960s and early 1970s. Strenuous efforts were made to increase efficiency, more special services were introduced to offset problems in the scheduled service and user-friendly and upbeat marketing drives attempted to attract new clientele and to retain existing passengers. But labour costs continued to rise, energy crises in 1973 and 1979 contributed to significant increases in fuel costs and mounting charges for new vehicles all meant that bus companies were unable to finance their operations from their profits. Marketing campaigns attracted attention, but not customers. If the bus industry was to meet the challenges of intermodal competition it needed outside investment funds. These were slow to materialise because the bus industry was perceived to be in difficulties. Perhaps if the federal government offered support some private initiatives would follow. The government knew that buses supplied a very useful service for small rural commu-

²⁰ See, for example, Swann (1988), pp.128-63; McCraw (1984), pp.222-99; Baumol, Panzer and Willig (1988), pp. VI-XV, 498-510.

[46]

nities and for lower income citizens and thus it would be both difficult and unacceptable on social grounds to let the industry expire. It was, however, also aware of the major crises facing the passenger rail network.

On the railroads freight had cross-subsidised passengers for years and rail companies had ended unprofitable passenger services whenever possible. Pressured by an active rail lobby and concerned to ensure a minimum rail network, Congress intervened with a subsidy in 1970 and created the National Rail Passenger Corporation, better known as Amtrak, to run passenger operations. Though train services improved more federal subsidies were needed. Intercity bus operators complained about unfair competition. Their efforts to compete with their long-standing rival, especially in the busy northeastern corridor of the USA, proved to be very difficult and revenue from large bus operators dropped. Losses, however, were not solely due to government supported railroad activities. Airlines continued to increase their share of long-distance travel, stimulated by greater use of the fast, wide-bodied jet aircraft that fostered a relative price decline between plane and bus fares. At the same time automobile ownership and use continued to grow with over a third of American households possessing two or more vehicles. Competition from other modes of transport was intense.

Challenged by problems within and outside the bus industry, its leading operators and its trade association initially favoured government subsidy as the way forward. Capital grants for the construction and improvement of terminals and other facilities, operating subsidies directed mainly towards rural and small urban areas, tax concessions and regulatory reform designed to offer flexibility of rates might revitalise the bus industry. Some limited financial assistance was forthcoming in 1978, but by this time politicians, their advisors, economists and some bus carriers themselves preferred to alter public policy to promote competition, which they hoped would result in greater efficiency and in profitability. In an era of conservative politics the mood of the country favoured free market enterprise.

The Bus Regulatory Reform Act of 1982 did not completely 'free' the industry, but it markedly relaxed federal governmental authority. In some ways it unpicked the Motor Carrier Act of 1935 in that many of its provisions revised the earlier act. Any able carrier could now operate a route unless it was contrary to the public interest. Price flexibility was allowed on fares and exit from unprofitable routes was made much easier. Bus companies subsequently started to operate over each other's territory if the routes were profitable. Price warfare ensued and larger companies found themselves in even more difficulties. Facing competition from smaller firms who hired cheaper and non-unionised labour, they wanted to negotiate wage cuts and new conditions with their unionised work force. Unions resisted new terms of labour, resulting in more difficulties. Greyhound, the only coast-to-coast operator faced highly disruptive strikes as workers attempted to maintain their rights. As a result the corporation filed for bankruptcy in 1990 to re-order its finances. The restructured corporation emerged in 1991 as a smaller business better able to compete in a deregulated world²¹.

²¹ For this and the previous four paragraphs see Walsh (2000), pp.47-53.

This world increasingly meant that the bus industry would take a secondary place in the transport sector providing regular route services for those unable or unwilling to use automobiles or planes and catering for a wider range of travel and transport markets with special services. Within the motorbus sector companies made considerable efforts to adjust to the new conditions. Both interstate and more local operatives lowered prices, improved and relocated facilities, especially terminals, invested in new coaches of the mini variety as well as the regular route size, made rural connections with other lines, offered a variety of charter possibilities and established computer systems to assist with ticketing and routing. Flexibility and diversity became the essential hallmarks to both survival and success. By the late twentieth century the American bus industry consisted of a variety of multi-sized companies subject to safety, disability and public accountability regulations, but operating in a competitive economic market. The visible hand of the government may have been modified, but it had not been withdrawn either in relation to the bus industry in particular or the transport sector in general. Indeed deregulation did not mean an end of legislation, nor did it end the direct subsidies for the construction and maintenance of the transport infrastructure. Transport in the USA continued to operate within a mixed economy, albeit public policy was perceived to be less intrusive than in earlier years.

The British motorbus industry also faced hard times as patronage continued to decline in the 1970s and 1980s and operating costs increased steadily. With fewer routes being commercially viable, the opportunities for the cross subsidy of the 'unremunerative services' fell away and the network subsidy bill claimed by NBC rose. Mobility did not shrink. People were travelling more but now by private car. Following their price decline and the infamous Beeching cuts of 1963 which resulted in the closure of about one quarter of railways and about one third of all railway stations in 1963, cars per household increased from 0.46 in 1965 to 0.84 in 1985/6. The construction of high-speed motorways in the 1970s which cut automobile journey times enormously further encouraged car usage, while not helping the bus industry²². Indeed bus passenger mileage fell by 28% between 1968 and 1988 while car passenger mileage increased 92% over the same period. Some competition came from train and air travel for long distance journeys but the long distance motorbus tended to cater for a different market – one that preferred a longer journey and cheaper fares. While subsidy to the motorbus industry was increased from 0.4 pence per passenger to 7.9 pence per passenger between 1972 and 1982, this did not meet the ever increasing gap between costs and revenues even though fares were increased by almost 30% over the same period – in itself another reason for declining patronage²³.

In the late 1970s a groundswell of opinion against increasing the subsidy to the motorbus sector to keep the service going was sustained by the fact that unit costs

²² For example, travelling by car from London to Sheffield took a full day's driving prior to the opening of the M1 when travelling time was reduced to no more than 4 hours.

²³ Root (2000), pp.438, 446-453 and 463; Button and Gillingwater (1986), pp.91-92.

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were rising well above the general level of inflation. A growing body of economic literature suggested that there was evidence of 'subsidy leakage' that increased wages for staff, typically drivers. This literature also commented on the high levels of cross-subsidy - up to 40% in some instances- and debated why bus companies rather than politicians decided where the subsidy was directed. In earlier years, subsidy was deemed to be acceptable because much of the population used public transport. Now, however, the popularity of the car meant a less supportive attitude. This questioning was strengthened by the changing political atmosphere, which as in the USA was growing more conservative. However, any withdrawal of government finance would result in rising fares and a further reduction in passenger numbers. By the early 1980s policy directed in the public interest had changed its meaning and the Conservative government, which came into office in 1979, was committed to deregulation²⁴.

The new government had canvassed on a policy of reducing expenditure and taxation. Favouring the 'peoples' capitalism' and their right to greater freedom of choice through less public spending and lower taxation, the Conservatives moved to provide this by creating a more competitive economy. For the bus industry the 1980 Transport Act began this process. It introduced deregulation of long-distance coach services in which passengers were carried more than 30 miles, liberalised parts of the licensing of other bus services and set up some experimental areas where no regulation, other than quality regulation, was in place. In 1985 further measures, which effectively deregulated the market, followed. The arguments advanced claimed that a competitive market would be created thereby substantially reducing costs. Resource allocation would be improved by the reduction in cross subsidy and there would be no negative effects.

The motorbus market was divided between commercial and non-commercial services. The former were defined as any service that an operator was prepared to offer where the only government support was concessionary fares' reimbursement and fuel tax rebate²⁵. The only requirement was that routes should be registered. Fares were uncontrolled and could be changed with no prior notice and there was free entry and exit. Non-commercial services were those identified by the local authorities as socially necessary and for which a subsidy could be paid following a competitive bidding process. Alongside the provisions for competition, the government insisted that the NBC subsidiaries were privatised in small enough units so as to remove any regional monopoly. Buses operated by local authorities were to be set up as separate legal entities and operated differentially from their public owners.

Initially, bus deregulation appeared to be a success because services were operated either commercially or at a lower unit cost than when they were NBC

²⁴ Button and Gillingwater (1986), pp.92-94.

²⁵ Where concessionary fares or reductions in fares for special categories of people (for example, the elderly and disabled) are granted on commercial services, operators are compensated by means of a subsidy. Fuel tax rebate on the other hand is paid to operators of all services registered for use by the general public.

subsidiaries. Fierce competition or ‘bus wars’ occurred in many major cities for the most lucrative routes. Operating costs fell significantly, largely because of lower wages for drivers, but the central administrations of the deregulated bus companies were also severely cut and more economies were made in maintenance and purchasing regimes²⁶. But this perceived gain proved to be temporary. Most of the new post-deregulation companies either went into bankruptcy or were taken over or merged together. Furthermore, deregulation failed to reverse the downward movement of passenger journeys and patronage fell by more than 10%. Compared to its European neighbours, British bus fares were high and the quality of service was low, features that are not conducive either to keeping passengers or encouraging car owners to move to the bus. A less well-known but important negative effect of deregulation was the loss of local bus planning staff with consequential damage to any integration of land use and transport planning. By 1990 the number of commercial routes had declined and local authorities found that they needed to balance the social necessity of one route against another in order to stay within their budget constraint.

In terms of industrial structure, the privatisation of NBC was achieved at the cost of a low return on its sale. Many of the early sales - 117 companies from the five public sector ownership groupings between 1985 and 1996- were management or employee buyouts. More recently large-scale mergers have produced large bus companies with considerable territorial monopolies. Each of these has floated on the Stock Market and has diversified, with different degrees of success, overseas and into other transport modes. Since 2000, bus company ownership has substantially stabilised²⁷ with approximately 66 % of the market share measured by ownership being accounted for by listed companies. In reality, the policy on

²⁶ See below for information on the post deregulation changes in subsidy and operating costs.

Operating statistics for the UK outside London

	Bus km (million)	Passenger trips (million)	Subsidy			Operating costs per bus-km (£) ^a
			Total £ million ^a	£ Per bus km	£ per passenger trip	
1985/86	1803	4489	1058	£0.59	£0.24	£1.63
1990/91	2448	3672	733	£0.30	£0.20	£1.08
1995/96	2623	3178	643	£0.25	£0.20	£0.92
2000/1	2642	2950	672	£0.25	£0.23	£0.89

a: at 2000/1 prices.

Source: Transport Statistics Great Britain (1997 and 2002) Tables 5.1, 5.5, 5.6 and 5.8

²⁷ In the last 3-4 years there are less than ten examples of sales or mergers involving more than 40 vehicles in comparison to several hundred in the previous 12 years.

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privatisation has exchanged a public monopoly for one that is located in the private sector.

Changing politics again have led to changing priorities. The Labour government is committed to increasing the use of public transport as part of its overall transport policy and has embraced recent research identifying quality of bus service as central to encouraging take-up. The recent Transport Acts of 2000 and 2001 have given new powers to local authorities to encourage improved service and to try and halt the decline in patronage. Local authorities can now subsidise operators, even on commercial routes, in order to provide a higher frequency and can define levels of service or vehicle quality in the context of 'Quality Partnerships' between themselves and operators. The 2001 Act has allowed the introduction of 'Quality Contracts' between a local authority and operators which would allow protection on any given route to the nominated operator for a specified level of service. Such quantity licensing by the back door has been perceived as bringing the UK experience back full circle to the introduction of the 1930 Act.

5. Conclusion

What can be said in conclusion? Approaching transport policy generally it is possible to locate two broad periods of regulatory activity in both countries. An 'Age of Protection' in the interwar years witnessed the decline of the railway and the rise of the car and bus. During these years there was some measure of agreement about the need for a formal transport policy and there was some willingness to embrace a concept of public interest. Licensing was the means of control on both sides of the Atlantic in both the Road Traffic Act of 1930 and the Motor Carrier Act of 1935. The practice of these acts tended to favour existing operators, a propensity that led to mergers and larger firms. A transatlantic difference lay in the background to these licensing regimes. In the UK, concern over safety was the initial incentive for regulation whereas, in the USA, it was concern over intermodal competition.

Subsequently there was some divergence. In the UK, the stated goal had always been the coordination of transport. Licensing was introduced and implemented to try and foster this end. But the aftermath of the Second World War brought a political environment that believed that coordination and integration was only possible under single ownership and, because the transport market offered profits, believed that these should be for public rather than private benefit. For the motorbus, however, nationalisation did not really happen and by the time the political climate changed, the downward trend in patronage had begun in the face of the increasing popularity of the private motorcar. Nationalisation was an experiment yet to be completed but one which left significant parts of the industry in public ownership. In the USA, the war years witnessed an artificial increase in bus passenger travel. Subsequently the freedom and flexibility of indi-

vidualised travel won out and because of the geography of the United States public ground transport was challenged by the rise of viable air travel. Thus the trans-Atlantic divergence in policy did not appear to have any effect on the end result of bus passenger traffic because neither government recognised early enough the popularity of the private motorcar or for the United States considered the potential of commercial air services.

A further attempt was made at coordination of local transport in the UK in the late 1960s but this did not stem the decline in use of the motorbus and led to concerns about the efficiency of public transport and the rising costs of subsidy in years that were marked by high inflation. These years were accompanied by a growing political conservatism and greater concern for marketplace economics and the UK pioneered deregulation and privatisation of what appeared to be a declining industry. Nearly two decades later, however, public policy seems to be tempering the system to try and improve the public passenger transport market. The USA also deregulated its transport sector, but despite rhetoric about free enterprise and competition, never fully gave up its financial support of transport. Competition was tempered by support deemed to be essential for the public interest.

This article suggests that the public policy of the USA and UK have had similar objectives but have not always taken the same road to fulfilment. The evidence is not conclusive as to the best means of management, primarily because the world and its markets are constantly evolving. Technological progress changes many relationships and these are ignored at some cost – a cost that was paid both in UK and USA for the lack of appreciation of the impact of the private motorcar. It remains to be seen whether the popularity of the free market in either or both countries will fade in favour of more government control, in the face of possible energy shortages, alternative fuels and environmental issues.

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